CLARION [Klar'i-on] adj. brilliantly clear; loud and clear (A clarion call to action)

CLEARVIEW WEALTH MANAGEMENT

The Clarion

COVER STORY

REITS and LLC UNITS: Alternatives to Tenants-In-Common

By Wes Larson, M.B.A., J.D.

ClearView offers a variety of real estate investments in addition to Tenants-in-Common (TICs). TIC investors are provided with the opportunity to defer all taxes due upon the sale of investment real estate via the 1031 exchange. A TIC may not be a practical option for a client who is simply seeking to diversify their investment portfolio into real estate and wishes to invest smaller increments in doing so, i.e. less than $100,000 (TIC investments may not be available for less than $100,000). Real Estate Investment Trusts (REITs), and TIC Limited Liability Company Units (LLC Units) provide the investor with such an opportunity.

A REIT is a corporation that combines the capital of many investors to acquire or provide financing for real estate and offers the benefits of a real estate portfolio under professional management. A REIT generally does not pay federal income tax which means nearly all of its income can be distributed to stockholders. Ninety percent of a REIT's taxable income must be distributed to its shareholders. ClearView offers investments in a variety of REITs, which may either be private (shares are not listed and traded on a stock exchange) or publicly traded.

REITs often focus on a particular sector of the real estate market, with the argument being that some sectors may offer potentially greater risk adjusted returns given market and demographic trends. Some examples of REITS that ClearView currently offers its investors include a ""Lifestyle REIT"("Owning America's Lifestyle). This REIT seeks to take advantage of perceived growth in demand for leisure related activities and retail spending among the baby boomer segment of the population. Properties that may be owned by this REIT include: golf courses, themed amusement parks, sports venues, ski resorts and marinas. Other REITs include "Apartment REIT" , "Medical Office REIT" and "Assisted Living REIT. Investor returns vary by product, but distribution rates typically range from 7 to 12 percent, paid annually.

Alternatively, investors may also gain diversification in real estate by purchasing TIC LLC Units. In a Tenant-in-Common investment property, one of the up to thirty-five TIC investment positions may be owned by a limited liability company managed by the sponsor company, with individual investments offered in amounts as low as $25,000. By investing in the LLC, the investor gets approximately the same return as the TIC property owner, although he may not 1031 exchange into the LLC unit (which is effectively a partnership interest).

Owning an interest in the LLC allows for the purchase of an interest in a specific property whereas investment in a REIT allows for diversification into a pool of investment properties. Depending the client's specific needs and objectives, either of these options (a REIT or LLC Unit investment), may be attractive.

If you want more information on REIT investing, you may contact either Leslie Cannon or Najat Cola at ClearView. For LLC investments, contact Wes Larson or Bob Cannon.

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 the following new and returning clients who invested in one or more products in April and May as well as twenty other clients who wish to remain anonymous.

John & Jan Anderson
Al Feige
Kathy Lindeke
Doug Meyer
Carol Sanford
Laura Smith

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

PRESIDENT'S MESSAGE

CLEARVIEW WEALTH MANAGEMENT CLIENT APPRECIATION

Bob Cannon, President/CEO

Annual Event Coming to Seattle and Portland

ClearView's 20th anniversary parties held last November in Portland and Seattle were attended by scores of our existing clients plus a few prospective clients. The event was intended to accomplish many goals including providing financial education about the variety of investment products available through our Broker/Dealer, Pacific West Securities. Many of our clients responded very favorably to this format and suggested we hold similar events in the future. We see no need to wait until our 25th anniversary to have another party!

> "...learn more details about several of the individual investment products available in the market place."

We will be conducting the first annual ClearView Client Appreciation event in Seattle and Portland on November 7th and 8th. More details will follow in the upcoming months. The format will be similar to last year's program based around an evening of fine dining and entertainment. This year we will focus more on financial education with specific programs designed to enable clients to learn more details about several of the individual investment products available in the market place. This will be a fun and action packed event that we encourage you to attend and bring an accredited friend or family member as your guest.

You will learn more about this event in the coming months, but please save the date on your calendar. We look forward to seeing you in November at what should prove to be another memorable evening.

Bob Cannon

CLEARVIEW EDUCATION

§1031 Exchanges Remain a Safe, Viable Option To Defer Taxes

by The Federation of Exchange Accommodators

The §1031 Exchange industry has suffered several blows recently. News surrounding the inappropriate handling of funds by two prominent exchange companies has left consumers nervous and affiliated professionals with a number of questions. Some are using the actions of a few as an opportunity to attack the industry and even the IRS Regulators themselves as ethically questionable. However, the Federation of Exchange Accommodators (FEA), the nation's only professional organization of qualified intermediaries, disagrees.

"The opportunity to protect hard-earned equity in the sale of an investment has been around since 1921," stated Hugh Pollard, president of FEA. "For years the FEA has been leading the discussion for appropriate standards to help protect consumers."

Unfortunately, the actions of a few are overshadowing the success and responsible approach of the majority. So what's an investor to do?

