



## The President's Report HOW DID WE DO IN 2005?

By: Michael S. Basofin, President  
(See Pages 3 and 4 for 2005 Results)

Cloverleaf is in the midst of its twenty-fourth year, and oh what a ride it's been! In the early years, we purchased groups of model homes and moved on to income-producing assets such as shopping centers and industrial buildings. We initially structured our investments as single-asset limited partnerships (and later limited liability corporations) and in 1998 formalized our portfolio approach by initiating the first of the three Cloverleaf Funds, which collectively were capitalized with approximately \$40,000,000.

During the last twenty-four years, we gathered equity commitments in excess of \$100,000,000, purchased and sold dozens of buildings, as well as a few land parcels. Over the years, we investigated thousands of potential projects. For a review of all Cloverleaf deals, please see [www.cleafgroup.com](http://www.cleafgroup.com). We are pleased to highlight the following:

1. All properties purchased since 1993 have made money.
2. Of 41 transactions that have been completed 17 have annual internal rates of return of 20% or more (including four properties in Funds I and II), five had internal rates of return of 15% - 9.99% and four (including one Fund I property) have had internal rates of return of 10% to 14.99%.
3. We are projecting comparable results from our remaining portfolio of properties.

Cloverleaf has consistently lived with certain guidelines: we've almost always kept our debt level relatively low (60% loan to value) ratios; the owners of Cloverleaf have invested in all of our projects in the same class as our partners; we've managed our properties and only our properties and, with very rare exceptions, K-1's are distributed in February.

We will continue to address the shifting dynamics of the real estate market. 2006 should bring more purchase alternatives and a tougher sale environment. During the last twenty-four years, as we and our investor base have grown and matured, we've learned that some investors are looking for very specific opportunities. Though we will continue to seek historic value-added Cloverleaf-type opportunities, we are also considering forming Funds for specific purposes. For example, we may form a Cloverleaf Fund that will purchase land for appreciation and/or development. We may also form a Cloverleaf Fund that has a higher risk/reward profile.

Tell us what you think. What are your ideas? Drop us a note or an email or give us a call. We would appreciate hearing from you.

Once again, we value your loyalty and confidence and the fine work of our colleagues and affiliates. May 2006 be a healthy, happy and prosperous New Year for all of us.

Michael S. Basofin  
President  
The Cloverleaf Group, Inc.

---

## A BRIGHT FUTURE AHEAD

By Thomas M. Bretz,  
Executive Vice President

When I joined Cloverleaf in mid-2004, both Mike and I believed that the real estate market was at the top of the cycle and would be reverting to the statistical mean "sometime in the near future". There were several signals in 2005 that the real estate wave might be cresting and that more buying opportunities may be ahead: interest rates jumped, properties took somewhat longer to sell, and there were multiple articles in the mainstream press about real estate beginning to cool off. All of this, plus the hiring of our new Controller, Mort Rischall, C.P.A., leads us to believe that there should be more opportunities for acquisitions in 2006 than there were in 2004 and 2005.

This news is particularly exciting because we are now uniquely equipped to take advantage of the market, however it breaks (or even if it doesn't). With our

successful foray into new development work last year, our repeated successes with redevelopment opportunities (be they empty buildings, worn down properties or environmentally challenged properties), and our comfort with more complex deal structures, we feel that we can successfully meet whatever opportunities come our way. But we have no intention of sitting back and hoping the market improves. We are actively making every effort to create opportunities.

We have set very ambitious goals for 2006. With our expanded staff and complimentary skills sets, we are ready for new and greater challenges. Our size and flexibility allow for us to pursue good value opportunities, however presented, for our investors, and we look forward to showing you what we can do in 2006.

## 18 YEARS AND COUNTING

By Cindy Freese,  
Director of Leasing and Management

After almost 18 years with The Cloverleaf Group, I look most forward to calendar year 2006. We are positioned with an incredible staff, challenging responsibilities for me, a continuing commitment to our investors and beautiful new offices.

Our year begins with our best staff ever. Each of us in our respective roles at Cloverleaf make a direct contribution to our overall success: Mike and Tom's careful identification and underwriting of investment opportunities; Rebecca and Chris' straight forward personalized leasing and property management; my pursuit of the opportunities our present and former tenants provide through our Face of Cloverleaf program; and finally our new CPA, Mort, who brings years of real estate and software experience to Cloverleaf (he's even teaching us a thing or two...). Mutual respect for the contribution that each of us make to the firm will enable us to prosper at Cloverleaf.

This year my responsibilities at Cloverleaf will go beyond the Face of Cloverleaf. Throughout my years at Cloverleaf I have had a role in almost every department. After all these years at Cloverleaf - I know how things are done, I know what Cloverleaf's expectations are, and I know how to get results. My role will expand to include: the implementation of various "quality control" measures to insure that we are providing the highest quality production at all times; to captain the due diligence process for sales and acquisitions; and to manage our major leasing efforts and other special projects. I look

forward to my continued long term affiliation and success with Cloverleaf.

