

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

April 17, 2019

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Baseline Partners LLC has submitted the necessary forms to be a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications by an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

This Brochure provides information about the qualifications and business practices of Baseline Partners LLC (the “Adviser” or the “firm”). If you have any questions about the contents of this Brochure, please contact us at (480) 336-9730. The information contained within this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Baseline Partners LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 Material Changes**

The Adviser is providing this initial Brochure. Accordingly, there are no material changes with regard to the Adviser's business practices.

Pursuant to SEC Rules, the Adviser will continue to ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser's fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

The firm's Brochure may be requested by contacting Mr. Patrick Cardon, the Adviser's Chief Compliance Officer at (480) 336-9730 or [pcardon@baseline-partners.com](mailto:pcardon@baseline-partners.com).

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#### Item 4 Advisory Business

The Adviser is a Delaware limited liability company organized on November 7, 2018, is managed by Patrick Cardon, and has its principal place of business in Gilbert, Arizona. The Adviser is issuing units of limited liability company interests (“Units”) to “accredited investors”, as that term is defined under the Securities Act and pursuant to Rule 506(b) under Regulation D.

This Fund or Offering is seeking to invest primarily in credit opportunities within the U.S. commercial real estate (“CRE”) market, with a focus on first lien short-term loans collateralized by commercial real property, with the objective of achieving a positive monthly income stream. The investments will be acquired and owned through a Real Estate Investment Trust (“REIT”) subsidiary, which will elect to be classified as a REIT for U.S. federal income tax purposes and will seek to conduct its operations to comply with REIT regulations.

In addition, the Fund may invest in other commercial real estate-related debt, first mortgages, credit loans, commercial mortgage-backed securities (“CMBS”) and comparable instruments, including various types of securitization structures. The Adviser’s primary investment objective is to generate positive risk-adjusted returns. The Adviser will target short-term commercial real estate debt instruments that maximize current income and maintain capital supported by an analytical, fundamental research approach to identifying and assessing intrinsic value. The Adviser’s investment advice is limited to certain types of investments as more fully discussed in Item 8 of this Brochure.

While the Fund follows the general strategy stated above, the Adviser urges prospective investors to review the Fund’s applicable (i) confidential offering memorandum and (ii) subscription agreement and other related documents (referred to collectively as “Offering Documents”).

**All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to the Fund’s respective Offering Documents.**

The Adviser does not participate in wrap fee programs.

## Item 5 Fees and Compensation

Below is a discussion of how the Adviser is generally compensated in connection with providing advisory services to its Fund(s). A potential investor should read and review any and all Offering Documents in their entirety before making any investment decisions. The below is not intended to be exhaustive.

*Organizational and Offering Expenses.* The organizational and initial offering (“O & O”) costs of the Fund include legal, accounting, printing, filing fees, travel expenses, and comparable expenses (including any financial investment advisor fees, placement agent fees, escrow holders, formation and establishment of the Fund with the SEC and State, and allocated overhead of the manager). It is anticipated that the Fund’s O & O expenses will be an amount equal to approximately 2% of the gross offering proceeds from this Offering, however this estimate could be exceeded.

*Administrator’s Fees and Expenses.* Alpha Alternatives serves as the Fund’s Administrator. It is anticipated that their fees and expenses will be a de minimis percentage of the Fund’s Net Asset Value.

*Operating Expenses.* The Fund may reimburse the costs of providing services, including personnel and related employment costs (excluding any services for which the sponsor receives a separate fee). An affiliated loan originator or an affiliated loan servicer, may be operating businesses of the Adviser independent of the Fund. The Fund will not reimburse the Adviser for salaries, bonuses, office rent or any other general overhead costs of an affiliated loan originator or an affiliated loan servicer, but will pay the loan origination or loan servicing fees charged by such entities, which fees will be at what the manager believes to be arm’s length rates.

*Placement Fee.* The Adviser may in the future engage placement agents. Fees paid to such placement agents will not exceed 1.0% of the subscription price. Such fees may be borne by the Adviser.

*Asset Management Fee.* A fee will be paid quarterly in arrears equal to 2% per annum of the Fund’s Net Asset Value.

*Distributions and Incentive Allocation.* The Fund intends to make monthly distributions as determined by the Adviser in its sole discretion. The amount of distributions will also depend on the timing and amount of distributions the Fund receives from the REIT subsidiary. To maintain its qualification as a REIT it is required to make aggregate annual distributions to the Fund of at least 90% of their annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains.

The distributions will be apportioned in proportion to the relative capital contributions and then distributed as between investor (including the Adviser as a holder of the capital interest) and the Adviser (in respect to its incentive allocation) in the following order of priority:

- 1) Preferred Return: First, 100% to investor until the cumulative distributions for any calendar year pursuant to this clause are sufficient to provide an annual return of 7% on the capital contributions of investor;
- 2) Catch Up: Second, 100% to Adviser until the Adviser has received a cumulative distribution pursuant to this clause equal to 20% of the sum of distributions made pursuant to this and the above-referenced clause in #1;
- 3) 80/20 Split: After the above in #2 occurs, Investor receives 80% and Adviser receives 20%.

