

BACELINE INVESTMENTS *Newsletter*

1st Quarter 2009



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Time is Now

Meet Matt Zarlengo

Welcome to the first 2009 issue of the BACELINE INVESTMENTS Newsletter. We hope to provide valuable information to you with our quarterly report.

CHANGE IS IN THE AIR

As the real estate and investment markets have changed, Baceline's focus for 2009 and beyond has adjusted to take advantage of new opportunities while keeping true to its core competencies. Baceline utilizes its extensive track record of acquiring and effectively managing commercial real estate in America's heartland to create value for its clients. Baceline's focus on owning well located properties in the mid section of the country is designed to avoid the cyclical nature of real estate ownership on the coasts. Moreover, Baceline has developed a particular reputation for acquiring real estate with no debt, thus setting itself apart from highly leveraged and risky real estate investment companies who must financially engineer investment results.

Baceline acquires quality properties in select secondary markets within the Midwest, Southwest and Rocky Mountain regions of the country. After extensive analysis, Baceline has determined the most attractive of these metro areas in terms of stability, diversified employment base, quality of life, cost of living and long term growth prospects. Because of the financial crisis that has affected the lending community; certain properties are beginning to sell at the lowest prices that we have seen in years. So Baceline can capitalize on attractive buying opportunities within this niche and be uniquely positioned in locating quality real estate investment opportunities. Using the foregoing business strategy, in 2009 Baceline will grow its No Debt Real Estate Investment Fund III while acquiring stabilized retail and industrial properties without incurring debt and the associated risks. This approach seeks to preserve capital, generate monthly cash distributions and achieve moderate property appreciation over time within a low risk structure.

In harmony with Baceline's value creation model, once any property is acquired, it is transitioned into our company's Green Sustainability Initiatives Program which is a program that helps the environment, reduces U.S. dependence on foreign oil, reduces property operating costs and adds value to its holdings.



Baceline's "Green" real estate program promotes sustainability and profitability. Our new Sustainable Initiatives Program has an environmental impact and will also have a positive financial impact. This program will reduce operating costs and enhance property value and profits - leading to stronger returns for investors.

Distressed Real Estate

Let the Activity Start...

Commercial real estate is at a crossroads. The combination of lack of debt capital, an uneasiness among equity investors and a disconnect in pricing ideas between buyers and sellers has created a standstill in the commercial real estate markets. Transactions are way down from levels seen in 2007 and the first half of 2008.

What will break the logjam is a recovery in the banking sectors to allow more debt capital to be deployed and buyers and sellers finally agreeing on pricing for enough transactions that value can be determined. There is a very real possibility that there will be many distressed properties flooding the market in the second half of this year, which will not necessarily add to the discovery of value for stabilized assets, but will help push along the recovery of the commercial sector by relieving banks and owners of toxic properties.

Investors in real estate will have a decided advantage in the coming years after the dust settles. Since the current administration and the treasury are pursuing policies that many believe will lead to inflation, owners of real estate will achieve some insulation from this because real estate is a hedge against inflation.

Become active today by calling BACELINE INVESTMENTS.

Two Camps Investment Time is Now

The real estate investment market has changed in the last year. Two camps developed in the later half of 2008, those who are simply stunned and are not doing anything and those who are looking for great opportunity in the rough time. The first group is those who are putting their money under their mattress right now, playing "safe" and who will not invest in anything until the economy gets back on track.

The other group has kept their "powder dry" and is looking for opportunity. They see the real estate market in distress and are ready to act when the right opportunity comes up. Depending on the circumstances, that may be buying a house in the suburbs on the courthouse steps out of foreclosure, or investing in a company like ours that is in the business of buying commercial real estate.

So the winds of change hit the investment market last year and for those who wish to seize upon opportunity this year, it will be a great time. For those who are frozen, they will miss all the fun.



GET TO KNOW US.... EMPLOYEE FOCUS- Matt Zarlengo

Mr. Zarlengo is responsible for sourcing, structuring and negotiating acquisitions within his target markets including in depth financial analysis and due diligence prior to closing. Mr. Zarlengo is also responsible for developing relationships with local experts, including brokers, lenders, and other real estate professionals, in order to assist in the continued growth of Baceline Investments real estate holdings.

Prior to joining Baceline, Mr. Zarlengo directed portfolio activities for Mountain West Industrial Properties where he was responsible for asset management, investor reporting, debt placement, and asset disposition. Mr. Zarlengo has held real estate positions with other companies including Apartment Investment Management Company (AIMCO), Wells Fargo Bank, and Keller Williams. Mr. Zarlengo holds a Master's of Science in Real Estate Finance and Construction Management from the Burn's School in the Daniel's College of Business at the University of Denver, a Bachelors of Science in Finance and Real Estate from Colorado State University, and a Colorado Real Estate Broker's License.



THE QUICK FACTS:

Favorite Coffee Drink: no fat vanilla latte

Favorite news paper/website: Bloomberg.com

Favorite pastime: Spending time during the summer months on the Zarlengo Sawmill Ranch at my grandparents cabin in the beautiful rocky mountains just outside of Denver.

Most interesting part of my work at Baceline: Is being able to be at the forefront of asset value discovery, through negotiating acquisitions, during this turbulent and unprecedented commercial real estate environment. The next couple of years will be as defining in my career as the RTC was to those who worked in the industry during that time.

If I could be any animal I would be and why: Uga VII - University of Georgia's mascot...that dog lives better than most humans.

When did you open your first bank account: Age 15 (I think)...I worked at the bank during the summers in high school

When you hear the words I want to be when I grow up.... What comes to mind? Doctor, I always wanted to be a doctor, cardiothoracic surgeon as a matter of fact, but organic chemistry was not something that I was meant to understand, so here I am in commercial real estate and honestly, I couldn't be happier.

Favorite Place to Travel: Anywhere where the weather is about 88 degrees and has an awesome pool bar

www.bacelineinvestments.com

There is no doubt that 2009 has started with quite the ride. Change is all around us. Let us all try to find positive ways to change our lives in 2009.

Our list of ideas for change in 2009:

Take 5 minutes of every day to learn something. Whether it is grabbing the newspaper at the coffee shop or reading a new website. LEARN.

Evaluate your finances. Keep a monthly budget. You don't need fancy software to do this. Simply write down your daily spending. Use columns to see where the \$ is going- food, gas, entertainment, rent/mortgage, utilities, etc.

Drastic measures don't stick. Alter your spending gradually. If you enjoy your morning latte, then enjoy it. Do a Monday-Wednesday-Friday morning walk to the coffee shop, sip your latte and enjoy it. Then the other days, save the money from the latte.

Review your monthly bank statements- check your checking, debt and savings accounts. A great start is to sign up with your bank for electronic statements. Saves trees.

Recycle. Simple. Easy. Do it.

Be creative. Today's world is ever changing. Be a part of change. Try to utilize your mind to be creative and find new ways to change.

Sincerely,

David Puchi
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