

Bailard

Message from the CEO



April 2011

Five years ago, Tom Bailard shared with me his plans regarding the future of Bailard, Inc. His road map included two phases: first, a transition of leadership, and second, a transition of ownership through capital restructuring. In January of 2008, our leadership succession plan was formally put in place: I became Chief Executive Officer; Burnie Sparks, President; Sonya Thadhani, Chief Investment Officer; and Tom continued as Chairman of the Board. Serving as CEO for over three years now, I am extremely proud of our organization and, most importantly, honored by the extraordinary level of support and loyalty of our clients and partners.

Today, I am pleased to inform you of the implementation of our plan's second phase, which is to expand our base of employee ownership and enable the founders and minority outside shareholders to realize their investment with some meaningful liquidity. Beginning in earnest last year, the senior management team worked in close collaboration with Tom Bailard, Ron Kaiser, employees, private lenders and our Board of Directors to develop a plan to effect this capital restructuring. To accomplish this restructuring, we will repurchase shares from founders and minority outside investors, which will be funded with a portion of Bailard's cash reserves, some long-term debt financing and capital contributed by over 20 Bailard employees who have elected to purchase new shares and substantially invest in their company. Although we have much work yet to be done in the coming weeks and months, we expect to complete this transaction by early June.

This next step of Bailard's evolution both greatly energizes and challenges me and my colleagues, and we view this outcome as extremely positive for our clients and partners. We believe that our open and straight-forward approach is greatly enhanced by our independence, and we are proud to sustain these hallmarks of Bailard's culture. Tom Bailard and Ron Kaiser will each retain a portion of their Bailard stock holdings and we will continue to benefit from their vast expertise: Tom as consultant to Bailard and continuing as Chairman of the Bailard Real Estate Investment Trusts (REITs), and Ron remaining as a Director of BB&K Holdings, client counselor and valuable contributor to real estate research.

Post-transaction, we expect around 70% of the company will be in the hands of current Bailard employees. Our senior management team (with an average Bailard tenure of 21 years) will collectively control over 50% of the company. For me, the enthusiasm with which our employees chose to become shareholders (or expand their current ownership) underscores the passion we all share to take our company forward.

Each of us at Bailard stands thankful for the confidence you place in us. I hope you will join me in thanking Tom for his vision and steadfast leadership throughout this carefully developed transition. We appreciate your support and invite you to contact us with your questions and feedback.

Sincerely,

A handwritten signature in blue ink that reads "Peter". The signature is written in a cursive, slightly stylized font.

Peter M. Hill
Chief Executive Officer