

2008 Real Estate Investing – Engage or Retreat

By Doug Arnold, Principal - Director of Acquisitions

The real estate markets at the end of 2007 and during the first quarter of 2008 have largely been at a standstill due to the lack of debt available for commercial transactions and a general weariness of institutional investors to engage in transactions during uncertain times. For the most part, large lenders and investors have retreated to the sideline with no one willing to stick their neck out until someone else goes first or broader market conditions improve. Not having the larger market movers engaged in their core business means there has been lower transaction volume and less real market data upon which investors can base future assumptions.

At Baceline Investments, we see a different side of the market. Being an entrepreneurial company that can adapt quickly to changing conditions allows us to take advantage of what we see as opportunity – even in a slow market. The main opportunity we see for 2008 is in identifying sellers who need to sell this year. One of these groups is pension funds and REITs who have to sell on a monthly, quarterly or annual basis. These sellers are faced with having to accept lower values for their assets than in past years. Another group of sellers that have to sell in 2008 are distressed sellers or those experiencing distress related to either the properties they own or to their internal financial condition. Accelerating the distressed seller's need to sell can also come from debt coming due in the near term where the cost of replacement debt is much greater than in the

past. Current market conditions are creating many more distressed sellers in 2008 than there have been in the previous five years.

Baceline's reaction to current market turmoil has been to engage by deepening our relationships with institutional sellers and with brokers of and owners of distressed properties. We are also engaging in broadening our contacts in select smaller markets such as Peoria, Illinois and Lafayette, Indiana where there is less competition and greater yield. Finally, we are raising cash and acquiring properties for Baceline's No Debt Fund III on an all cash basis, thus eliminating the need for debt in a debt scarce world. All this adds up to positioning Baceline as a buyer of choice among committed sellers.

Baceline Investments is taking its portfolio to a new level... Green!

Baceline Investments will be making a social investment in each of the current assets we hold and in future acquisitions by developing a Green Program. As property owners, we want to ensure that we are doing what we can to protect the environment, improve waste reduction and implement conservation policies and procedures at all of our properties.

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We have become a member of the U.S. Green Building Council, a non-profit community of leaders working to make green buildings accessible to everyone. By evaluating different certification requirements set forth by the U.S. Green Building Council's LEED program, we will be able to determine where each of our properties meet, exceed, and/or fall short of our commitment to maintaining environmentally responsible assets. As such, we will be working in cooperation with our management companies to develop individual Green Programs specifically tailored to each property they manage. In addition, we plan to develop and implement a "Tenant Rebate Program" at each property to further encourage and ensure that we are doing our best to "go green".

In addition to the benefits "going green" will provide to society as a whole and to the tenants whom we consider as business partners in our success, we see benefits to our investors. Through our efforts we will evaluate and determine ways to lower operating costs and increase the value of the asset. Some examples may be: utility rebates, tax rebates, zoning allowances and other incentives. We are excited to begin development of this program and will continue to provide updates on the progress.

We believe we can help change the world, one property at a time.

The No Debt Real Estate Investment Fund III

The current market environment is presenting opportunity for Baceline's all cash investment approach. Properties currently under consideration for the portfolio include:

- ❖ Multi-tenant retail property in Dallas area - Letter of Intent to buy accepted and full due diligence underway
- ❖ 2 Multi-tenant retail properties in Houston
- ❖ 3 Multi-tenant retail properties in Kansas City area
- ❖ Multi-tenant retail property in San Antonio
- ❖ 2 Multi-tenant industrial properties in Dallas area
- ❖ Multi-tenant industrial property in Chicago area

For more information on the No Debt Real Estate Investment Fund III, please contact us at 303-615-9544 or 800-730-9544, or visit us online at www.bacelineinvestments.com.



BACELINE INVESTMENTS, LLC
BUILDING VALUE, NOT DEBT