IN THIS ISSUE

Announcement of Promotions

We are pleased to announce the following promotions:

Matthew (Matt) Quinn to **Managing Director**

Jeffrey (Jeff) Wurtz to **Chief Financial Officer**

CHARTING THE COURSE

Dazed and Confused

By Mitch Siegler, Senior Managing Director

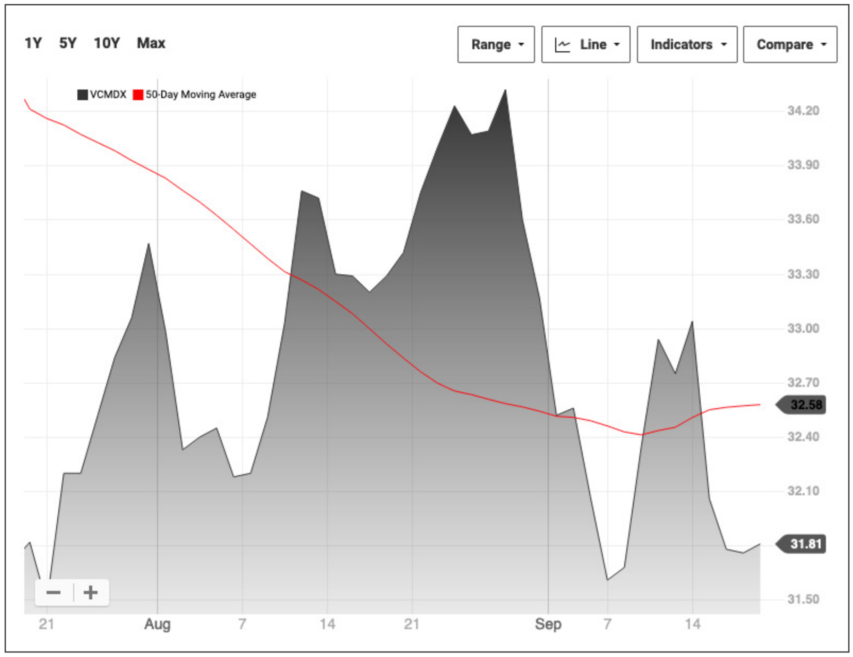
No, we're not talking about the 1993 stoner film – or even about cryptocurrencies, NFT's or the metaverse – all of which make our eyes glaze over.

Mixed signals abound. Federal Reserve Chair Jerome Powell doesn't talk much anymore about a "soft landing," an economic slowdown which slows inflation without causing a big increase in unemployment. Half of Americans surveyed think the U.S. is already in a recession and last week's 75-basis point increase in interest rates is virtually assured to further depress the already stagnant housing market and slow bank lending – among the casualties in the Fed's war on inflation. (A basis point is 1/100 of a percentage point.)

Also making our heads spin are the wild twists and turns in markets this spring and summer.The past few weeks have been brutal for equity markets; the S&P 500 is officially in bear market territory, down 24% year to date. It's not lost on investors that September and October are historically difficult months for equities so the recent downdraft and volatility could be just the warm-up act.

The bond market has not exactly offered investors a warm, gentle aromatherapy bath. The yield on the ten-year treasury note has skyrocketed nearly 80% from 1.87% on March 1 to 3.93% now. Investors in 30-year treasury bonds, long believed to be a safe haven investment, have had their worst year in decades. The VIX, which measures volatility, has whipsawed from 37 in March to 18 in April before settling at about 30 now (after retesting the lows again in August). And if you're not completely baffled, check out this roller-coaster-shaped chart for the Vanguard Commodity Strategy Fund during the past year.

"We might experience a little turbulence," says the soft-spoken, 30-year airline pilot, who learned how to stay calm under pressure flying fighter jets. While relieved to hear a steady voice, seasoned travelers might still be just a wee bit nervous. That's kind of how experienced investors likely feel. Here are a couple of other things that have us scratching our heads this summer.



[Vanguard Commodity Strategy Fund Chart]

Exhibit "A", public equities – The market for initial public offerings has been frozen solid for months; it's a very short list of companies which have gone public this year. Meanwhile, a quite well-financed, publicly traded technology company we know well has a current market capitalization about a third *below* the value of the cash on its balance sheet. And this company has blue-chip financial backers, no debt, highly innovative technology (for which investors give it not one penny of value) and a several-year cash runway. Hmmm.