A more detailed description of the Fund’s fees and expenses is provided in the Fund’s Offering

Documents.

- The Adviser does not intend to charge any fees due to it in advance.
- Other than as described above and in the confidential private placement memorandum, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

**Item 6      *Performance-Based Fees and Side-By-Side Management***

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser's policies and procedures seek to provide that investment decisions are made without consideration to its economic interest, and instead are made in accordance with its fiduciary duties to all clients. It is the Adviser's policy that investment decisions are to be made consistent with the investment objectives, guidelines, and restrictions of clients and those investments are to be allocated fairly and equitably among clients, taking into consideration the objectives, restrictions, investment strategy, asset allocation and benchmarks of each client (notwithstanding the description in Item 5). In accordance with the Advisers Act, the Adviser will seek to allocate specific investment opportunities to ensure that all clients receive equitable and fair treatment over time.

**Item 7**      **Types of *Clients***

The Adviser provides investment advisory services to investment funds for accredited investors, as that term is defined in Rule 501 of Regulation D.

The minimum investment in the Fund is \$100,000, although the Adviser may accept investments in a lesser amount in its sole discretion.



**Item 8      Methods of Analysis, Investment Strategies and Risk of Loss**

**THE FUND'S INTERESTS ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. THEY ARE SUITABLE ONLY FOR ACCREDITED INVESTORS AS THAT TERM IS DEFINED IN RULE 501 OF REGULATION D. THE FOLLOWING LIST OF RISK FACTORS NEITHER PURPORTS TO IDENTIFY ALL OF THE RISKS APPLICABLE TO AN INVESTMENT IN THE FUND, NOR PROVIDES A COMPLETE DESCRIPTION OF THE RISKS WHICH ARE, IN FACT, IDENTIFIED WITHIN THE OFFERING DOCUMENTS.**

With respect to CRE investments, the Adviser will conduct reasonable due diligence and seek to:

- focus on the acquiring new loans;
- invest in first-lien loans;
- invest in loans expected to mature or be realized within 6-36 months;
- invest in loans generally not exceeding 75% of the current value of the underlying property;
- lend on properties owned and managed by experienced operators;
- lend on properties backed by marketable real estate;
- maximize diversification by property type, geographic location, owner/operator, and borrower;
- hold investments until maturity unless, market conditions warrant earlier disposition;
- maximize current income; and
- minimize investment risk to preserve invested capital

The focus on acquiring CRE debt instruments emphasizes the payment of attractive and stable cash distributions to investors and preservation of invested capital as a primary investment objective.

The investment strategy is to source and acquire a diversified portfolio of short-term CRE investments primarily comprised of short duration loans backed by commercial real estate. To a lesser extent, and primarily for the purpose of liquidity and maintaining reserves, the Adviser may also invest in CRE securities, such as CMBS and senior unsecured debt of publicly traded REITs. The Adviser will seek to diversify our portfolio of debt investments by, among other factors, property type, geographic location, and borrower/operator. Our investments and the real estate securing our debt investments will be located within the United States. The Adviser will seek to create and maintain a portfolio of short-term commercial real estate loans that generate stable income with a goal to pay attractive and consistent cash distributions to our investors.

There is no public market for the Fund, and it is not expected that a market will develop. The Fund is illiquid and any transfer is restricted. Therefore, any investment in the Fund should be considered only as a long-term investment and it is possible that there will be little liquidity available which may affect investor investment objectives. Investors may only be able to dispose of their investment by means of quarterly redemptions, subject to a twelve-month holding period, except in the instance of the death of an Investor.

The Adviser cannot predict the degree to which economic conditions generally, and the conditions for commercial real estate debt investing in particular, will improve or decline. Any declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect.

*Risk Management.*

Across all phases of the investment process, the focus will be on analyzing the various types of risks facing the portfolio and overall market, as well as maintaining a disciplined approach to managing those

risks. The Adviser expects to be particularly focused on understanding and managing the following types of risks that could affect the Fund and its Investors.

Loan Default risk

- Minimize single default impact by holding a large number of smaller assets
- Leverage successful history and experience in handling distressed assets.

