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

ClearView Wealth Management

The Clarion

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COVER STORY

What's a "Delaware Statutory Trust" and Why Do I Need to Know?

By Wes Larson, MBA, JD

The recent virtual extinction of conduit loans, loans which were securitized and sold to investors as "CMBS," has dramatically changed the financing landscape for Tenant In Common (TIC) sponsors. Some sponsors are no longer even able to obtain loans on competitive terms and conditions for their investors and are exiting the TIC industry. A relatively new investment vehicle that qualifies for Section 1031 exchange, the Delaware Statutory Trust (DST), however, appears to be gaining increasing acceptance from lenders, including Fannie Mae and Freddie Mac. DSTs, like TICs, offer a relatively ready and reliable alternative for their 1031 exchange. DSTs are a securitized, syndicated real estate investment in commercial real estate, which, like a TIC, is offered and managed by sponsor companies. Characteristics of DSTs include the following:

> Delaware Statutory Trusts are securitized, syndicated real estate investments in commercial real estate.

1) DSTs are authorized for 1031 exchange by Revenue Ruling 2004-86, which is "black letter law." If the DST is structured appropriately, the revenue ruling provides the investor with relative certainty that his or her exchange will be upheld in case of an IRS audit.

2) There is only one borrower in a DST – the Delaware trust itself – which may greatly simplify the investor's application process (e.g., typically the sponsor will not even require the investor's tax returns and the required paperwork is fairly "light" because the investor is not simultaneously applying for credit approval by the bank) as well as eliminating the risk to the investor that he/she may be held liable individually for certain "bad boy acts" (the "bad boy carve outs") for which the bank typically requires the investor to give his or her "limited guaranty." Because the investor is not an obligor of the bank, no individual investor can cause a default.

3) DSTs allow for up to 499 investors, which means that minimum investments may be offered for as little as $50,000 to $100,000 (depending on the program and sponsor), and/or larger properties or multiple properties may be purchased at relatively lower minimums than would be the case with a TIC investment, for example.

4) Although the investors give up control to the trustee over substantially all material decisions regarding the property, the risk of a "tie up" or "stand off" regarding material decisions (e.g., that may otherwise require unanimous consent of 35 TIC investors) may not occur.

5) DSTs may potentially bear lower transaction costs or "loads" vs. TICs. For example, DSTs do not require the investor to create a separate bankruptcy remote investment vehicle (as in the case of a TIC), which then must be renewed annually (at a cost ranging up to several hundred dollars per year, depending on the state in which the investor's LLC is filed). Also, given a single borrower (the Delaware trust), there may be less administration involved for the bank, which may potentially result in cost savings for the investor.

Given the above beneficial features, however, there are some substantial restrictions placed on a DST, which include prohibitions on refinancing, new equity investment, new leases and any major capital improvements to the property.

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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 July, August and September and those that requested to not be listed.

Pete & Beatrice Bircher

Maria Bonilla

Jim & Joan Buntin

Leslie Cannon

Rick VanAuken & Christine Nygaard

Financial Services

- Tenant-in-Common Real Estate
- Natural Gas & Oil Investments
- Managed Equities
- Notes & Debentures
- Equipment Leasing
- Real Estate Funds
- Managed Futures
- Mutual Funds
- Annuities
- Cash Management Funds
- Life Insurance

PRESIDENT'S MESSAGE

Self Directing Your IRA
Out of Stocks and Into Income

Bob Cannon, President/CEO

The Product Spotlight column in this issue of The Clarion on page three highlights what is currently our most popular investments with clients, Notes and Debentures. As the economy has slipped into recession and the stock market has lost value during the last several quarters, more and more investors are now seeking products like Notes and Debentures that are designed to generate monthly and quarterly income.

> "More investors are now seeking products like Notes and Debentures that are designed to generate monthly and quarterly income.

Many of our investors have discovered that Notes and Debentures are suitable investments for their IRAs, 401Ks, SEPs and other self directed retirement plans. Our investors often choose to keep a portion of their qualified retirement money in stocks and then diversify the balance into alternative investments to achieve monthly and quarterly income that can then be reinvested to create compounded growth.

If you are like a number of our clients that have become concerned over the impact of the stock market on their dwindling retirement plan assets, you should consider self directing a portion of your IRA into some of our Notes and Debentures. Our Broker/Dealer, Pacific West Securities, has approved products from several different companies that we currently have available for your consideration. Give us a call to discuss the risks, features and benefits of these investment programs and how they could help to restore part of the lost value in your retirement plan.

SEMINARS

Join us for Monthly Educational Conference Calls

We invite you to learn more about the various investment products (listed on page 3) we have available through our Broker/Dealer Pacific West Securities.