Exhibit "B", the venture capital sector – Several private companies we've invested in personally have very short cash runways and need to raise capital, like yesterday. The companies' lead investors are AWOL for one reason or another. In a couple of cases, the old fund which made the original investment is fully deployed and there's no new fund today. In another case, the lead investor has several "problem children" in their portfolio and limited bandwidth for care and feeding – or discipline – depending on their *parenting* style. So, a new lead investor can set fresh terms, which represent 'burn-out' valuations a fraction of previous values. And the companies have arguably progressed meaningfully toward technical and/or sales milestones since the prior financing rounds. Hmmm.

Other head-scratchers revolve around when inflation will cool, when supply chain issues will resolve and if we'll have a recession, stagflation, or something else. It's apparent that the unprecedented government spending these past two-and-a-half years is still winding its way through the financial system and continuing to stoke inflation. We believe the Fed was caught rather flat-footed from spring 2021 until its first rate hike this past March. To preserve its reputation, we expect the Fed to err on the side of squelching inflation – the economy be damned. If we must have a recession for Fed governors to sleep well knowing they tamped down inflation, so be it. Until the Fed can really get a grip on price stability and investors can truly wrap their heads around whether we're heading for a soft landing or something else entirely, the turbulence is likely to continue.

Experiencing Labor Pains?

Turbulence aside, there was much for the Fed to like about the August jobs report, published the Friday before Labor Day. There were 315,000 net jobs, fewer than in July. Wage growth also slowed. Unemployment ticked up to 3.7% as more people entered the workforce. So, the Fed's alchemy – five interest rate rises in the past six months – seems to be bringing about its desired effect, dampening economic growth. Slower growth is the Fed's medicine for high inflation so what's not to like?

Well, for starters, the Fed seems to be fighting the last war in the way it measures unemployment. You see, our unemployment measures were designed to track people who were unemployed because they *couldn't find* jobs. The issue today is that millions of people are unemployed because they *choose* to not be employed.

You've heard the overused phrase "The Great Resignation". Millions of Americans have dropped out of the workforce. It's why so many jobs remain unfilled, restaurants continue to be short-staffed, construction projects are taking longer than planned, driving up costs, and tech companies struggle to hire the engineers they need.

Economist Nick Eberstadt, who wrote "Men Without Work", says four times as many Americans withdrew from the workforce since the start of the pandemic than are technically unemployed – so looking at the official unemployment rate misses four-fifths of the iceberg. Of course, this phenomenon didn't just start yesterday – it's been occurring for decades at a smaller scale but was turbocharged during the pandemic.

Here's the math: There are 11.2 million job openings in a market with six million unemployed workers to fill them. That's nearly two jobs for every person seeking one 30 months after the onset of the pandemic. This is feeling like a more permanent challenge with implications for economic growth, productivity, inflation, and society at large.

Sure, some of this is a mismatch of skills but much of it isn't – millions of able-bodied workers have withdrawn from the labor force. The Kansas City Fed estimates that 2.1 million "excess" retirements – those above the historical trend line – occurred during the pandemic. And as more Americans stay home because of long Covid, to care for an ailing parent or for other reasons, the labor-force participation rate has fallen from 63.4% prior to the pandemic to 62.4% in August. While that doesn't sound like a massive shift, it's millions of workers. And get this: the Labor Department forecasts further declines to 60.4% by 2030 – that's several million more workers on the sidelines!

The labor shortage could get worse, and the problem could persist for many years. Today, labor markets are being squeezed by a sharp fall-off in legal immigration, especially in important sectors like science, technology, engineering, and mathematics (STEM). Job postings for hardware and software engineers are up more than 80% since February 2020. The Labor Department expects a shortfall of more than a million STEM workers by 2030. And each STEM job drives economic growth that translates into another 2.5 jobs, so this is a very big deal.

We always like to close on a happy note. As temperatures fall and the leaves begin to change, we hope interest rate increases are closer to the end than the beginning, inflation is finally cooling, supply chain shortages are beginning to ease and labor markets will soon return to equilibrium. Surely, that's not too much to ask for?

Mitch Siegler is Senior Managing Director of Pathfinder Partners. 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. He can be reached at msiegler@pathfinderfunds.com.

CHECK OUT THESE RECENT PODCASTS

Street Smart Success with Roger Becker

Pathfinder's Mitch Siegler was recently a featured guest on the Street Smart Success with Roger Becker Podcast Episode 217, 50% of Americans Are Renters And There's Not Enough Apartments. Listen here.

