



Cloverleaf News

SUMMER NEWSLETTER

JUNE 2022

40 Years of Cloverleaf: From Concept to Reality and Beyond

By: Michael Basofin, Cloverleaf's Founder and Principal

In 1982, Cloverleaf was officially born. Those were the days: I was thinner, had more hair, and was too naive to fully appreciate the risks of switching careers after practicing law for 12 years. But I am glad I made the change as Cloverleaf has been a fulfilling journey.

For me, practicing law had become monotonous and, through my client representation, I began to develop a concept for a real estate investment company. I had been doing a lot of work for a home building company and as they grew rapidly, I began to participate in tasks that went beyond my role as a lawyer. I was intrigued by the variety of issues involved (e.g., architecture, costs, marketing, debt/equity decisions, etc.). It is appropriate that I mention Bryant Prentice and Gary Rosenberg, the principals of that company, who taught me a lot and apparently saw something in me that, at the time, I did not see in myself.

Practicing law for over a decade allowed me to, without “skin in the game,” observe how other businesses functioned and how I might run my own. For example, 1982 was the heart of the halcyon days of real estate investments

as tax shelters. I became suspicious of the ultimate relative benefit of these shelters as I watched clients experience “phantom gains” (tax events with no cash) when the investments themselves failed. This led to conversations with clients about delaying taxation (as opposed to avoiding it) and, at best, in those days, converting ordinary income to capital gains. Whether it was because of what I observed in these transactions or a Basofin genetic disposition toward cautiousness, I became debt adverse.

So, against all practical advice given my growing law practice and two small children at home, in the summer of 1982 I wrote a letter (a real one with ink and paper as this was pre-email) letting my law clients and other contacts know that I would finish any work in process but accept no new business. I could not have made this change without my spouse, Nancy, who was unconditionally supportive of my new endeavor, including the initial reduction in earnings.

Cloverleaf started with a few core principles that remain our foundation today: buying fundamentally solid real estate that we believe we can make

better (with the associated tax benefits being only that – benefits); low debt; investing in the same class as our partners; not paying others to raise equity; managing our own properties; distributing quarterly status reports that are consistent and simple to understand; and charging fair fees. As many of you have heard me say over the years, I wanted to be a “singles and doubles” real estate player. While not every one of the 90 or so properties we have acquired has been profitable, we have been consistently successful while staying true to those principles.

Forty years later, Cloverleaf is generational. Our son, Jonny, runs the company after working together with me for several years, and our daughter, Amy, sits on our Advisory Committee. I am enjoying semi-retirement but look back fondly on what has been a wonderful ride.

Over the years our stakeholders – our investors, colleagues at Cloverleaf, members of the Advisory Committee, lawyers, accountants, brokers, bankers, and so many others – have contributed mightily to our success. My gratitude to you all is great. Thank you!



40 Years of Cloverleaf: Reflecting as We Move Forward

By: Jonathan Basofin, Principal

40 years is a long time! As I reflect on the decades since my father, Michael Basofin, founded Cloverleaf, I look back with wonder at the transformation in our world, and with appreciation and pride at our company's longevity.

Here are some examples of how much has changed in the last 40 years:

	1982	2022
Cost of a first-class stamp	\$0.20	\$0.58
Cost of a beer at Wrigley Field	\$1.50	\$9.75
Approximate average cost of new car	\$14,000	\$47,000
Average 30-year mortgage interest rate	16.04%	5.48% (May 2022)
Average salary of MLB player	\$241,497	\$4,170,000 (2021)
Best Picture winner at Oscars	Chariots of Fire	CODA
Best-selling album	Asia – Asia	Adele – 30 (2021)

That is a lot of change for any company to endure. Frankly, in the early years, it would have been safe to assume Cloverleaf would not be a going concern 40 years on – though not for lack of vision or hard work. Rather, failure is a fact of life for new businesses. According to the U.S. Bureau of Labor Statistics, around 20% of new businesses fail during the first two years, 65% during the first 10 years, and only 25% make it to 15 years or more.

Therefore, by Cloverleaf's 15-year anniversary in 1997, the company had already beaten the odds. And here we are another 25 years later. Why? Below are some of the reasons:

First, we have benefited from the loyalty and talents of others. I could go on for pages listing the many people who have helped Cloverleaf along the way, but here are a few important examples:

- Our staff is, and has always been, uncommonly excellent. They are key to maximizing our properties' performance and making investing with Cloverleaf simple.
- We have enjoyed the confidence of a solid and growing group of investors. Many of our investors have been with us from the beginning, becoming multigenerational partners as Cloverleaf's leadership became multigenerational.
- The Cloverleaf Advisory Committee was formed early on and has been a huge asset. The group, which still includes some of its original members, provides counsel and collaboration while serving as de facto representatives of our investors. They have helped us immeasurably over the years, particularly at key inflection points.
- And finally, we have been fortunate to associate with an array of best-in-class professionals from lawyers and accountants to brokers and contractors. Along those lines, we have benefited from the faith of the banking relationships that finance our acquisitions.

Second, it took the conviction to stay true to the company's founding principles, which are enumerated in my father's article above. While Cloverleaf's size and what we buy has changed over the years, our broader philosophy has not. These core principles have held us in good stead through a range of market cycles, and our commitment to them will guide us forward.

Finally, it took luck. When my father formed the firm, he chose the name "Cloverleaf" – not just because it rolls off the tongue, but because he recognized that hard work, good ideas, and honest dealing would not be enough. He knew he would need luck, too. And like any successful investment company, Cloverleaf has been enormously lucky.

I am proud of the company Cloverleaf was in the early years, what it became, and where it is headed. I look forward to the future with tremendous gratitude for our past.