Our commitment to our investors is always our first priority. We understand that the Company is acting on behalf of its investors to maximize both annual and long term cash returns while creating value in our investment entities. Our reputation for quality asset management is known throughout the real estate industry and our direct involvement with our tenants ultimately distinguishes us from larger entities that are not as hands on as we are. Our leasing prospects deal with one representative of Cloverleaf that begins with the lease negotiation and ends with the coordination of tenant build-outs; unlike REIT's and other institutions that have multiple departments and long approval processes. We are able to get deals done quickly and efficiently while developing a positive long term relationship with our tenants. This has been critical to our success in creating value in our entities.

Cloverleaf has relocated its offices to a beautiful single story office condo building around the corner from our old location in Northbrook. Our new office provides all of us a positive work environment allowing us to provide the highest level of skill and commitment to our jobs.

We believe this is going to be a great year; it's a great time to own commercial real estate and a great time to be an investor and an employee at Cloverleaf.

---

## IS THERE GOLD IN DAIRYLAND?

### The influx of Chicago Area Developers/Investors

By Dan Rosenfeld, Principal  
Mid-America Real Estate Group - Milwaukee

It seems as of late, Southeastern Wisconsin, Milwaukee in particular, has seen an increased amount of investment and development activity from Chicago area real estate companies. A majority of the last dozen shopping centers that have sold in the greater Milwaukee area have been sold to Chicago-based developers/investors. Whether it is an unanchored small shop retail center valued at \$2 million, or a neighborhood grocery-anchored center valued at \$12 million, Chicago-area buyers are there to invest in Milwaukee.

When questioning these investors as to why so zealous about Wisconsin-based assets, they cite reasons such as less competition, the lack of institutional investors competing for product, and most often, they like the balanced dynamics that Milwaukee brings over other Midwestern markets. We appear to be a more consistent, stable market with minimum turnover and low vacancy.

In the pursuit of creating value with ground up retail development, the Chicago interest level is no different.

We see countless Chicago-based developers scrubbing Milwaukee area markets for outparcel development opportunity, corner property redevelopment, and the pursuit to construct smaller, unanchored retail centers in growth trade areas. A few factors contributing to this, whether perceived or real, are:

- lower land pricing vs. Chicago markets
- less development competition
- easier entitlement process

There seems to be an allure of an untapped, underserved market. Milwaukee has yet to see the explosion of bank branch expansion or the drugstore wars that Chicago is experiencing, driving valuations for prime corners and outparcels.

As we see the Interstate 94 corridor develop, and as economic expansion in communities such as Kenosha and Racine continues to prosper, Milwaukee will continue to be viewed as a suburb of Chicago and remain on the radar screens of the Chicago-area investor community.

### Featured Property:

## EASTWOOD CENTER LLC THE CLOVERLEAF FUND III, LLC WOODSTOCK, ILLINOIS

Eastwood Center is a 65,547 square foot, multi-tenant retail and commercial shopping center located in Woodstock, Illinois. Tenants include a pizza restaurant, self-service Laundromat, and Secretary of State Office, among others.

Eastwood Center was purchased by The Cloverleaf Fund III in December, 2004 as a value-added opportunity. The 47,000 square foot anchor space formerly occupied by a Jewel grocery store was vacated in 2004 when Jewel moved into a substantially larger facility across the street. We viewed this as an opportunity to backfill the vacancy and raise the revenue of the Center.

The Village of Woodstock has a population of 20,000, and is located about 65 miles northwest of downtown Chicago. This suburb is in a fast-growing area and its prospects continue to improve.



### The Cloverleaf Fund I, LLC

Properties include:

- **Matt Square, LLC:**  
A vacant retail building, formerly occupied by Builder's Square, consisting of approximately 90,000 square feet, located in Matteson (Cook County), Illinois.

### The Cloverleaf Fund II, LLC

Properties include:

- **Arlington Business Center, LLC:**  
A single-story multi-tenant office building located in Arlington Heights (Cook County), Illinois, consisting of 36,671 square feet. This entity was originally three buildings. Two were sold and removed from the Partnership. Present occupancy is 56%.
- **1810 LLC:**  
A mixed-use retail/professional center consisting of approximately 27,377 rentable square feet located in Gurnee (Lake County), Illinois. Present occupancy is 88%.

### The Cloverleaf Fund III, LLC

Properties include:

- **Plaza Falls, LLC:**  
A three building retail and commercial property consisting of 124,042 square feet, located in Menomonee Falls (Waukesha County), Wisconsin. Present occupancy is 97%.
- **Eastwood Center, LLC:**  
A multi-tenant retail and commercial property consisting of 65,547 square feet, located in Woodstock (McHenry County), Illinois. Present occupancy is 96%.
- **Delavan Pointe, LLC:**  
An 8 building, 64 unit residential property located in Delavan (Walworth County), Wisconsin. The property is being converted to condominiums, and present rental occupancy is 77%. Two units have been sold to date.
- **Essub, LLC:**  
A single-tenant, mixed use building located in Bensenville (DuPage County), Illinois. Present occupancy is 62%.

