



NEWS FROM CLOVERLEAF

Fall, 2016

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Our 35th Year

Michael Basofin, Principal

In August of 1982, President Reagan was less than halfway through his first term, a box seat at Wrigley Field cost \$6.50, and Cloverleaf was born. In our 35th year, we continue to proceed based on tried and true principles: low debt, property management of our own projects, significant investments by Cloverleaf's owners in the same class as all investors, and timely, straightforward reporting. While we have had a few "hiccups" along the way, we believe our commitment to these fundamentals and our investors' confidence are the primary reasons for our success. Here's to another 35 years!

What Inning Are We In?

Jonathan Basofin, Principal

A critical consideration when choosing a course of action for any property (i.e., buy, sell, refinance, some combo, none of the above) is where we are in a market cycle. In my experience, this question is about as challenging as any an investor faces. We're fortunate to benefit from the wisdom of Cloverleaf's Advisory Committee. For example, Bryant Prentice, a 40-year-plus successful investor/owner of real estate and other assets reminds us that all project decisions should be predicated on "staying ahead of the market." Steve Roth, a top commercial mortgage broker, has offered a helpful way to frame the query: "What inning are we in?" I keep these ideas in mind daily. In my own opinion, we're either at the tail end of the post-recession bounce (high prices and demand across a range of assets) or the beginning of a new, softer cycle. In any case, we're starting to see lower prices and demand, other than for the most "core" assets. To borrow Steve's metaphor, I believe we're in either the 9th or 1st inning, depending on how one views it. In any event, our world and market are changing; our job is to be mindful of these changes and make decisions with an eye towards this important question.

The Cloverleaf Fund VII, LLC

Cloverleaf's most recent offering, The Cloverleaf Fund VII, LLC, commenced in the 4th quarter of 2015 with a total capitalization of \$15,075,000, spread among 123 investors (15 of whom were new to us). The Fund has since participated in the acquisition of four assets. Three are described in this Newsletter; the fourth is a 27,608 square foot center in the heart of Schererville's primary retail area. After setting aside reserves, the Fund has around \$3,000,000 to deploy on additional property. We appreciate our investors' continued confidence and like the mix of properties we have acquired for Fund VII.

Recent Acquisitions

We are pleased to have recently acquired the following three properties, each for The Cloverleaf Fund VII, LLC:

Granger Station (Granger, IN)

In June, 2016, we purchased an 18,824 square foot multitenant retail/service center in Granger, IN, which is part of the South Bend (University of Notre Dame) area. The center is "shadow-anchored" by a separately-owned Martin's Super Market. Martin's is a dominant chain in the area, headquartered in South Bend, and operating 21 stores in the "Michiana" region. An appeal of the center is its 29% vacancy, which we believe is leasable given the requisite attention. We view this investment as a value-add opportunity in a solid college-oriented market.

Lincoln Ridge Plaza (Schererville, IN)

In July, 2016 we purchased a 51,277 square foot multitenant retail/service center in Schererville, IN. Schererville is part of the Chicago metropolitan area; this particular asset is approximately 36 miles from Chicago's Loop. Generally speaking, we are bullish on the northwest Indiana market. We believe this center, which sits at a stoplight intersection on Lincoln Highway (a secondary, but strong retail submarket in Schererville), is a compelling option for tenants that seek significantly lower rents than the rents closer to Highway 41 and Main Street (where Cloverleaf owns another asset). Like Granger Station, an appeal of this center is its 18% vacancy, which we believe is leasable given the proper attention and updates to the property itself. We have commenced those updates, including undertaking a facelift to the building, which has improved and modernized its façade.

North Eola Plaza (Aurora, IL)

In September, 2016 we purchased a 14,456 square foot multitenant retail/service center in Aurora, IL. The center is located in the growing northeastern portion of Aurora, across the street from a newer Jewel-Osco (grocery) anchored property. The center is presently 100% leased. Strengths of the asset include its location, mostly below-market rents, and the fact that all leases feature annual rental increases. We view it as a mix of stability with modest value to add, noting that it can serve as a lower-than-competition cost alternative to tenants desiring space in this strong submarket.

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Chicago-Area Investor Reception

Cloverleaf hosted its first ever Chicago-area investor reception in June, 2016. We were gratified to have so many of our loyal partners, both longtime and newer, together in a room. The evening was fun and, we think, productive for those in attendance. We look forward to doing it again, including in other cities.

Leasing Updates

Cloverleaf prides itself on its leasing and property management abilities. We handle only our own properties, employing an extraordinarily hands-on approach, which is essential to our ability to create value. The following are examples of a few recent successes:

Elmster (Des Plaines, IL)

Cloverleaf acquired this vacant 8,400 square foot building in March, 2015, an outparcel to a Jewel grocery store anchored center in north suburban Chicago. We have since leased 5,600 square feet to a national fitness chain on a 10-year term and are working to fill the remaining two 1,400 square foot positions.

Hilltop Center (Glendale Heights, IL)

Cloverleaf acquired this 31,332 square foot Fresenius (dialysis provider) anchored center in west suburban Chicago in July, 2014. At the time, it was approximately 24% vacant. We are now 100% leased, having tenanted the center with a mix of primarily service-oriented users (e.g., a hair salon, a restaurant, and a personal training facility).

Greenwood Springs (Greenwood, IN)

Cloverleaf acquired this 28,028 square foot center in south suburban Indianapolis, an outparcel to a Walmart-anchored property, in November, 2014. When we bought the property, we anticipated that its leasing would be somewhat in flux because the immediate area is improving and market rents are growing. Our objective was, and is, to improve the center's tenancy and grow its net operating income over time. While the leasing remains somewhat fluid, we are pleased to be in the process of bettering the center's rent roll. For example, we leased a 2,779 square foot space to an immediate health clinic for a 10-year term, a 1,400 square foot space to a nail salon for a 5-year term, a 1,400 square foot space to a national cupcake seller for a 5-year term, and are in discussions with a national restaurant chain about leasing the property's largest space.

New Cloverleaf Staff

Cloverleaf has welcomed two new team members in 2016. Ruth Moschel, a CPA, joined us as our Controller. She has over 35 years of experience in real estate and small business accounting and brings a depth of skill and knowledge to our operations. We also hired Thomas Walsh to be our Leasing and Acquisitions Associate. Prior to Cloverleaf, Thomas spent two years with Jones Lang LaSalle's retail division, and is helping Cloverleaf create more opportunities by expanding its reach.

Recent Special Opportunity Fund Sales

Two properties in which The Cloverleaf Special Opportunity Fund, LLC invested were recently sold. In November, 2013, the Fund invested with Smithfield Properties in its 294-unit residential development in the River North neighborhood of Chicago. Smithfield sold the building at a price that was approximately 21% over projections. We are grateful to Stanley Nitzberg and the late Bill Smith for the opportunity to participate in such a profitable investment. We also sold the Fund's 9,833 square foot center in Long Grove. Unfortunately, the Long Grove investment ended in a loss of a portion of the invested capital. Nevertheless, Special Opportunity Fund investors have presently received approximately 100% of their capital back and the Fund still has interests in two other assets.

What's Next?

As we work to maximize the value of our portfolio, we are seeking additional acquisition opportunities. As we locate them, we look forward to offering new investment opportunities to our growing base of investors. We will certainly create a Cloverleaf Fund VIII, but are also thinking through a handful of other offerings that are responsive to more diversified investor objectives (e.g., longer-term holds).

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