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Welcome to the 4th Quarter 2010 issue of the BACELINE INVESTMENTS Newsletter. We hope to provide valuable information, help educate our clients and share our company's happenings.

### **Less Eyeballs on the Midwest - Being the Outlier**

As the real estate investment market comes back to life slowly, we see a tale of two worlds. On one hand, institutional investors are climbing all over each other to buy class A office towers in major cities on the coasts. With many bidders, competition continues to drive up prices that were seen at the height of the commercial real estate boom. Institutional investors seem to always follow each other as it is safer to bet on the pack as opposed to being an outlier. Some would even say that you can't lose your job if you are in the pack and the institutional mindset seems to be exhibiting this mentality again as the rationale behind buying at these high prices is suspect.

On the other hand, we see little competition with no bidding wars driving up prices in the middle of the country. There are simply less eyeballs looking at Heartland commercial real estate. And there is a lot of value to be discovered in this part of the country. An example of this is the property that we just sold in South Bend, Indiana. When purchasing the property in January of this year, there was no competition for this very well located property in a great Midwestern town. Although South Bend has Notre Dame University, vibrant health care and a solid business community, the institutional investor will not touch this city because of its size and location. This gave us the opportunity to buy University Commons in South Bend and then find a buyer who purchased the property last week. The sale of the property was a great success yielding an internal rate of return to our investors north of 100%. While buying and selling a property at this level of profit does not occur every day, it does show that there is value in the middle part of the country that can be realized. This value can be discovered while most of the eyeballs continue to follow the pack. As Malcom Gladwell set forth in his well written study of success, being a Outlier is a good thing. University Commons in South Bend is a great example of this.

David C. Puchi  
Managing Partner, Capital Development

## RECENT CLOSINGS

### Sale of University Commons - South Bend, Indiana

Date Acquired: January 15, 2010

Purchase Price: \$1,800,000

Date Sold: September 15, 2010

Sale Price: \$4,900,000

100,000 square foot multi-tenant retail center near Notre Dame University, converted to medical office.

### Moving Toward GREEN

Baceline's "Green" real estate program promotes sustainability and profitability.

Our process at Select Energy Partners is to broker out the electric and natural gas rates for the Baceline properties. SEP request rates from several different retail suppliers in the effort to find the lowest rate for each property. Rates are based on historical usage, on and off peak demand, and location of the property. These efforts produce an annual savings of roughly 5% - 10%. The rates can be fixed for up to 3 years or can float on the index market which changes monthly. SEP's efforts will help lower rates on a necessity product that is projected to continue to increase in cost. Beyond the important cost reduction, the fixed rate allows for budget certainty in a very volatile market and brings added value to the property during a time of sale.

READ MORE  
Sustainable  
Initiatives Program

# 20 Ways to Bring Green to Main Street

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In working with our individual and family clients, we see that they are very interested in Green Buildings turning their own commercial real estate “green”. Whether their family owns a factory or office building or has a retail establishment, they are inquisitive as to how to go green and who will do it. In light of this we presented a webinar to the members of the Family Office Exchange entitled “Ensuring the Grass is Always Greener: Responsible Property Investing”.

In this webinar, we gave the listeners 20 ideas on turning their property Green.

They are as follows:

- 1. Install Occupancy Sensors**
- 2. Utilize higher efficiency lamps and/or ballasts**
- 3. Integrate Lighting and Lighting Controls**
- 4. Install Skylights or LightPipes**
- 5. Utilize High-Efficiency (Low-E) Coating or Film**
- 6. Benchmark (Energy Star Portfolio Manager):  
Understand Where You Are & Where You Need to Be**
- 7. Commission an Energy Audit**
- 8. Install Energy Management Controls**
- 9. Program Digital Thermostat for Routine Set-Backs**
- 10. Install Vending Energy Controls**
- 11. Insulate Exposed Pipes & Equipment**
- 12. Properly Install/Maintain Air Sealing at Windows**
- 13. Lower Water Heater Temperature**
- 14. Low/No-Flow Faucets / Showers / Closets**
- 15. Infrared Sensor (IR) Plumbing Controls**
- 16. Example of Natural Ventilation**
- 17. Install HEPA Air Filters**
- 18. Install Solar Thermal Systems**
- 19. Install Photovoltaic Roof Systems**
- 20. Develop the Renewable Energy Market**



Having a good list of things to do is not good enough. It is also vital to figure out who does it. What we have seen is that there is often a key employee or family member who is interested in this work. They are interested in doing good and making money at the same time. So these are the people to tap when implementing your Green Building program. It might even be surprising who will show interest in your business--maybe even that CU grad who loves the Mountains but had little interest in the family's industrial tool supply business.

## GET TO KNOW US.... Sheri Corral, Chief Financial Officer

Ms. Corral is the Controller for Baceline. Sheri has more than 20 years of private and public accounting experience which includes a strong background in financial accounting and reporting, budgeting, financial analysis, and cash management. She is a Deloitte & Touche, LLP alumna and also worked for General Electric, American Medical Response and Orion Capital. Sheri graduated from Adams State College of Alamosa, CO with a B.S. in accounting and was the School of Business Valedictorian.

Sheri has a wonderful husband named Herman and three grown kids. Sheri was born in Colorado, grew up a "Civilian Army Brat!" in Texas and New Mexico but has been back in Colorado since high school. Sheri has been with Baceline four and a half years and has been an integral part of the team.

### THE QUICK FACTS:

Thing you like best about team atmosphere at Baceline: Everyone pitches in to get things done and improve processes. We all have a lot of respect for what each one brings to the table. It is great working with a team that is very nimble and forward thinking.

Tea or coffee: Coffee! Just black please, Monday through Thursday, Saturday and Sunday. Grande Skinny Cinnamon Dolce Lattes on Friday though! TGIF!

Pets: Four dogs!!! All schnauzers! Blue, Sandy, Barkley and Maggie. They're as different in their personalities as my kids are! They're my babies now that we're empty nesters!

Favorite motivational quote to inspire you at work? For every failure, there's an alternative course of action. You just have to find it. When you come to a roadblock, take a detour. Mary Kay Ash

Newspapers or magazine: Actually, it's my Kindle which goes everywhere with me. I often have two or three books going at once. I love reading and experiencing adventure whenever I have time on my hands. I love reading books that tell a story around some history. It's like a mini vacation for my mind!

Favorite magazine, newspaper or book? Book, Centennial by James Michener

Dream Vacation: Australia, one day I hope

Final Thought: I love working with the company and being involved with so many facets of the real estate industry.



## PROPERTY SPOTLIGHT: *Meadow Mart Center*

### Acquisition Details

- No Debt Real Estate Investment Fund II acquisition purchased in December 2005
- 156,998 square foot shopping center built in 1954
- High traffic count and good accessibility
- Outdated appearance, in need of refurbishing

### After 4 Years of Baceline Ownership

- \$2 million Business District Tax credit secured for property updates
- Remodeled building facade, parking lot, signage and landscaping all paid for by local sales tax, NOT Baceline investors
- Grocery anchored with other strong tenants including Big Lots & Rent-A-Center
- Currently 90% occupied
- Property has become an asset to its community



As a recent trip to New York City brought home, being a boutique real estate investment company located in Denver can be a lonely experience at times. All eyes continue to be on the coasts. However, we continue to see great opportunity in the Heartland and will pursue this opportunity with our loyal client base.

Sincerely,

David C. Puchi  
Managing Partner, Capital Development  
Baceline Investments, LLC  
[www.bacelineinvestments.com](http://www.bacelineinvestments.com)

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