Liquidity risk

- Short-duration and high monthly cash flow should minimize the need for secondary market liquidity
- Foreclosed real estate poses greater liquidity risk, but affiliates have experience working with distressed assets through its distressed asset acquisitions

Interest rate risk

- Market value of assets with average durations of generally 12 months are not particularly sensitive to interest rate fluctuations — although as the proceeds of such Loans will continuously need to be reinvested as the Loans mature, the Fund will be subject to the risk of having to identify attractive reinvestment opportunities on an ongoing basis

Leverage

- The Fund's short-term assets and other collateral to be levered
- Leverage brings with it the risk of unexpected increased costs with a significant and unexpected increase in short-term interest rates. Leverage may be cost prohibitive in the case of an inverted yield curve

Geographic risk

- Minimize geographic bias; invest where value opportunities arise
- Diversify by location; across its various sub-strategies, affiliates have exposure in most major geographic sections of the United States

**Investors are urged to review the more detailed Risk Factors identified in the Confidential Private Placement Memorandum.**

**Item 9      Disciplinary Information**

Form ADV Part 2A requires the Adviser to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

The Adviser has no information to report that is applicable to this Item.

**Item 10      Other Financial Industry Activities and Affiliations**

- A. Neither the Adviser nor its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. The Adviser is exempt from registering as a Commodity Pool Operator pursuant to the CFTC Rule 4.13(a)(3).
- C. Baseline Manager, LLC and Baseline Partners, LLC (collectively, the “Relying Advisers”) serve as manager and sponsor, respectively with respect to the Fund. While the Adviser and the Relying Advisers have been organized as separate legal entities, they collectively conduct a single investment advisory business. Accordingly, the Relying Advisers will rely on the Adviser’s investment adviser registration instead of separately registering as an investment adviser with the SEC under the Advisers Act. In addition, the Adviser has affiliates engaged in the business of originating and servicing loans – the loan Originator and the loan Servicer.
- D. The Adviser does not select or recommend other investment advisers for its clients.

**Item 11      Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading**

A. The Adviser has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of Adviser’s supervised persons. A copy of the Code will be provided to any client or prospective client upon request. The Code requires the Adviser personnel to (among other things):

- Report their personal securities transactions;
- Pre-clear any proposed purchase of any initial public offering or limited offering; and
- Comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

Personal securities transactions by the Adviser’s personnel generally are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments. The Adviser and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Adviser and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser. Accordingly, should the Adviser or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Adviser would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds. The Adviser maintains a restricted list that includes issuers and securities with respect to which supervised persons generally are not permitted to trade without the prior approval of the Chief Compliance Officer. The Adviser has also adopted policies and procedures relating to gifts and entertainment, political contributions and other potential material conflicts of interest.

B. In general, neither the Adviser nor its related persons recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest. Client purchases and sales will occur first. All personal securities transactions are required to be disclosed to the Chief Compliance Officer in order to prevent any potential conflicts of interest.

C. In general, neither the Adviser nor its related persons directly invest in the same securities that are also recommended for clients, although principals or employees may do so, individually or via an entity. All personal securities transactions are required to be disclosed to the Chief Compliance Officer in order to prevent any potential conflicts of interest.

D. In general, neither the Adviser nor its related persons recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or a related person buys or sells for its own account.

**Item 12      Brokerage Practices**

Generally, the Adviser does not recommend broker-dealer or other counterparties in connection with the investment activities of the Funds. When publicly traded securities are the subject of a trade and there is a broker selection opportunity, the Adviser will endeavor to select a broker or other counterparty on the basis of best execution and in consideration of various factors deemed relevant or appropriate, including, without limitation: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the broker's risk in positioning a block of securities; and (v) the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

The Adviser may cause a Fund to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including the Funds. Accordingly, when the Adviser determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Fund or Funds, including internally-developed research and other services provided by such broker, the Adviser may cause the Funds to pay commissions to such broker in an amount greater than the amount another broker might charge.

**Item 13      Review of Accounts**

The principals of the Adviser are responsible for reviewing Fund investment portfolios on a regular basis relating to, among other factors, position sizes; exposure levels; and investment strategy compliance.

The Adviser provides Fund investors with audited annual financial statements, periodic reports and other communications, and all tax information relating to their investments in the Fund necessary for U.S. federal income tax purposes.

**Item 14      *Client Referrals and Other Compensation***

The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Fund.

The Adviser may enter into agreements with persons who refer potential investors for the Fund to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of a Placement Fee (see Item 5) that the Adviser receives from the Fund with respect to the referred investors. All solicitation arrangements that the Adviser may enter into will be designed to be in compliance with Rule 206(4)-3 under the Advisers Act and any similar state regulations. The Fund and its underlying investors are not responsible for any of the fees paid to the referring persons.



**Item 15**      *Custody*

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the managing member of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

**Item 16      Investment Discretion**

The Adviser exercises discretion in managing the investments of the Fund based on the Fund's investment objectives, policies, and strategies as disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered into among the Adviser and the Fund.

**Item 17      Voting *Client* Securities**

Due to the nature of the Fund investments, the Adviser does not vote on client securities.

**Item 18      Financial Information**

- The Adviser is not aware of any financial condition that could impair its ability to meet its contractual commitments to the Fund, including bankruptcy or the prepayment of more than \$1200 per client, six months or more in advance.

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