Every month we will host two educational conference calls with various sponsor companies. It is an opportunity for you to learn more about the specific investment programs and to speak directly with the sponsor companies. If you would like to be on the mailing list for these conference calls please contact us at seminars@cvwm.com or (866) 557-1031.

Notes & Debentures

Notes & Debentures are a way for companies to raise money from investors for business projects ranging from leases and mortgages, to funding for property construction and development as well as many other enterprises.

These investments are generally made into a balanced and diversified pool of assets. Notes & Debentures may be secured by the assets of a company either through a fixed charge (paired with a specific asset) or a floating guarantee over the general assets of the business.

Investors generally buy Notes & Debentures as a source of regular interest income where the capital is returned at the end of the investment period. Note & Debenture investors are normally entitled to a return equivalent to a fixed percentage of their initial investment.

The rates of return on the Note & Debenture programs have been consistently greater than cash management funds, term deposits and savings accounts because of the longer term of the investment. Interest is paid either monthly, quarterly or annually depending on the program.

What you invest in depends on your goals and circumstances, of course. As a Note & Debenture investor, you would be a creditor of the company. In the event of liquidation you would have a preferential claim to the assets, to retrieve your invested capital.

We recommend that you invest with companies that have a history of growth and a solid reputation. The companies that ClearView works with align with those objectives.

To learn more about Note & Debenture programs we have available through our broker/dealer, Pacific West Securities, please contact us at (866) 557-1031.

CLEARVIEW TIPS

Preventing Identity Theft

It's easy to be victimized. What can you do to protect yourself?

Don't trash it, shred it. Shred anything financial aside from your tax records: credit card statements, bank statements, old checks, deposit slips, you name it. If you really must keep these periodic records, hide them in the most unvisited place possible.

Hide your Social Security card. The only time you need to show it to anyone is when you start a new job. Otherwise, there's no need to carry it around.

Don't sign the backs of your credit or debit cards. Don't put your autograph below the magnetic strip. Instead, write "See I.D." Clerks will ask to see the identification of the card user, a step that might discourage (or alert onlookers to) a thief.

Don't buy things through obscure websites or payment services. If you've never heard of the company or the payment method, don't take the risk – or at the very least, Google to see if there have been any identity theft problems linked to them.

Don't talk business on cordless phones (or cell phones). Have you ever picked up a cordless phone and heard portions of your neighbor's conversation? It's common, because cordless phones (and cell phones) use very low frequencies. Use a landline.

Carry altered copies of driver's licenses and ID cards. Make copies of them to carry in your wallet or purse, with the last few digits blacked out. A thief can only guess at the missing digits.

Ask for an annual credit report from Equifax, TRW and Experian. These are the three American credit reporting agencies. Get an annual report from each of them; this will tell you if someone else has opened an account in your name.

Fixed vs. Growth, Truth vs. Myth

Fixed-income investments have their place in a portfolio, but in the long run, your assets need to keep pace with inflation.

Should retirement mean ultra-conservative investment? That's a good question. Many couples and families are urged to invest more cautiously as they get older – with the help of their financial advisor, they refine the asset allocation of their portfolio to make their investment choices a bit more conservative.

On the other hand, some people want to invest really conservatively. Perhaps they are acting reflexively, given what has happened with the stock market in recent months. Or maybe they believe in a long-standing myth: the idea that retirees should embrace fixed-income investments exclusively and leave stock market investing to younger people.

That could be a huge mistake.

The roots of the myth. The retirees of the 1970s and 1980s (i.e., your parents) had vivid memories of the Great Depression. Those memories, and the persistent bear market of the 1970s, turned many of them off to Wall Street. In 1979, Business Week published a famously wrongheaded cover story called "The Death of Equities", which claimed that nothing could fix the stock market and forecast a bear market for years to come. CDs, money market funds and bonds seemed like wise alternatives.

Of course, the Dow Jones Industrial Average would embark on an amazing 18-year bull run in 1982, growing more than 1,500%. So for some of these retirees, avoiding the stock market at all costs meant a severe opportunity cost.

Looking back, other financial factors explain why the myth held sway. Thirty years ago, more people were retiring on a pension, Social Security was less imperiled, and retiree life expectancy was not what it is today or will be in the future.

The necessity of growth investing. If you are over 60 today, you are really investing for the long term. Life spans are lengthening, and with advances in health care, living past 90 isn't so improbable for many of us. Your retirement may last 20 years. Or 30 years. Or 40 years.

Let's say it does – hypothetically, let's say that you live 30 years after your retirement date. What if your retirement income and savings barely increase over that time?

