



Cloverleaf News

WINTER/SPRING NEWSLETTER

MARCH 2017

"CENTERS," NOT "SHOPPING CENTERS"

We are occasionally asked why Cloverleaf continues to invest in "shopping centers" when so much "retail" buying has shifted online.

The short answer is that we don't acquire much of that product type because we agree that it is shrinking and in many cases, dying. A longer answer, which speaks more to what we do buy, is that the terms "shopping center" and "retail" are outdated and inaccurate when describing Cloverleaf properties.

The real estate industry continues to use an overly concise lexicon when referring to the segment of properties in which Cloverleaf invests, describing them all as "retail" or "shopping" centers. However, most businesses that occupy Cloverleaf's properties are not retailers, but service providers. For that reason, in Cloverleaf's internal discussions and correspondence with investors, we refer to our holdings as "centers," not "shopping centers." We avoid properties with "big box" shopping-driven tenants like Bed Bath & Beyond, Dick's Sporting Goods, and Best Buy for the same reason we are grateful that historically, we largely chose not to acquire properties tenanted by retailers like Linens & Things, Borders, and Circuit City.

Instead, Cloverleaf focuses on properties with service-oriented tenants, generally in smaller spaces. We like well-located assets with practical, malleable space sizes, occupied by businesses that cannot be easily/superiorly replicated online. Although they tend to be more management intensive, our preferred acquisitions are those with several smaller spaces instead of just a few big boxes. We make occasional exceptions for larger users that are less impacted by the internet, including grocery stores. And we prefer properties with tenants like medical users, fitness facilities, and restaurants.

Please see the following page for two charts that illustrate the distribution of our tenants by business type. One chart includes the two grocery stores we own, the other does not (because those stores are so large, they skew the results). Note that retail stores are shown in yellow, grocery stores are in green, and various service providers are in blue.

(Article Continued Next Page)



HIGH POINT SQUARE (ROMEOVILLE, IL) SOLD

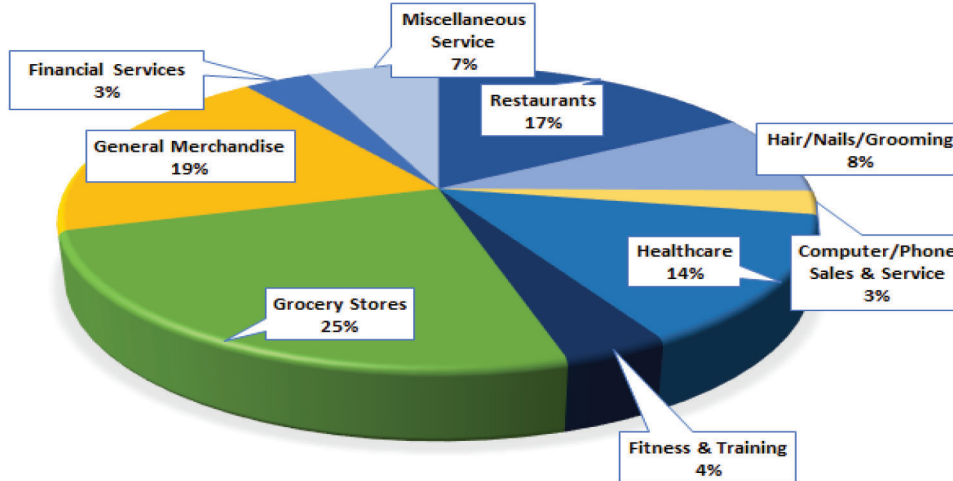
On February 27, 2017, we completed the sale of High Point Square in Romeoville, IL at a significant profit over our purchase price. The Cloverleaf Fund V, LLC acquired this property, a "shadow" to a separately owned Jewel grocery store, in July, 2012. At the time of our acquisition, the center's 49,900 square feet of inline space was approximately 25% vacant and there were several relatively near-term expirations. We are gratified to have stabilized the property, increased its value, and taken significant cash out during our approximately 4.5 year hold. Fund V investors have now received back approximately 115% of the total capital they invested while still owning two of the four properties in which the fund invested.

