

# The Clarion

Cover Story	1
President's Message	2
ClearView News	2-3
Product Spotlight	3
Seminar Dates	3
Investor Education	4

## COVER STORY

### Tenant-in-Common Expenses

by Wes Larson, MBA, JD

Frequently our clients inquire about the expenses related to a Tenant-in-Common (TIC) securitized investment. Often the purpose is to compare these expenses, or the "load", with the costs of investing in a non-securitized real estate transaction. In a TIC, the load is measured as a percentage of the equity investment, and is fully disclosed in the private placement memorandum. In a pure real estate investment, the expenses are usually considered as a percentage of the total purchase price, including the debt and the equity.

The costs of purchasing non-securitized commercial real estate typically include the real estate brokerage or advisory fee, a portion of the closing costs, and any fees and expenses related to the buyer's purchase money mortgage (e.g. including an appraisal fee and phase I environmental report, which the bank may require as a condition to financing the property). Generally, these costs may range from 4-7% of the total purchase price. For example, in the purchase of a one million dollar investment property the buyer would typically expect to incur total transaction costs of around \$40,000 to \$70,000.

In a TIC, the investor may expect to pay total fees and expenses (the load) related to both the real estate and securitization costs of the transaction ranging from 20% to 40% of the total equity invested. The securitization costs and expenses include the sponsor's due diligence on the property, which may be considerably greater in a securities transaction, as well as the marketing, and securities' brokerage expenses related to the issue. Taken as a percentage of total assets, these costs and fees may range from 4 to 8 percent of the total purchase price. The total "load" for a Tenant In Common securitized transaction, when measured as a percentage of the total purchase price (including debt and equity), may therefore range from 8 to 15 percent of the total purchase price, which includes the real estate load (4-7%) plus the securities load (4-8%).

Additionally, reserves are often taken up front in a TIC for items like future maintenance, repairs and potential future vacancy losses related to the property. These reserves may equate to 1 to 3 percent of the total purchase price. In a non securitized real estate transaction the buyer may not include reserves as a part of their up front costs.

What one gets for the additional cost of a TIC investment is difficult to measure in dollar terms. Stringent securities laws place a heavy burden

on the securities issuer and broker-dealer to ensure that all material facts are disclosed to the investor, even on peril of civil and even criminal liability. The investor also gets some value from the ability to assume a loan in a TIC transaction that is typically non recourse (this means there is no personal payment guaranty on the bank debt, with the exception of certain "bad boy carve outs"), and on terms and conditions which may otherwise not be available to the individual purchaser of a property. For example, such a loan, obtained on "institutional terms and conditions" may include a lower interest rate and longer repayment term.

Available TIC real estate include Class A institutional grade properties; additionally, the ability to invest in different regional markets via the securitized TIC may also give the investor the opportunity to buy at a price-value that may be difficult to attain in his own local market. In the case

of TIC office, industrial and retail properties, the leases may also be acquired on a "triple net" basis, meaning that the tenant is responsible for paying operating expenses for the property as "additional rent". (Included in these operating expenses may be the cost of managing the property), and base rents are often contractually adjusted in the lease agreement for an inflation factor. Another attribute of Tenant In Common properties may be the presence of "national credit" tenants, i.e. tenants who have investment grade credit ratings. Finally, the investor gets the benefit of the due diligence, knowledge and expertise of the sponsor company, who may continue to manage the property it has acquired for the account of the investor throughout the duration of the investment.

Regardless of the expense involved, the projected return on investment is estimated based on the total equity investment, including the costs and fees.

In the final analysis the client needs to be comfortable that he or she is getting sufficient value for the cost of their TIC investment. An investment in a Tenant In Common securitized transaction may have important benefits for the investor that justifies the additional cost incurred versus the "pure real estate" alternative.

The information presented in this article is not intended to represent actual terms and conditions of a specific TIC investment property, which may only be provided in a private placement memorandum. The investor should always carefully consider the risks involved in investing in real estate, and seek professional advice, whether in a TIC or any other property.

**"If we had no winter,  
the spring would not  
be so pleasant; If we  
did not sometimes  
taste of adversity,  
prosperity would not  
be so welcome."  
~Anne Bradstreet  
(ca. 1612-1672)**

Broker/Dealer Compliance | Securities offered through Pacific West Securities, Inc., Member NASD/SIPC, 555 Renton Village Place, Suite 700, Renton, WA 98055.

