

CLOVERLEAF

today

NEWSLETTER

March 2009



The President's Report

Michael S. Basofin
President

What a difference a year makes! Though we believed prices were declining, who would have forecasted the speed, breadth and depth of this economic decline?

Cloverleaf's model of low leverage financing has become quite popular lately. Lenders seem to appreciate our long standing approach (and track record) of adding value to commercial projects with hands on management and modest debt. In a cycle when most banks have severely curtailed real estate lending and "non-recourse" is considered profanity, we had four non-recourse proposals for our latest acquisition, three of which were from new banking relationships. In the past, we spoke of the reliability of our lenders. In the short term, lender predictability has gone the way of the horse and buggy. Bank policies and decision makers change rapidly so we have replaced some lenders with those who value our track record and business.

This cycle offers both new challenges and new opportunities. Cloverleaf (thanks to our loyal and patient investors) presently has approximately \$25,000,000 remaining in equity between The Cloverleaf Fund IV and Harris/Cloverleaf Special Opportunity Fund and we are ready, willing and able to respond to the market. We can now buy some stable, well located assets at acceptable prices...in part because we have survived while many of our competitors are either overwhelmed with problems or going out of business. We, too, had a capital loss in 2008 on one of our projects (not affiliated to our Funds), but the balance of Cloverleaf's portfolio is healthy.

Anyone who tells you that he or she knows when this market has or will "bottom out" is not telling the truth. Our focus is buying quality, well located assets at prices that reflect the likelihood, in the short term, of lower rents. Purchasing assets based primarily on today's net operating income is dangerous. Our objective is to accumulate solid real estate opportunities and hold them (while building value) until the market returns, as it inevitably will, to a more normal real estate cycle. I have great confidence that in several years (6-10), Wall Street will once again come up with a gimmicky format (tax shelters, tenants in common structures, some form of REITs) to entice investors back into the real estate investment process. These promoters will once again pay premium prices for solid real estate and Cloverleaf will have the portfolio to sell.

As always, we appreciate our investors, our Advisory Committee, our colleagues at Cloverleaf and all the outside consultants that contribute to our success.

With patience, hard work, low leverage loans, equity and courage, we believe we will weather this cycle and succeed.

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Featured Property

By: Theresa Kolososki
Leasing & Property Manager

WEST AURORA PLAZA LLC 1901 - 2131 West Galena Boulevard Aurora, Illinois

An Asset of The Cloverleaf Fund IV, LLC

West Aurora Plaza is a 207,095 square foot shopping center located in Aurora, Illinois. This 49-year old property is anchored by a 115,209 square foot Wal-Mart. Tenants include McDonald's, Sally Beauty, CITGO, AutoZone, Hallmark, Blockbuster, and other local tenants. Given our entry price, location, and the upside potential with an expansion of Wal-Mart, we believe this property is a great asset to our portfolio.

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We purchased West Aurora Plaza from a family that had developed, owned, and managed the Center themselves for 49 years. The Seller appreciated our approach of hands-on leasing and management, which made us ideally suited to follow. We spent much of this past year implementing various and much needed improvements to the property. The majority of the roofs were replaced, the parking lot was re-surfaced, and the landscaping was completely upgraded. In addition to the physical aspects of the property, we also focused on multiple tenants whose leases were up in the years 2009-2010. We successfully renewed about 9,000 square feet of tenant leases, many for 9-10 year terms.

We have been working closely with both the City of Aurora and Wal-Mart in a possible 35,000 square foot expansion of its building and an extension of the lease. The City is supportive of our efforts; we are making progress, and remain cautiously optimistic that there is a deal to be made. If we are successful, this transaction alone will significantly increase the value of this property.

We are looking forward to 2009 and expect that this center will continue to bring many exciting opportunities.



MANAGING THROUGH THIS RETAIL CYCLE

By: Stanley Nitzberg, Principal
Mid-America Real Estate Corporation

Everything in life cycles....interest rates, political views, fashion trends and retail real estate. Clearly, this current cycle has written new rules. It will end. There will be a return to a more balanced relationship between supply and demand, rents and investments, risk and return.

Retailers must grow to prosper. The pressure from rising expenses, motivating people and competitive forces necessitates profitable revenue growth. The consumer and our overall economy will spend money again to support that growth. It may take 24-36 months, but we will get there.

To manage along the way, consider these premises:

Retailers will return to basic decision making criteria.

Population density and location quality will be the vocabulary. As an owner/investor, you should focus on these characteristics. The green field, outlying, down-the-road, one block off site will not be part of the retail landscape for many years.