Alternative Investment Podcast

Watch Mitch Siegler on the Alternative Investment Podcast discussing why multifamily remains a resilient sector despite economic turbulence. Hear Mitch's perspective on value-add multifamily investment strategies and Pathfinder's unique approach. Watch it here.

FINDING YOUR PATH

A Bumpy Ride Ahead for Housing

By Lorne Polger, Senior Managing Director

I'm concerned. Very concerned.

After the Federal Reserve's latest interest rate hike last week, the average 30-year mortgage rate topped 6.5%. That's the first time since 2008 that the rate has been this high. And, given the hawkish mood of the Federal Reserve Board to stamp out the rising tide of inflation, it ain't over – the next Fed meeting is in November and, as we sit here today, another rate hike is virtually assured. Could we see 7% rates on 30-year mortgages by year-end? Probably. And 8% next year? Maybe. Consider this. The average mortgage rate in 2021 was below 3%. So, rates have more than doubled in a year. And there's likely more to come.

Not surprisingly, mortgage applications are way down. Applications for home mortgages dropped in late August to a 22-year low as potential buyers balked at the combination of high home prices and elevated interest rates. Year over year, mortgage applications are down almost 30%. And the refinance market? Fuhgeddaboudit. Refinance demand is down 83% year over year. And with rates above 6%, a mere half a million borrowers could benefit from a refinance, according to Black Knight, a mortgage technology firm and data provider. That is the lowest number on record. And it may be going lower.

The National Association of Realtors ("NAR") also reported that its pending home sales index was down 19.9% from July last year. The number of signed contracts to buy previously owned homes is now at the lowest level in two years. Meanwhile, new home sales fell for the sixth straight month in July to the lowest level since 2016.

Housing starts, a measure of new home construction, also plunged this summer as the cost of building supplies and construction labor remained high and prospective buyers were priced out of the market. Unsold inventory sits at a 3.3-month supply at the current sales pace, up from 2.9 months in June and 2.6 months in July 2021.

While 3.3 months of supply is still a healthy level, the trend isn't great.

And in Pathfinder's markets in the western U.S., existing-home sales retracted 9.4% month over month to an annual rate of 870,000 in July, down 30.4% from this time last year. The median price in the West was $614,900, an 8.1% jump from July 2021. Lawrence Yun, the NAR's long-time chief economist noted that: "The action is in the pricey West region which experienced the sharpest sales decline combined with a sizable inventory increase. It's likely some Western markets will see prices decline..." Likely Lawrence. He's always been a bit understated.

In a rising tide, everyone wants to jump on the ship. I did back in June 1989 when I purchased my first home in San Diego. (Full disclosure; we closed the day the market peaked. Ugh. I sold my home six years later at a loss; of course, it's worth a small fortune today.) All my peers told me I was a fool to rent. After I heard it enough times, I convinced my wife to jump in.

Over the last decade, we've seen meteoric growth in home valuations, and especially so over the last couple of years, where prices rose 30% or more in some markets. As the tide rose, many tried to jump on the boat. More wanted to but struggled to come up with the down payment as the regulatory environment largely eliminated low down payment loans and buyers struggled with large student loans and other consumer debt. As we've written about over the years, this, in part, resulted in a significant decrease in homeownership, from a high of 69.2% in 2004, to a low of 62.9% in 2016, to the most recent reported level of 65.8% in the second quarter of 2022.

Demographers expect further declines in the years ahead and higher mortgage rates will accelerate that trend. Here's the math.

Mr. and Mrs. Smith find the new home of their dreams in Happy Acres. They've saved for years and are ready to put the big deposit down. They are purchasing the house for $800,000 and getting a mortgage for $600,000. The monthly principal and interest payment on a 30-year loan at today's interest rate of 6.5% is $3,792. That's more than $1,200/month, 50% above the payment of $2,530 that they would have had at the 3.0% interest rate from last year. Big change. When you then tack on the costs of taxes and insurance (and potentially HOA fees), the number climbs well beyond the costs of renting that same home. How much more? A June report issued by John Burns Real Estate Consulting noted that having a mortgage cost $839 more per month than having a lease; $200 more than at any time in the past 20 years. Nationally, the cost of owning is 31% higher than renting, although the disparity is even higher in metro areas where housing prices have surged (38% in Denver and 35% in Phoenix in just the past two years). Their report is three months old; the disparities are likely greater now given higher interest rates.