The material contained in this newsletter does not constitute an offer to sell or any offer to buy real estate or securities. Such offers are made only by a sponsor's memorandum, which is always controlling. There are material risks associated with the ownership of real estate. As with any real estate investment, there are various risks including, but not limited to: loss of principle; variations in occupancy, which may negatively impact cash flow; illiquidity; and limits on management control of the property. If you wish to be removed from our mailing list, please contact us and we will do so.

## Client Corner

ClearView Wealth Management provides a broad array of financial services to individuals, families and businesses focusing on three key areas: Asset Allocation, Financial and Estate Planning and Tax Advantaged Investments.

We would like to congratulate our new and returning clients who invested in one or more products in December and January.

- Tenants in Common Real Estate
- Natural Gas & Oil Investments
- Managed Equities
- Equipment Leasing
- Managed Futures
- Directional Interest Rate Fund
- Annuities and Mutual Funds
- Real Estate Funds
- Cash Management Funds

Anna Bowlds

Paul & Judy Butrim

Gina Cocheo

Bryan & Linda Daniel

Ron & Casey DiPietro

Patrick Finn

Scott Francis

Jack & Julie Greenfield

Patti Hulvershorn

Jim & Diane Pillow

David & Arlene Rand

Don & Alma Schnyders

Neal & Janet Skok

Laura Smith

Lawrence & Sandi Stevens

## PRESIDENT'S MESSAGE

### ALTERNATIVE INVESTMENT PRODUCTS PROVIDE DIVERSIFICATION

#### Asset Allocation Can Be Achieved By Investing In Alternative Products

I am often asked what sets us apart from our competitors. People want to know the secret of our success. There are so many possible answers to these questions, that no one reason can be given all the credit. I believe one possible reason is the consistency of our message that our number one job is to preserve our clients' assets, help them obtain capital appreciation and provide them with tax advantaged income. The best way to accomplish this goal is through broadly diversifying our clients' assets across the spectrum of traditional and alternative investment products provided by our Broker/Dealer, Pacific West Securities. One key to achieving successful balance in a portfolio is to ensure the well diversified investments are non-correlated to one another.

Every month we hold one or two client luncheon presentations by investment companies in our Issaquah office. We usually have 5-6 clients in attendance and another 2-3 participating by conference call. Recently we have highlighted equipment leasing, gas & oil, a fixed separate account fund, and we have several more meetings scheduled for the future. This is a great way for our clients to learn more about our various investment products and ask questions directly of the investment company representative. These alternative investments are mostly designed to generate income or to provide growth to the portfolio.

I encourage you to participate in these presentations to learn more about how alternative investment products can help you achieve a well balanced and diversified investment portfolio of non-correlated products. Please call Najat or Jill to let them know you would like to participate in one of our future alternative investment program presentations.



Bob Cannon, President/CEO

## CLEARVIEW NEWS

### We Are Pleased To Announce The Following People Have Joined The Clearview Team

#### Jill Sten, Marketing Coordinator

Jill Sten joined ClearView Wealth Management with ten years of experience supporting senior leadership with marketing programs in the Seattle area. In the position of Marketing Coordinator, she is responsible for implementing strategic marketing initiatives related to client communications, marketing research, and advertising.

Ms. Sten's career background is composed of various top Northwest companies in industries including biotechnology, health sciences higher education and research, and real estate investment trust. She graduated from the University of Washington with a Bachelor of Arts in Art History with a focus in Architecture. She is a fourth generation Seattleite living in her hometown and enjoys good food, great wine, and traveling.

## BEACON'S DIRECTIONAL INTEREST RATE STRATEGY

### A Product For Clients Seeking Capital Appreciation

The Beacon Company was founded in 1994. The firm focused primarily on long only investments until transitioning its focus to alternatives when launching its first hedge fund in 1999. That fund enjoyed annualized returns in excess of 18% net of fees over a 5 year period while managing assets for a core base of institutional clients which included Bank of America, Aetna Life Insurance, Deutsche Bank, Cargill, RBC CIBC, etc. Currently Beacon manages 2 Multi-Strategy Hedge Funds and a separately managed accounts program called the Directional Interest Rate Strategy (DIRS).

DIRS started in August of 2004. The Strategy employs a directional, short-term investment strategy in the U.S. Treasury market. The investment process is systematic and utilizes a quantitative process that integrates a proprietary basket of directional bond and market indicators. These indicators include measures of macroeconomic activity, market valuation and technical factors. The strategy utilizes long and short U.S. Treasury mutual funds to generate long or short bond market exposure when research suggests a material decline or rise in interest rates.