Cloverleaf News

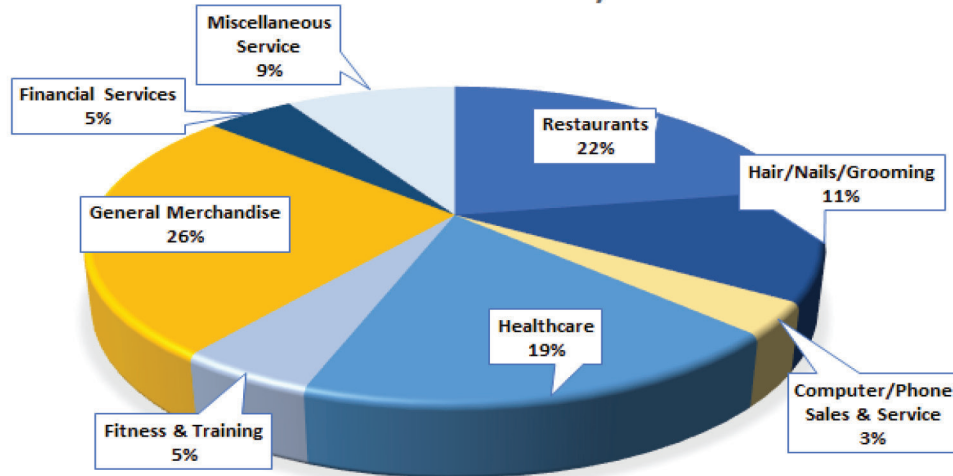
"CENTERS," NOT "SHOPPING CENTERS"

(Continued from Front Page)

CLOVERLEAF TENANTS BY SQUARE FOOTAGE



CLOVERLEAF TENANTS BY SQUARE FOOTAGE (EXCLUDING GROCERY STORES)



KEEP YOUR POWDER DRY

While Cloverleaf has steadily located acquisition opportunities the last six-to-seven years, we have not found sufficient product to satisfy some of our investors' capital deployment needs. As a sizable investor in all Cloverleaf offerings (as always, in the same class as the rest of our partners), we share that frustration. Ultimately, we view our patience as one of Cloverleaf's greatest strengths and are grateful to have an investor base that agrees, even when that means some cannot invest with Cloverleaf as frequently as they would like. However, we believe Cloverleaf's pace of acquisitions may increase in the near term for two reasons: interest rates are increasing, and the world/market is relatively unstable.

Unlike many real estate investors, Cloverleaf tends to buy more properties in a higher rate environment, primarily because of our low debt approach. And after close to a decade of historically low rates, rates have recently been increasing. As has been our structure since Cloverleaf's founding in 1982, we finance our assets with mortgage debt of between 45-60% loan-to-value. Because of this approach, our returns are less impacted (both positively and negatively) by interest rates than many investors'. We hit fewer home runs, but have fewer strikeouts. Many others take a different tactic, buying with more leverage and paying up for properties when rates are low, which has driven up prices. As rates increase, therefore, we expect to see less competition from these higher loan-to-value buyers.

KEEP YOUR POWDER DRY

(Continued)

Moreover, as a practical matter, Cloverleaf does not acquire properties that we believe are only desirable assuming a low interest rate. Instead, we seek fundamentally solid real estate that is less market sensitive, and from which we can forecast a profitable exit. We hope and believe that increasing rates will cause prices to decrease on quality assets that have been undesirably expensive.

Another reason for our optimism is that Cloverleaf's reputation for predictability as a buyer tends to be more appreciated in an unstable environment (which, political preferences aside, we are in). We are frequently told that sellers, brokers, and lenders view Cloverleaf as a particularly reliable buyer. Cloverleaf offers a high degree of predictability because of the thorough due diligence we perform on an asset before submitting an offer, our low debt approach, and because we are well capitalized. In our experience, the more volatile the market, the more certainty of closing is appreciated by sellers and their brokers. We hope and expect to trade on our reputation in today's environment.

If you are interested in learning more about Cloverleaf investment opportunities, please contact:

Michael Basofin or Jonathan Basofin at 847-272-3300 or msb@cleafgroup.com, jeb@cleafgroup.com.

LEASING UPDATES

We are pleased to report an abundance of leasing momentum at Cloverleaf properties, including the following new leases and renewals over the last few months:

West Aurora Plaza - Aurora, IL (Fund IV): **Rush Copley Medical**, an affiliate of Chicago's Rush University Medical that operates a 21-bed hospital in Aurora, leased 11,353 square feet for a five-year term.

Highland Ridge - Grafton, WI (Fund V & Special Opportunity Fund): **PostNet** renewed its lease for 2,400 square feet for a six-year term and **OHM** renewed its lease for 1,339 square feet for a two-year term.