It costs significantly more now to own than rent, that cost is likely increasing, and the Smiths have been reading lots of recent news stories opining that home prices may be "correcting" to the tune of 5-20% over the next year or two. What do they do? Most likely, they keep renting. Inflation has already stretched their budgets and the last thing they need is to exacerbate that problem. In 2021, the Urban Institute forecast that the homeownership rate in the U.S. would fall to 62% by 2040, and that the pace of renter growth will be more than double the pace of homeowner growth from 2020 to 2040.

What happens next? Builders slow their construction of new homes, even though we've significantly under-supplied housing across the U.S. If you're a builder, the last thing you want is standing inventory – you're all about turning your inventory quickly and paying down your construction debt. The weak sister homebuilder cuts prices to stimulate sales and competitors follow. At some point, prices fall as demand shrinks and builders need to get that inventory off their books. Ripple effects occur in the space, as the reduction in building affects demand for materials and labor, driving those costs down. Meanwhile, rental rates likely continue to climb because of increasing demand for rental housing – keep in mind that we have also continually under-supplied rental housing in the U.S.

Not a perfect storm, by any means, but I'm forecasting a bumpy ride ahead in the housing sector.

Lorne Polger is Senior Managing Director of Pathfinder Partners. 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. He can be reached at lpolger@pathfinderfunds.com.

POINT: COUNTER-POINT

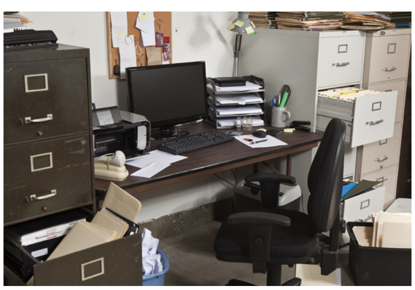
GUEST FEATURE

The Death of Office Space?

By Scot Eisendrath, Managing Director

What is the future of office space? Is hybrid work here to stay? Will we ever see the type of office space utilization rates that we had prior to the Covid-19 pandemic? These questions are difficult to answer, but a look at my personal situation could provide some insight.

I started my professional career in San Diego in the early '90s. I joined CBRE, the large real estate services firm, as an analyst in their Financial Consulting Group. The office was a second home to me. Not only during regular business hours, but sadly during evenings and weekends as well. I am dating myself a bit, but this was before laptops were commonplace; if I remember correctly, I got my first laptop a year into the job.



The office was where my files were located, not just computer files, but physical files with all the info I needed to do my job. At this time, computer programs could not be remotely accessed, so I also needed to be in the office to utilize the tools that were required to do my work. More importantly though, the office was where I learned from my experienced senior co-workers. I learned from their example how to conduct myself in meetings and on conference calls, and how to interact with colleagues, clients, and other professionals. One of the most significant factors that I attribute to my professional success is the time I got to spend with co-workers who ultimately became mentors to me, and many times those interactions came from impromptu meetings, conference calls and

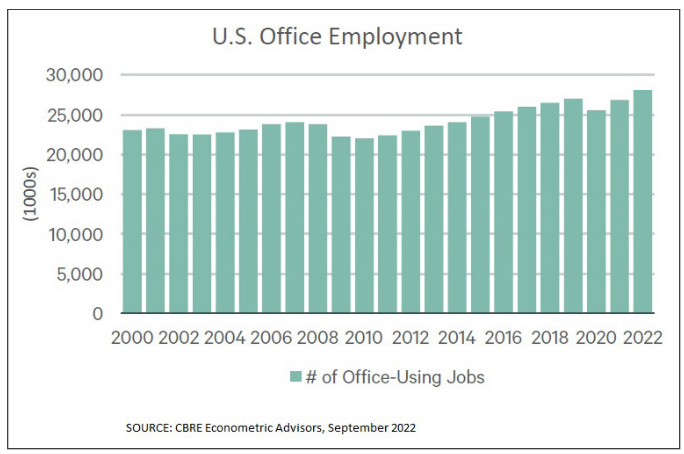
Continued on Page 8

GUEST FEATURE

The Future of Office

By John Frager

Let's not be dramatic. While the COVID-19 pandemic has prompted trepidation and delayed decision making, the need for office space is not going away. Industry professionals have argued that Work-from-Anywhere could decrease overall demand by up to 10-20%, but most companies believe the need to redesign office space will increase demand by an almost equal amount. Long term, there is one basic fact: the number of office workers in the U.S. will continue to grow, along with the population. The decreased demand for office employees because of current Work-from-Anywhere changes will be a small dip when we look back, just as in past recessions.



