



# Cloverleaf News

WINTER / SPRING NEWSLETTER

MARCH 2018

## Remembering Cindy Freese



**By: Michael S. Basofin, Principal**

Cindy M. Freese, Senior Vice President, partner, and colleague passed away December 18, 2017 after a valiant battle with cancer. Cindy joined Cloverleaf in 1988 as a property manager. For those who worked with Cindy or knew her, you understand how she progressed to running operations at Cloverleaf as Senior Vice President.

Cindy could do every job at Cloverleaf (and often tried to do them all). She handled leasing, buildouts, major property management issues, raised money, consulted on billings to tenants, and put up with two impatient, demanding Basofins. Cindy took on these roles with humor, grace, professionalism, and the rare talent of being assertive but not aggressive. Her nickname was "the Queen" – she was the heart and soul of Cloverleaf.

As wonderful as Cindy was at her job, she was an even better person and friend. Words cannot express how much all her coworkers at Cloverleaf – and even outside vendors and tenants – miss her. No matter how busy she was, no matter what she was going through in treating the cancer, Cindy worked near fulltime, yet always had time for others. She was a wonderful wife, mother, daughter, sister, and friend. When Cindy passed, the rest of our staff, while in mourning and feeling deep sorrow, rose to the challenges of three transactions going on at the same time, as well as the normal day-to-day work, and performed at the highest level. It was a tribute to Cindy and the way she conducted herself as a professional, always.

Cindy, Jonny and I shared a love for Bruce Springsteen. Several Years ago Springsteen wrote "Terry's Song," an ode to a lost close colleague and friend. Since Cindy's death, I have often thought of that song. Some of the lyrics are as follows:

*Well they built the Titanic to be one  
of a kind, but many ships have ruled  
the seas  
They built the Eiffel Tower to stand alone,  
but they could have built  
another if they please  
Taj Mahal, the pyramids of Egypt are  
unique I suppose  
But when they built you [sister] they broke  
the mold.*

In the concluding section Springsteen writes:

*Now your death is upon us and  
we'll return your ashes to the earth  
And I know you'll take comfort in knowing  
you've been roundly blessed and cursed  
But love is a power greater than death just  
like stories told  
And when they built you [sister] they broke  
the mold.*

Rest in peace, old friend.

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## (Relatively) Calm in the Storm

By Jonathan E. Basofin, Principal

All Basofins are naturally anxious. As my father/partner in Cloverleaf, Michael Basofin, often says, no issue is too remote to worry about. Unfortunately for me, I generally share my father's gloomy outlook (we're fun guys at parties). However, when it comes to certain topics in the news that cause angst for many others in our business – like rising interest rates and the demise of many brick-and-mortar retailers – we are, by Basofin standards anyway, cool customers. We monitor interest rates and retail sector changes closely, but with confidence in our longstanding approach to debt, space sizes, and tenant type, and with the knowledge that as we have done over Cloverleaf's 36-year history, we will stay nimble, modifying our acquisitions strategy as the market changes.

On interest rates, there is a direct correlation between the degree of risk associated with absorbing a higher rate and the amount of debt on which one is paying interest. Even through the historically low rate environment of the last decade, Cloverleaf has held fast to our model of financing properties with 40-60% loans-to-value. For example, our three most recent acquisitions (each of which is detailed in this letter) were acquired with debt between 40-45% (and each includes a capacity to increase debt as we improve the properties). Because our debt is relatively low, our returns are less impacted, both positively and negatively, by interest rates swings.

We also worry less than others about one retailer after another going out of business or shrinking their stores because we are not traditional “retail” buyers. As we have evolved as investors over nearly four decades, we have moved further away from buying “stores” and reflexively avoid “big boxes.” Rather, Cloverleaf seeks well-located properties dominated by service-oriented tenants, generally in relatively small and/or malleable space sizes. Most of our tenants operate businesses that cannot readily be replaced online. In fact, when excluding a grocery store we own, only 23% of Cloverleaf tenants are retailers in the traditional sense. The other 77% are service businesses like healthcare operators, restaurants, salons, fitness facilities, financial services offices, and others. And we will continue to revisit and change what assets we target as the market dictates.

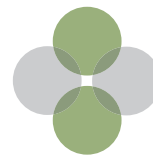
For those who know us well, do not fear; we are still as cautious as ever and will find plenty to worry about. But doomsday news stories about interest rate increases and the end of retail will not cause us to lose much sleep.