First, become educated. Recent articles refer to §1031 exchanges as a "popular tax-deferral trick" and to the people who perform them as "so called QIs" (Qualified Intermediaries.) The industry is more established than these articles indicate - §1031 exchanges have been around for over 85 years. The IRS created the provision specifically to allow investors the opportunity to defer the tax on capital gains until some point in the future. In 1990, the Omnibus Budget Act clarified the process of deferring taxes on capital gains, thus opening the option to a broader set of consumers.

The rule allows an investor to defer tax, not avoid tax. Since the provision was established, thousands of people have successfully completed exchanges, deferring hundreds of millions in taxes. So, with the IRS support, §1031 exchanges are a legitimate tax deferral strategy – not a trick. However, the IRS does have important rules that need to be followed, a few of which are:

- When exchanging property it must meet "like-kind" requirements. For example, all real estate in the U.S. is like kind, but personal property must be matched up individually, then exchanged for items of like kind.
- Certain time limits must be followed during the exchange process – the first is that the investor must identify a replacement property within 45 days of the sale of the original property. The second time limit is that the investor must take possession of the title of the investment property within 180 days.
- To take advantage of certain safe harbors in the IRS Regulations the funds must be held by a qualified, non-involved party with no agency relationship to the investor.

There are many subtleties around the IRS rules that only a qualified intermediary can answer. For this reason, the second most important thing an investor can do is ask questions to understand the skills, expertise and knowledge of the firm and the individual who handles your exchange. The FEA has posted consumer guidelines to their website (www.1031.org) for those considering a QI. Some of their suggested questions to ask a prospective QI are:

- Is the firm/individual a member of, and active in the FEA?
  FEA requires members to adhere to a Code of Ethics. Each member must review and sign their agreement to uphold the standards of the industry. Any breach of these ethics results in immediate suspension of the member. In accordance with the FEA Bylaws, each member agrees to do a background check prior to acceptance into this organization.

- Does the QI employ a Certified Exchange Specialist®?
  A Certified Exchange Specialist (CES®) has satisfied an experience criterion and has passed a qualification exam demonstrating their industry knowledge, the rules and regulations.

- Is the firm bonded? If so, for what amount?
  Where is the QI holding the funds and can they produce an account summary on demand?

Consumers can continue to have faith that §1031 Exchanges are a safe, effective and smart way to defer tax on the equity realized following the sale of investment property. Consumers are encouraged to look for the FEA logo when seeking a §1031 Exchange firm, as this logo is the first step to knowing that the firm you select has committed to participating in ongoing education to stay abreast of legislative and regulatory developments and adheres to the strictest industry standards and Code of Ethics.

The FEA will continue to support a push for regulation of the industry – today the organization is working diligently to assist several legislative bodies with the development of laws to protect consumers.

Upcoming Tenants-in-Common Seminars

July | 2007
July 10 – Bellevue, WA
July 11 – Seattle, WA
July 17 – Chicago, IL
July 17 – Northbrook, IL
July 17 – Tacoma, WA
July 18 – Everett, WA
July 18 – Oak Brook, IL
July 18 – Rosemont, IL
July 24 – Portland, OR
July 25 – Vancouver, WA

August | 2007
August 14 – Seattle, WA
August 14 – Tacoma, WA
August 15 – Bellevue, WA
August 15 – Skagit Valley, WA
August 21 – Northbrook, IL
August 21 – Rosemont, IL
August 22 – Chicago, IL
August 22 – Oak Brook, IL
August 28 – Portland, OR
August 29 – Portland, OR

September | 2007
September 4 – Seattle, WA
September 4 – Tacoma, WA
September 5 – Bellevue, WA
September 6 – Everett, WA
September 18 – Northbrook, IL
September 18 – Rosemont, IL
September 19 – Rosemont, IL
September 19 – Chicago, IL
September 19 – Oak Brook, IL
September 25 – Portland, OR
September 26 – Vancouver, WA

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

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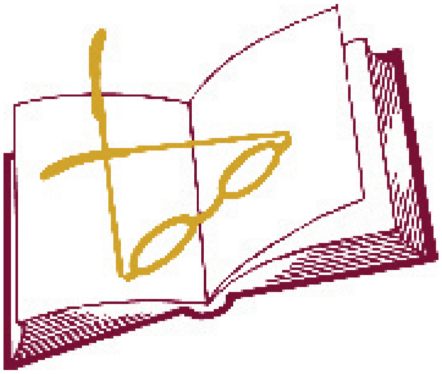
INVESTOR EDUCATION



RECOGNIZED GAIN

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

SEQUENTIAL DEEDING

Property that's deeded to the Intermediary whereby the Intermediary deeds to the final owner.

SIMULTANEOUS EXCHANGE

Also referred to as a concurrent exchange when the Exchanger transfers out of the Relinquished Property and receives the Replacement Property at the same time.

STARKER EXCHANGE

A term used to describe delayed exchanges. "Starker vs. Commissioner" established the delayed exchange concept. The term "starker exchange" is used as another way of referring to delayed, deferred or any other non-simultaneous exchange.