For most organizations, the office represents a fundamental tool. Studies have concluded that being in the office facilitates interaction, sparks innovation, and in turn, the potential for new, disruptive ideas. Hybrid and 100% remote work have proven to be successful for veteran employees in defined roles with trusted colleagues, but for certain people and objectives, work that is entirely remote presents problems that can only be solved in the office. For example, studies have also

Continued on Page 8

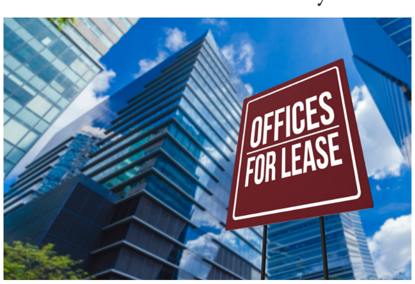
(The Death of Office Space? continued)

client visits that were I not in the office, may have never happened.

Fast forward to today. I believe that hybrid work has changed my life for the better. I have found that 6:30 to 8:30 in the morning are two of my most efficient hours for work – especially if you are not spending them getting ready for the workday and commuting. With the extra time I have throughout the day, I am doing more physical exercise and have taken on additional hobbies, which have dramatically improved my work/life balance. I don't necessarily need an office to efficiently do my job anymore, as my files and programs are in the "cloud" and readily available wherever I am physically located, and with the advent of Zoom® and other means of communication, I feel connected to my co-workers, and believe we still have the same types of synergies we had when all together in the office each day.

In my informal poll of friends and colleagues, I do not really know anyone who goes into an office five days a week anymore or is planning to do so in the future. Of course, I am in a different stage of my career, and I do get concerned about the professional development of young professionals just getting started. But one thing that I've learned is that young people adapt to thrive in a changing environment, and I don't believe this time will be any different. And, in my discussions with young professionals, they seem to be the most vocal that hybrid work is here to stay.

The office vacancy rate is at 19% according to brokerage firm JLL, higher than during the Great Financial Crisis of 2008 – and that vacancy rate is likely heading higher.



If recent headlines in the *Wall Street Journal* are any indication, we are not going back to the way things used to be.

KPMG, the global accounting firm, is downsizing their U.S. headquarters in Manhattan from 800,000 to 456,000 square feet, a massive reduction in space, showing that they believe hybrid and remote work are here to stay. Lyft Inc., the ridesharing app, is making a similar move by subleasing 45% of the 615,000 square

Continued on Page 9

(The Future of Office continued)

shown that an in-office presence promotes the successful onboarding of new workers, provides opportunities for mentoring, as well as the building of new teams.

To be sure, hybrid work appears to be fully entrenched in American life. White-collar workers have enjoyed the demise of the daily commute, leaving them with more time to spend with family or for hobbies, and some people have relocated to the suburbs and small towns, where there is often more space along with the perception of a better quality of life, including reduced homelessness and less crime. Still, many office workers understand the value of the office for not just collaboration, but a sense of community, and prefer to work from the office at least two days a week.

To ensure that employees come to the office at least occasionally, employers must rethink what their offices can deliver that is unique compared to the experience of working remotely. Traditionally, the office sector has been the slowest to change among commercial property types, due to the costly interior improvements that typically lead to longer lease terms.

But the pandemic and rapid adoption of technologies such as Slack and Zoom became the 'great accelerant of change', and now companies are placing more creative thought than ever before into how people work and how best to design spaces.

One of the challenges is 'one-size-fits-all' never really applied to office space, and it certainly doesn't today. Companies differ in the types and number of employees, the work they do, the average age of their employees, and their location. As such, landlords need to reinvest and reimagine what future office spaces will look like through the lens of redesign and its own unique value proposition. This can be thought about not as a flight to quality, but a flight to experience, which includes bigger common areas for superior interaction and collaboration, along with the ability to provide convenient services and prioritize employee wellbeing.