## PORTAGE COMMONS ACQUIRED



In March 2018, The Cloverleaf Fund VIII, LLC acquired a 107,805 square foot multitenant center in Portage, IN. Approximately 40 miles from Chicago's Loop, Portage is the third largest city in northwest Indiana. The property sits at a major intersection along Portage's primary commercial thoroughfare, US Highway 6. However, unlike the newer neighboring centers that are anchored by Meijer, Menards, Lowe's, Walmart, and others, with outparcel tenants like Panera, Starbucks, Five Guys, and Chipotle, Portage Commons is outdated looking, has significant vacancy, and many of the tenants pay below-market rents. We believe that the property's location and occupancy, when coupled with our attentive management style, an infusion of capital, and a relatively low entry price/debt structure, presents an opportunity for significant upside.



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## **PICK 'N SAVE GROCERY STORE SOLD (Grafton, WI)**



In February 2018, The Cloverleaf Fund V, LLC, in partnership with The Harris/Cloverleaf Special Opportunity Fund, LLC, sold its 60,718 square foot Pick 'n Save grocery store in Grafton, WI at a price that is considerably higher than we paid in 2011 to acquire both the Pick 'n Save and an attached 11,221 multitenant component of the center. Prior to the sale, we added Kroger's corporate guarantee to the lease, which had just under 12 years remaining at the time of our sale. We continue to own the 11,221 square foot multitenant part of the property. We were pleased to return significant profits to our investors. Fund V owns 76.16% of Grafton with the remaining 23.84% owned by the Harris/Cloverleaf Special Opportunity Fund.

## **GLEN ELLYN CENTER ACQUIRED (Glen Ellyn, IL)**



In October 2017, The Cloverleaf Fund VII, LLC acquired a 19,399 square foot multitenant center in Glen Ellyn, IL. Glen Ellyn is a western suburb of Chicago, approximately 25 miles from the city. The center, which we acquired off-market, is presently divided into 13 spaces, including two vacancies. Tenants are almost exclusively service-oriented. Additional strengths of the property are its location on Butterfield Road (a major east-west thoroughfare) and its below-market rents. Additionally, we believe the property has been undermanaged and will benefit from cosmetic improvements and better attention to tenant needs.

## **GOODWILL BUILDING SOLD (Grafton, WI)**



In August 2017, The Cloverleaf Fund V, LLC sold its 21,400 square foot single tenant (Goodwill) building in Grafton, WI at a substantial profit over our 2012 acquisition price. At the time of our November 2012 purchase, Goodwill had around ten years of lease term remaining. Prior to our sale, we negotiated an early five-year lease extension.

## **THE CLOVERLEAF FUND VIII, LLC FORMED**

Cloverleaf's most recent offering, The Cloverleaf Fund VIII, LLC, commenced in the 4th quarter of 2017 with a total capitalization of \$13,460,000 (we had targeted a \$12,500,000 capitalization). 102 investors subscribed to Fund VIII, 21 of whom are new to Cloverleaf. The Fund has since acquired two assets, each of which is described herein. We were gratified by the response from investors and are hard at work to locate additional acquisition opportunities for the Fund.

## **HIGHLANDS OF LOMBARD ACQUIRED**



In January 2018, The Cloverleaf Fund VIII, LLC acquired an 18,010 square foot multitenant center

in Lombard, IL. Lombard is a western suburb of Chicago, approximately 22 miles from the city. The property is located within the larger Highlands of Lombard complex, across the street from Yorktown Center, a 1.5 million square foot regional mall, and just west of I-88, the main highway in the area. As a result, the location features sizable traffic counts and a robust daytime population. We were also drawn to the property's tenant mix of mostly service-oriented national, regional and local business. While this acquisition is more stabilized than other Cloverleaf investments (e.g., the Portage opportunity described herein), the center includes a "hedge" via modest existing vacancy.





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### ROSS COSYNS JOINS CLOVERLEAF TEAM



We were excited to welcome Ross Cosyns to Cloverleaf in Summer 2017 as our Manager of Operations. His responsibilities include leasing, property budgeting, construction oversight, and assisting with acquisitions and dispositions. Ross, who has over a decade of experience in commercial real estate, brings a depth of experience and skills to Cloverleaf. He is a graduate of Miami University in Ohio and earned an MBA from DePaul University's Kellstadt Graduate School of Business.



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