If you have assets outside the "A" location, then begin to consider alternative uses to backfill vacancy. Schools, medical, self-storage are options for the lesser quality retail locations. Make concessions now in exchange for

longer-term relationships with current tenants. Do not be greedy or make decisions based on past economics.

Retailers will return to standards for occupancy and return on investment.

Simply said, rents will remain flat for the best assets and be reduced anywhere from 15-20% in all other centers. There will be upward pressure on tenant allowances and landlord work.

Retailers look at total occupancy costs. Therefore, it is more important than ever to manage operating expenses, insurance and real estate tax pass-through charges to minimize their impact on net rent growth.

Be realistic in your expectations with existing tenants. What might seem to be an unacceptable request by a current tenant most likely is far better than going to the market place for a new user.

Capital markets will thaw.

They are frozen today but time and a propensity to lend and invest will return. There will be a balance between rent and return. Cap rates will rise a minimum 150-200 basis points from 2007 levels across all retail property types. Stricter attention will be given to co-tenancy, go-dark and sales kick-out clauses, which had been ignored in recent years.

Be prudent, stay focused and remain balanced. This too shall pass.

YEAR 2008 PROPERTY PERFORMANCE

The Cloverleaf Fund III, LLC

- Delavan Pointe LLC**
 Delavan Pointe is an 8 building, 64-unit residential apartment complex converted to condominiums and located two miles southeast of downtown Delavan.
- Essub LLC**
 Essub is a 38,956 square foot, industrial/flex building in northwest suburban Bensenville. The property is located at 621 Busse Highway, near the intersection of Irving Park Road and Busse Highway.
- 8600 Brown Deer LLC**
 Highland Plaza is a 95,143 square foot retail strip center located on Brown Deer Road on the north side of Milwaukee.
- Glendale Business Center, LLC**
 Glendale Business Center initially consisted of four buildings totaling 136,800 square feet. We sold one 32,400 square foot building in 2008 leaving 104,400 in the complex.

The Cloverleaf Fund IV, LLC

- Michigan Avenue 174 LLC**
 A four story mixed-use building totaling approximately 29,000 square feet located diagonally across the street from Millennium Park in downtown Chicago.
- West Aurora Plaza LLC**
 A six building, 207,095 square foot retail property and a 3 acre parcel of land in Aurora, (Kane County) Illinois. The property is anchored by Wal-Mart; other tenants include McDonald's, Hallmark, Blockbuster and local tenants.
- Glenwood Crossings-Kenosha, LLC (Closed March 18, 2009)**
 A 77,504 square foot retail property located in Kenosha, Wisconsin. The property is anchored by a Pick-N-Save grocery store.

The Cloverleaf Special Opportunity Fund, LLC

- Old McHenry LLC**
 A 9,833 square foot mixed use building located in Long Grove, Illinois.
- Lot 6 LLC**
 A vacant parcel available for development in Long Grove, Illinois.
- Lot 7 LLC**
 A vacant parcel available for development in Long Grove, Illinois.

The Cloverleaf Fund I, IRR	11% Annual Internal Rate of Return for 7 Years	
The Cloverleaf Fund II, IRR	22% Annual Internal Rate of Return for 7 Years	
The Cloverleaf Fund III, LLC Plaza Falls LLC (Sold) Eastwood Center LLC (Sold) Delavan Pointe LLC Essub LLC 8600 Brown Deer LLC Glendale Business Center, LLC	To Date 85.30% of Invested Capital Distributed	To Date 72.82% of Invested Capital plus Preferred Return Distributed
The Cloverleaf Fund IV, LLC Michigan Avenue 174 LLC West Aurora Plaza LLC Glenwood Crossings-Kenosha, LLC (Closed March 18, 2009)	To Date 5.87% of Invested Capital Distributed	To Date 5.31% of Invested Capital plus Preferred Return Distributed
The Cloverleaf Special Opportunity Fund, LLC Old McHenry LLC Lot 6 LLC Lot 7 LLC	To Date 0% of Invested Capital Distributed	To Date 0% of Invested Capital plus Preferred Return Distributed

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.

Sales Include

The Cloverleaf Fund III, LLC

- Glendale Business Center, LLC**
 One 32,400 square foot building (of the total 136,800 square foot property) was sold on January 11, 2008 to a tenant in the building.
- Eastwood Center LLC**
 Eastwood Center is a 65,547 square foot, multi-tenant shopping center in northwest suburban Woodstock. This property was sold on April 30, 2008.

Northwest Corner Limited Partnership (not included in the Funds)

A 38,030 square foot mixed use development located in Long Grove, Illinois. This 1998 pre-existing partnership had a capital loss in 2008.



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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 straightforward 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.

Cloverleaf Staff

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