CLOVERLEAF

How Cloverleaf Adapted During the Pandemic

By: Ross Cosyns, Vice President

The pandemic sent shockwaves throughout the world's economy. Commercial real estate was no exception. But after a challenging couple of years for property managers, I am proud of the results our team achieved, not only with rent collections and occupancy retention, but maintaining the trust of our tenants.

With Cloverleaf's tenancy made up of primarily service-based businesses for which in-person interaction is critical, when the pandemic hit and locations were forced to close for extended periods, we were tasked with working with a large share of tenants on rent agreements that allowed each party to see the other side. Cloverleaf enacted a plan of personal contact with each tenant while placing an emphasis on mutual

respect and compassion. With support from our lenders, the Cloverleaf team rose to the occasion. By the end of 2021, our portfolio achieved over 90% in rent collections dating back to the start of the pandemic, with only a few leases terminated.

We are also happy to report that despite lingering effects of the pandemic and recent economic challenges, new leasing has been strong across the portfolio. This momentum can be attributed to a few qualities I believe set Cloverleaf apart from many of our peers: First, rather than employ a master broker approach to our leasing agent strategy, Cloverleaf hires local brokers in each submarket. We have found that by using this targeted approach, we are able to capture leads that

may otherwise not receive attention, gain market-specific feedback, and ultimately get more leases signed. Second, our hands-on ownership approach is key to our leasing success. In-house property management, accounting, and asset management are important to our tenants, particularly smaller mom-and-pop businesses, who value the experience of picking up the phone and speaking to a member of Cloverleaf's staff.

I am proud of how Cloverleaf has managed our portfolio during the pandemic, both in terms of the outcomes accomplished and that we approached our tenants with the requisite humanity the situation warranted.

Cloverleaf's Latest Fund Acquires Value-Add Center in Indianapolis



In July 2021, Cloverleaf's latest investment fund, The Cloverleaf Fund IX, LLC, acquired a three-building 52,184 square foot value-add center in northwest Indianapolis in an off-market transaction. The property, Pyramid Place, is located proximate to a particularly dense intersection on the northside of the city, near the dividing line between Indianapolis and Carmel. Average household incomes within five miles of the asset are \$111,532 and over 40,000 cars pass the center per day. At the time of our acquisition, approximately 15% of the center was vacant, some of the rents were below market, and a variety of deferred maintenance and other improvement were needed. We have begun leasing the vacancies and bettering the center's functionality and appearance.



CLOVERLEAF

Cloverleaf Subdivides and Sells Grocery Stores

Over the past year, Cloverleaf profitably sold two grocery stores, taking advantage of a hot market for creditworthy single-tenant grocery offerings. In each case, the stores were part of larger multitenant centers we own, so we had to first subdivide the land parcel on which the store sits from the rest of the property. We believe this approach allowed us to capture significantly higher prices for the grocery stores than would have been the case had we sold them together with the rest of the properties.

In June 2021, we sold a 60,900 square foot Pick ‘n Save grocery store at the Shoppes at Wyndham Village in Franklin, WI, a southwestern suburb of Milwaukee. Prior to the subdivision and sale, we had negotiated a guaranty of the lease by Pick ‘n Save’s parent company, Kroger. We retained ownership of the remaining 33,311 square feet of multitenant space, as well as a developable outparcel. The property is owned jointly by The Cloverleaf Fund VI, LLC and The Cloverleaf Horizon Fund, LLC.



In March 2022, we sold a 55,157 square foot Martin’s grocery store at Bittersweet Plaza in Mishawaka, IN, part of the South Bend, IN area. Prior to the subdivision and sale, we secured a lease amendment from Martin’s, which is owned by fortune 500 company, SpartanNash, to extend their term to 2037. We retained ownership of the remaining 37,138 square feet of multitenant space. The property is owned by The Cloverleaf Fund VIII, LLC.

In each case, the buyers were involved in 1031 exchanges and valued the stability of long-term leased grocery stores. We are pleased to have returned significant profits to our investors via these sales.



CLOVERLEAF

Welcome to new Cloverleaf Team Members: Kate Rettell and Dylan Mahon

We are excited to have recently added two great new members to our team:

Kate Rettell joined Cloverleaf in mid-2021 as our Staff Accountant. Her primary responsibilities include accounts payables and various other accounting activities in support of the company's Controller, Ruth Moschel. A graduate of the Minnesota School of Business, Kate lives in Lincolnwood with her husband and four children and enjoys cooking, playing golf, and cheering on her children at all sorts of sports.

Dylan Mahon joined Cloverleaf in late 2021 as our Analyst. His primary responsibilities include prospecting and assessing lease and acquisition opportunities, and generally supporting Cloverleaf's Vice President, Ross Cosyns, and Principal, Jonathan Basofin. Dylan is a recent graduate of the Indiana University Kelly School of Business, lives in Chicago, and enjoys cooking and rock climbing.



CLOVERLEAF STAFF

Michael Basofin
Principal

Jonathan Basofin
Principal

Liz Vanden Heuvel
Manager of Admin. Services

Joy Parker
Property Manager

Ruth Moschel
Controller

Ross Cosyns
Vice President

Kate Rettell
Staff Accountant

Dylan Mahon
Analyst

CLOVERLEAF'S ADVISORY COMMITTEE

Michael Basofin
Principal
Cloverleaf

Jonathan Basofin
Principal
Cloverleaf

Donald DeGross
Financial Consultant and
Investor

Matthew Gray
Owner, Academic Counseling
Services, Inc.

Eric Greenfield
Shareholder/Real Estate
Division Chair,
Polsinelli

Amy Basofin Kestenbaum
Attorney

Frank Mariani
Chief Executive Officer
Mariani Landscape

Elliott Robinson
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Robinson Financial Group, Inc.

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CONTACT US

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