# YEAR **2005** PROPERTY PERFORMANCE

ENTITY	RESULTS TO DATE
<p><b>The Cloverleaf Fund I, LLC</b>  <b>Matt Square, LLC</b></p>	<p><b>100% of Invested Capital Returned</b>  <b>89.47% of Invested Capital plus</b>  <b>Preferred Return of</b>  <b>12% Returned</b></p>
<p><b>The Cloverleaf Fund II, LLC</b>  <b>Arlington Business Center, LLC</b>  <b>1810 LLC</b></p>	<p><b>100% of Invested Capital Returned</b>  <b>131% of Invested Capital plus</b>  <b>Preferred Return of</b>  <b>12% Returned</b></p>
<p><b>The Cloverleaf Fund III, LLC</b>  <b>Plaza Falls LLC</b>  <b>Eastwood Center LLC</b>  <b>Delavan Pointe LLC</b>  <b>Essub, LLC</b></p>	<p><b>4.83% of Invested Capital Returned</b>  <b>4.63% of Invested Capital plus</b>  <b>Preferred Return of</b>  <b>9% Returned</b></p>

## Not included in The Funds:

- **666 Dundee Road, LLC:**  
A dual-tenant office building consisting of 5,295 square feet. This building serves as the corporate office for The Cloverleaf Group.

## Current Land Deals Include:

- **Four Corners Limited Partnership** (land parcel in Wauconda, Illinois).
- **Northwest Corner Limited Partnership** (land parcel in Long Grove, Illinois).

## Sales Include:

- **The Cloverleaf Fund II, LLC — Arlington Business Center, LLC:** The second of three single-story office buildings consisting of approximately 40,192 rentable square feet, located in Arlington Heights (Cook County), Illinois, was sold to a private equity firm.

Investors received \$38,000 per unit as a result of the sale, and the Fund continues to own the remaining building.

## CLOVERLEAF'S ADVISORY COMMITTEE:

**Michael S. Basofin**, President,  
The Cloverleaf Group, Inc.

**Donald R. DeGross**, Chief Executive Officer,  
Wieland Designs, Inc.

**Walter G. Freedman**, Investor and Consultant

**Lawrence A. Gray, Esq.**, Managing Partner,  
Lord, Bissell & Brook

**Frank Mariani**, Owner,  
Mariani Landscape

**Bryant H. Prentice**, Chairman,  
Bryant & Stratton Career Colleges

**Elliott Robinson**, Principal,  
Robinson Financial Group, Inc.

## CORPORATE MISSION STATEMENT

**Maximize** annual cash returns for investors while enhancing value creation for investment entities by acquiring, managing, and selling real estate.

**Communicate** and promote our results through frequent, standardized, and straight-forward reporting.

**Reinforce** investor confidence via continued investment by Cloverleaf and affiliates in all of its entities.

**Achieve** mutuality through a positive, secure, work environment resulting in the highest levels of commitment, skill, and effectiveness.

**Maintain and Strengthen** our reputation for integrity and professionalism.

**Realize** a reasonable return for Cloverleaf (by implementation of the above) enabling the owners and employees to prosper.

©2006 by The Cloverleaf Group, Inc.

## THE CLOVERLEAF STAFF

**Michael S. Basofin** is President of The Cloverleaf Group, Inc., a capacity that he has served in since 1982. Prior to the founding of Cloverleaf, he was an attorney specializing in real estate, general corporate law and business litigation. Michael is a 1967 graduate of Miami (Ohio) University and a 1970 graduate of Loyola University School of Law.

**Thomas M. Bretz**, as the Executive Vice President, is responsible for locating suitable properties for purchase, as well as spearheading the development of Long Grove Commons and various property expansion projects. Tom holds a B.A. from Marquette University and attended graduate school at the University of Wisconsin - Madison where he received a J.D. as well as a Masters of Science in Real Estate and Urban Economics.

**Morton Rischall** is the Controller for Cloverleaf, and handles all financial aspects of the Company and properties. These responsibilities include managing cash flow, budgeting and forecasting operations. He is a graduate of the University of Minnesota, with a B.S. in Accounting, as well as a Certified Public Accountant.

**Cindy Freese** is the Director of Leasing and Management, and handles the day to day leasing activities, as well as property management issues for the entire Cloverleaf portfolio. Cindy holds an Illinois Real Estate Broker's license and has been with the Company for 17 years.

**Rebecca Lewis** is the Property and Leasing Manager, and handles the day to day leasing and property management activities. She is a graduate of the University of Wisconsin - Madison, and holds an Illinois Real Estate Sales License.

**Chris Keivit** is the Property/Office Assistant, and is responsible for ensuring the smooth operation of the Cloverleaf office, conducts monthly site visits and assists Cindy and Rebecca with daily property management. Chris is a CERTIFIED PROPERTY MANAGER® Candidate with the Institute of Real Estate Management. Chris is a 1992 graduate of Siena Heights University (Michigan).

*This newsletter is not an offer to sell securities. Offers are only made in a Private Placement Memorandum through Cloverleaf Brokerage, Inc.*

**THE CLOVERLEAF GROUP, INC.**

666 Dundee Road, Suite 901

Northbrook, IL 60062

(847) 272-3300

[www.cleafgroup.com](http://www.cleafgroup.com)