Long-term portfolio planning remains top of mind for companies, but with hybrid work in its infancy and many employees continuing to work 100% remote,

Continued on Page 9

(The Death of Office Space? continued)

feet they currently occupy. This after telling their more than 4,000 office employees in March that they could work remotely indefinitely. And large financial institutions, like pension funds, are selling office buildings as a changing work environment raises the prospect of lower demand for many downtown offices.

And when employers try to mandate a back to the office routine, employees often revolt, as seen by a recent petition of Apple Inc. employees after being told they would need to be in the office at least three days a week (this after a similar revolt earlier in the year at Apple). These are just three examples of companies dealing with hybrid work and office space during a quiet week in late summer. There are countless stories of other companies facing the same issues.

Selected headlines in the *Wall Street Journal*, August 2022:

While I do not believe that we are witnessing the death of office space, the pandemic has certainly turbocharged an evolution that had begun years ago, sparked by moves for greater work/life balance, remote work, cloud computing and other factors. It will be interesting to see how the chips fall, but my bet is that hybrid work is here to stay, we will never utilize office space like we did prior to the pandemic and office space as we previously knew it is forever changed.

Scot Eisendrath is Managing Director of Pathfinder Partners. He is actively involved with the firm's financial analysis and underwriting and has spent more than 20 years in the commercial real estate industry with leading firms. He can be reached at seisendrath@pathfinderfunds.com.

(The Future of Office continued)

occupiers have exercised caution. According to CBRE Econometric Advisors, U.S. demand over the past four quarters was 58% below the 2017-19 average. However, more companies are making long-term commitments to their offices. Large tech companies increased their footprint over the past two years by approximately 20%, including in San Diego, where Fortune 50 tech companies leased over 3 million square feet.

Recent survey results indicate that not all occupier decisions are being driven by cost reduction or a desire to shrink their overall footprint. In fact, unless a company is willing to go 'free address' with no assigned seating, the amount of square footage leased cannot be reduced, as a portion of the hybrid workers may come into the office on any given day.

Many people believe the demand for office space will dramatically drop. However, it was similarly argued that e-commerce and digitization would supplant retail space, but brick and mortar did not disappear. And like retail, office is finding its new value proposition, with landlords and occupiers alike studying how working from home and in-the office will assimilate in the future. That's where the magic of satisfying employee desires along with employer needs for productivity and a positive culture will be a win-win situation.

John Frager is Executive Managing Director of CBRE, the global leader in commercial real estate and investments. He is also Chairman of Pathfinder Partners' Advisory Council.

ZEITGEIST – SIGN OF THE TIMES

The U.S. Housing Crisis and Possible Government Regulation

The U.S. is in a housing crisis with an estimated shortage of 3.8 to 5.5 million housing units. According to a recent *Harvard Magazine* piece, the origins of the crisis date back to the antigrowth politics of the 1950's which used environmental regulations to protect open space and preserve historic buildings. The result? Abuse of environmental laws by trial lawyers and community activists leading to the U.S. drastically underproducing housing and homes costing 45 times more than they did in 1950 while inflation is about 13 times. Put another way, it's about 400% more expensive to buy a home today than in 1950, adjusted for inflation.

According to a recent report by the *National Association of Home Builders (NAHB)* and the *National Multifamily Housing Council (NMHC)*, regulation represents 41% of housing development costs. The highest component is changes to the building code over the past decade, including energy efficiency and sustainability requirements (accounting for about 25% of all regulatory costs). The second highest cost includes impact fees, utility fees, traffic and environmental studies (nearly another 25%). Other meaningful regulatory costs include site development requirements, affordability mandates, labor regulation compliance costs and project delays for fighting development opposition.

The report also addresses the supply impacts from low-income housing requirements, rent control and neighborhood opposition. Not surprisingly, most multifamily developers surveyed – 88% – say they would not pursue development projects in markets with rent control and 48% would avoid markets with low-income requirements. Three-quarters of respondents reported neighborhood opposition to their projects delaying completion by seven months and increasing costs by 6%. These challenges will often push investors to purchase and improve existing properties in favor of

developing new projects, which doesn't add to supply. While our housing regulations were well intended, their impact over the past 70 years has contributed to a housing crisis of epic proportions.