High Point Square - Romeoville, IL (Fund V: China House) renewed its lease for 2,500 square feet for a five-year term.

Shoppes at Wyndham Village - Franklin, WI (Fund VI & Horizon Fund): **9Round**, a kickboxing studio with hundreds of locations worldwide, leased 1,400 square feet for a five-year term, and **Happy Tails Pet Supplies**, an operator with multiple southern Wisconsin locations, leased 1,984 square feet for a three-year term.

Greenwood Springs - Greenwood, IN (Fund VI): **Newk's Eatery**, a fast-casual restaurant with over 100 locations in 14 states, leased 4,235 square feet for a 15-year term and **Kelly Services**, a national staffing agency, leased 1,400 square feet for a five-year term.

Stony Creek Marketplace - Noblesville, IN (Fund VI): **T-Mobile** leased 1,600 square feet for a five-year term

LEASING UPDATES

(Continued)

Pepper Valley Plaza - Geneva, IL (Fund VI): **American Bank and Trust** leased 2,343 square feet for a seven-year term and **Scheck & Siress Prosthetics** renewed its lease for 1,221 square feet for a three-year term.

3150 Aurora Road - Aurora, IL (Fund VII): **Amato's Pizza** renewed its lease for 1,540 square feet for a five-year term.

5601 NORTH CLARK STREET (CHICAGO) ACQUIRED

On February 17, 2017, The Cloverleaf Fund VII, LLC purchased 6,245 square feet of ground floor space at the northeast corner of Clark Street and Bryn Mawr Avenue in the City of Chicago's Andersonville neighborhood. The space is broken into four tenant suites, located below separately owned residential condominiums. Tenants include AT&T, Jackson Hewitt, Rosin Eye Care, and Orange Shoe Fitness. We believe this location, in the northern part of Andersonville's business district, is excellent and will continue to improve. Additionally, we believe rents will increase over time and that our entry price was advantageous for both current returns and future valuation creation.





CLOVERLEAF

666 Dundee Road, Suite 901
Northbrook, IL 60062
(847) 272-3300
www.cleafgroup.com

PRSRTSTD
US POSTAGE
PAID
PERMIT 320
PALATINE P&DC IL

CLOVERLEAF STAFF

Michael Basofin
Principal
msb@cleafgroup.com

Jonathan Basofin
Principal
jeb@cleafgroup.com

Cynthia Freese
Senior Vice President
cmf@cleafgroup.com

Ruth Moschel
Controller
ram@cleafgroup.com

Liz Vanden Heuvel
Manager of Admin. Services
lav@cleafgroup.com

Joy Parker
Property Manager
jcp@cleafgroup.com

Cindy Cook
Accounting Associate
clc@cleafgroup.com

Thomas Walsh
Leasing & Acquisitions Assoc.
tmw@cleafgroup.com

CLOVERLEAF'S ADVISORY COMMITTEE

Michael Basofin
Principal and Director
Cloverleaf

Jonathan Basofin
Principal and Director
Cloverleaf

Cynthia Freese
Senior Vice President
Cloverleaf

Donald DeGroff
Investor and Financial
Consultant

Matthew Gray
Owner, Academic Counseling
Services, Inc.

Eric Greenfield
Shareholder/Practice Vice Chair,
Polsinelli

Amy Basofin Kestenbaum
Attorney

Frank Mariani
Owner
Mariani Landscape

Bryant Prentice, III
Chairman
Bryant & Stratton College

Elliott Robinson
President & CEO
Robinson Financial Group, Inc.

Steven Roth
Executive Vice President, CBRE
– Debt and Equity Finance

CLOVERLEAF'S ADVISORY COMMITTEE

Cloverleaf's longstanding Advisory Committee is among our greatest assets. The group, which has existed for over 30 years, consists of trusted associates from a variety of businesses and backgrounds. Its members are listed to the left of this article. In addition to providing individual guidance on a regular basis, the full Advisory Committee convenes at least annually for an intensive review of Cloverleaf's operations, portfolio, and assorted discussions. All Committee members are also regular Cloverleaf investors and in discussions with Cloverleaf's principals, act as representatives of all investors. We are fortunate to call the members of Cloverleaf's Advisory Committee our friends, investors, and advisors.



CLOVERLEAF

CONTACT US

(847) 272-3300

www.cleafgroup.com