The positions are not leveraged and position size is strictly bounded in a range that creates an acceptable level of risk. In addition, the strategy employs stop losses in its trading as an additional level of risk control. Returns have no correlation to both traditional stock or bond markets or to alternative asset classes which offers tangible portfolio diversification. The strategy has a high degree of transparency, liquidity and scalability.

The Strategy has exhibited excellent diversification potential with no significant correlation to traditional markets: as of 12/31/06 the DIRS correlation to the S&P 500 was 0.19 and the correlation to the Lehman Aggregate Bond Index was 0.17. The uncorrelated nature of the historical returns suggests that adding DIRS to a traditional portfolio can add material diversification. In 2006 DIRS net of fees return was 14.47% and inception to date, 7/30/04-12/31/06 was 32.46%. Returns for the same period for the S&P 500 and the Lehman Aggregate Bond Index were 13.62%/28.74% and 4.33%/10.24% respectfully. Historical returns are no indication of future performance.

The downside risks in this investment would include the possibility of the strategy no longer accurately predicting the long or short term direction of interest rates. DIRS has no accreditation requirements for investors and the minimum investment required is determined by investor suitability. Please call Bob Cannon to learn more about this product.

---

#### CLEARVIEW NEWS, CONTINUED

### Ashley Temple, Administrative Assistant

Ashley Temple joined the ClearView team following the conclusion of the first major phase of her life. After seven years as a Front End Manager with Albertsons and the completion of her Bachelor's Degree in Anthropology at the University of Washington, Ashley has brought her positive personality and strong organizational skills to her position as Administrative Assistant.

Ashley is very excited to embark upon this new chapter of her life. She loves skiing, swing dancing, traveling and listening to her favorite music.

## Upcoming Tenants-in-Common Seminars

March | 2007

March 13 – Chicago, IL

March 13 – Northbrook, IL

March 14 – Rosemont, IL

March 14 – Oakbrook, IL

March 20 – Portland, OR

March 21 – Salem, OR

April | 2007

April 10 – Seattle, WA

April 10 – Tacoma, WA

April 11 – Bellevue, WA

April 12 – Everett, WA

April 17 – Chicago, IL

April 17 – Northbrook, IL

April 18 – Rosemont, IL

April 18 – Oakbrook, IL

April 25 – Portland, OR

April 26 – Salem, OR

May | 2007

May 8 – Seattle, WA

May 8 – Tacoma, WA

May 9 – Bellevue, WA

May 10 – Everett, WA

May 22 – Chicago, IL

May 22 – Northbrook, IL

May 23 – Rosemont, IL

May 23 – Oakbrook, IL

May 30 – Portland, OR

May 31 – Salem, OR

To register yourself or someone you know for an upcoming seminar, please call us at (866) 557-1031 or email: [seminars@cvvm.com](mailto:seminars@cvvm.com). We will send you a confirmation in the mail. Space is limited and early registration is recommended.

Corporate Office  
Issaquah, Washington  
866/ 557 1031  
425/ 557 0559

Anchorage, Alaska  
87 PICK A TIC  
877/ 425 2842

Chicago, Illinois  
312/ 423 6789

New York, New York  
212/ 564 4649

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

---

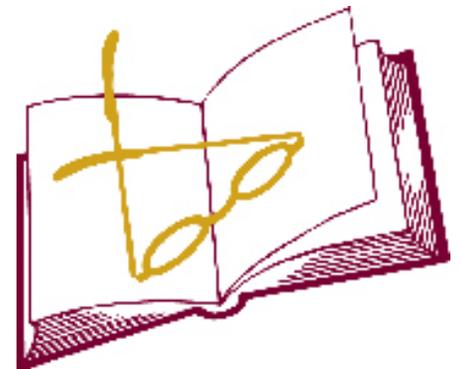
## INVESTOR EDUCATION

### REALIZED GAIN

Gain that is not necessarily taxed. In a successful exchange the gain is realized but not recognized and thus not taxed.

### RECOGNIZED GAIN

Amount of gain which is subject to tax when property is disposed of at a gain or profit in a taxable transfer.



### REGISTERED REPRESENTATIVE

An individual who is licensed to sell securities and has the legal power of an agent, having passed the Series 7 and Series 63 or some other combination of securities examinations. Usually works for a brokerage licensed by the SEC, NYSE, and NASD.