We're Getting Older and Why That Suggests a Boom in Senior Housing Demand

According to the *National Investment Center for Senior Housing (NIC)*, occupancy across all U.S. senior housing categories bottomed at 78.0% in the second quarter of 2021, mostly due to the impact of the Covid-19 pandemic. Today, occupancy in these categories is up to 81.4%. While occupancies are not back to pre-pandemic levels (85% for assisted living and 90% for independent living), the improvement is expected to continue as the U.S. recovers from Covid-19 and the Baby Boomer generation (born 1946-1964) continues to age. According to a *NIC* report, quarterly demand in the second quarter of 2022 was at its highest level since they began reporting the data in 2005.

There are an estimated nine million Americans over the age of 85 (the average move-in age for senior housing residents) and 16 million between 75 and 85, signaling strong ongoing demand for senior facilities. By 2030, 2 million Americans are predicted to live in senior care communities – double the number from 2016. By 2050, more than 20% of the U.S. population will be 65 or older, up from 16% today. According to a recent *CBRE* report, 40,000 new senior units will need to be delivered annually over the next several years to meet the growing Baby Boomer demand.

TRAILBLAZING: EAST OF ELEVEN, PORTLAND, OR

"The East Side of the River"

Eastside of Willamette River with downtown Portland in the background

The Buckman neighborhood is nestled in southeast Portland, just across the Willamette River from downtown and in the heart of the City's eccentric eastside. The area is known for its tree-lined streets, historic homes and abundance of independently owned breweries, restaurants and retail. Buckman is popular with millennials and was ranked as one of the top five "best places for young professionals in the Portland area" by *Niche*. Nearly 90% of Buckman residents are renters and the neighborhood has experienced abundant growth in recent years due to its relative affordability and proximity to downtown.

Last summer, while scouting out opportunities during the pandemic, we acquired East of Eleven, an 84-unit apartment community in the heart of Buckman. The property, built in 2019, includes a mix of studios and one-bedroom apartments averaging 590 square feet. The apartments feature vinyl plank flooring, washers and dryers, quartz countertops and air conditioning, an uncommon feature in Portland apartments. Residents enjoy include secured parking, a gym, 24-hour package lockers, a pet wash station, bike storage and an indoor/outdoor community room.

East of Eleven's developer completed construction in 2019 and leased-up the property later that year. In October 2020, during the pandemic, occupancy had plummeted to 28%. The developer's construction loan was maturing within months and refinancing was nearly impossible because of the low occupancy. In May 2021, we went under contract to purchase East of Eleven in an off-market transaction. Our 24-month business plan included implementing professional property management, stabilizing the property and upgrading the common areas.

Now, 14 months later, East of Eleven is 90% occupied. We enhanced the lobby and clubroom with new furniture and fixtures and upgraded the gym with new equipment.

East of Eleven Kitchen

East of Eleven Outdoor Lounge

We also modernized the property's security with a 24/7 live monitoring system. We plan to build a new BBQ/seating area in the outdoor lounge later this year. At East of Eleven, we are proud to provide our residents with a modern living environment in a hip, walkable Portland neighborhood.

Buckman, OR: Did you know?

Just three miles east of East of Eleven is Mount Tabor, named after a mountain in Israel and one of only a handful of extinct volcanoes within U.S. city limits. The 192-acre Mount Tabor Park boasts panoramic views of downtown while offering walking and biking trails, sport courts, a playground, an outdoor amphitheater, dog park, reservoirs and plenty of picnic areas. Enjoy the view!

NOTABLES AND QUOTABLES

"Humility"

"True humility is not thinking less of yourself; it is thinking of yourself less."

- Rick Warren, *American Author*

"Humility will open more doors than arrogance ever will."

- Zig Ziglar, *American Author*

"Never look down on anybody unless you are helping them up."

- Jesse Jackson, *American Political Activist*

"If you are humble nothing will touch you, neither praise nor disgrace, because you know what you are."

- Mother Teresa, *Indian Catholic Nun*

"It is unwise to be too sure of one's own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err."

- Mahatma Gandhi, *The Father of the Indian Nation*

"Every person that you meet knows something that you do not; learn from them."

- H. Jackson Brown Jr., *American Author*

"Do you wish people to think well of you? Don't speak well of yourself."

- Blaise Pascal, *French Mathematician*

"Success is a lousy teacher. It seduces smart people into thinking they can't lose."

- Bill Gates, *American Businessman*

"Pride is concerned with who is right. Humility is concerned with what is right."

- Ezra Benson, *Former U.S. Secretary of Agriculture*

"A true genius admits that he/she knows nothing."

- Albert Einstein, *American Scientist*

IMPORTANT DISCLOSURES

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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.

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