Turn back the clock to 1984. A gallon of gas was $1.10, a brand new Dodge Ram sold for $8,995, and a movie ticket was $2.50. You could pick up a pair of men's leather shoes for $40.

We've had 25 years of low to modest inflation since. How much would you pay for these things today? Imagine today's prices doubling, tripling. Now imagine having to pay healthcare costs as well – who knows what they will be.

Financially, you don't get a chance to "turn back the clock" in retirement. Time marches on; consumer prices climb. So your retirement savings (and retirement income) have to grow at a pace equal to or better than the cost of living so as not to be effectively devalued by inflation.

This is why growth investing is so important for baby boomers.

Find the balance. Innumerable studies have pointed out the value of perseverance in the stock market, and the potential rewards for the long-term investor. While today's headlines may be troubling, your need to grow your retirement money is still there – and it isn't going to go away.

There's a place for fixed-income and equity investments in a portfolio. Both have their merits. Our goal at ClearView is to help you retire with realistic income assumptions and the right balance of growth-oriented and income-producing investments. Please contact us at (866) 557-1031 to discuss your income and lifestyle in retirement.

These views are those of Peter Montoya Inc., and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.

Tax Efficiency
What it means, why it counts

A little phrase that may mean a big difference. When you read about investing and other financial topics, you occasionally see the phrase "tax efficiency" or a reference to a "tax-sensitive" way of investing. What does that really mean?

The after-tax return vs. the pre-tax return. Everyone wants their investment portfolio to perform well. But it is your after-tax return that really matters. If your portfolio earns you double-digit returns, those returns really aren't so great if you end up losing 20% or 30% of them to taxes. In periods when the return on your investments is low, tax efficiency takes on even greater importance.

Tax-sensitive tactics. Some methods have emerged that are designed to improve after-tax returns. Money managers commonly consider these strategies when determining whether assets in an investor's account should be bought or sold.

Holding onto assets. One possible method for realizing greater tax efficiency is simply to minimize buying and selling to reduce capital gains taxes. The idea is to pursue long-term gains, instead of seeking short-term gains through a series of steady transactions.

Tax-loss harvesting. This means selling certain securities at a loss to counterbalance capital gains. In this scenario, the capital losses you incur are applied against your capital gains to lower your personal tax liability. Basically, you're making lemonade out of the lemons in your portfolio.

Assigning investments selectively to tax-deferred and taxable accounts. Here's a rather basic tactic intended to work over the long run: tax-efficient investments are placed in taxable accounts, and less tax-efficient investments are held in tax-advantaged accounts. Of course, if you have 100% of your investment money in tax-deferred accounts such as 401(k)s or IRAs, then this isn't a consideration.

How tax-efficient is your portfolio? It's an excellent question, one you should consider. But this brief article shouldn't be interpreted as tax or investment advice. If you'd like to find out more about tax-sensitive ways to invest, please contact us at (866) 557-1031. What you learn could be eye-opening.

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CLEARVIEW NEWS

Please Join Us in Welcoming Jodi Paulson to the ClearView Team

Jodi Paulson

Jodi Paulson has joined ClearView Wealth Management as the Executive Coordinator to Wes Larson. She has over six years of experience with a local tenant in common sponsor where she processed over 300 transactions as their investor relations manager.

She will be assisting Wes with developing and maintaining relationships, along with providing marketing and administrative support. She holds series 22 and 63 securities licenses through Pacific West Securities, Inc. and is currently registered to practice in three states.

She is a native of Washington and enjoys playing tennis, traveling, cooking and spending time with her family. She lives in Sammamish, Washington with her husband and has a son in college.

Quarterly Economic Update for 3Q 2008

The quarter in brief. In the third quarter of 2008, we saw the end of an investment banking era. We saw a level of government intervention in the financial markets unseen since the Great Depression. We saw a bold federal response to a potential freeze in the credit markets. We saw some things that perhaps we never thought we'd see. Days of exuberance gave way to a new bearish mood, as investment banks, mortgage lenders and thrifts paid dearly for assumptions that real estate would always go up, that any loan was permissible, and that owing 25 or 30 times your net worth was financially acceptable. On Main Street, the consumer tried to hold up as the markets and the broad economy rode through a tough three months.

Domestic economic health. In July, we got some surprisingly positive economic indicators, along with a dive in the price of oil. We learned that retail sales had increased by 4.3% in June, and wholesale inventories had increased 0.8% in May. June durable goods orders increased by 0.8%, defying economists who had predicted a 0.4% decline. But producer prices and consumer prices had really jumped in June – PPI had shot up 1.8% (although core PPI only rose 0.2%) and CPI went up 1.1%. Also, the service sector had contracted: the Institute for Supply Management's June index was at 48.2.

Quote for the quarter.

"There's no present. There's only the immediate future and the recent past."
– George Carlin

By August, the message was pretty clear: while oil prices and retail gas prices were down for the second straight month (oil fell more than 7% in August), the spring surge in energy prices was now taking its toll on producer and consumer prices. Wholesale prices had climbed 1.2% in July and 9.8% across the preceding 12 months; they hadn't posted such a year-over-year gain since 1981. July consumer prices went up 0.8%, and the year-over-year gain was 5.6% – an inflation pace unseen since 1991. Still, consumer spending rose 0.2% for July. But unemployment hit a four-year peak of 5.7%.

In September, independent investment banks that had been Wall Street titans for the past 20 years faced a choice: change or die. By the end of the month, Lehman Brothers, Morgan Stanley, Goldman Sachs and Merrill Lynch had either folded, mutated, or were bought up. In a four-day period alone, Lehman Brothers went bankrupt, Merrill Lynch was gobbled up by Bank of America, and insurance giant AIG was nationalized by U.S. government regulators. Then Washington Mutual was bought out by JPMorgan Chase. Citigroup said it would acquire Wachovia (but in October, Wells Fargo moved to take it over instead over Citigroup's protest). In response to pleas from Federal Reserve Chairman Ben Bernanke and Treasury Secretary Henry Paulson, the Bush administration presented a plan to ward off a credit market freeze: a request for $700 billion to buy troubled assets. It was rejected in the House of Representatives 228-205 on September 29, prompting a stunning plunge in world stock markets and inspiring a quick revision of the proposal. Elsewhere in August, unemployment kept climbing, to 6.1%. Other indicators dropped. PPI fell 0.9% in August, the biggest one-month dip in two years; consumer prices dropped 0.1%. Industrial output dipped 1.1%.

Major indexes. There's no way to sugar it: this was a lousy quarter for stocks. The bright spot, of sorts: the Dow didn't lose as much in the third quarter as it had lost in the second quarter.

Global economic health. The slowdown was on around the globe, and in Europe, the end of the third quarter found the European Central Bank contemplating its first interest rate cut in five years. We learned that Eurozone GDP was -0.2% for the second quarter. The European Commission predicted a flat third quarter and 0.1% growth in the fourth quarter for the 15-country Eurozone, which statistically would not amount to a recession. But it did see a recession for the economies of Germany, Great Britain and Spain. Inflation, meanwhile, came down from a high of 4% in July to 3.8% in August.

In Japan, GDP shrank by 3% in the second quarter, the biggest such contraction since 2001. In China, growth slowed in 2Q 2008 to a 10.1% annual

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rate, with the inflation pace dropping from 8.7% in February to 6.3% in July. In early September, Merrill Lynch had cut its Asia ex-Japan growth forecast to 7.7% for 2008 (revised down from 8%) and its 2009 forecast to 7.3% (revised down from 7.8%). Elsewhere around the planet, Brazil's resource-heavy economy grew 6% in the second quarter.

World financial markets. Our stock market may have had a bad quarter, but we held up fairly well in comparison to most markets across the rest of the world. In Great Britain, the Dow Jones Stoxx 600 Index lost 12%, and the FTSE 100 sank 13%. Germany's DAX fell 9.2% for the quarter. The Shanghai Composite Index slipped 16%; in Japan, the Nikkei 225 lost 17%. Brazil's and Russia's main stock exchanges lost 24% and 47% - in fact, the stock market was so strained in Russia that government regulators actually halted trading at points during the quarter.

Commodities markets. It was a quarter of decline and correction on the NYMEX and COMEX. Gold lost 6.1%, silver 30.5%, copper 25.4% and platinum 50.4%. Crude oil and gasoline moved south: oil dropped nearly 29% in 3Q 2008, and gasoline futures fell 27.3%. Oats were down 33.2%, wheat 22.9% and corn 35.6%; soybeans were down 33.6%, but rice only lost .4%. For what it's worth, pork bellies gained almost 29% in the quarter. It was a rough three months, yet given the current state of the stock market, it would not be unusual to see commodities surge again.

Housing & interest rates. The big news, of course, came September 7: the federal government seized control of Fannie Mae and Freddie Mac. In July, the Treasury reassured the financial markets that it would stand behind both companies; in September, it put them under conservatorship, a move akin to a Chapter 11 bankruptcy. The Treasury announced plans to buy up to $100 billion in senior-preferred shares in each company so that Fannie and Freddie could stay solvent. Both companies were given permission to expand their portfolios into 2009, then shrink them beginning in 2010 to a total of $500 billion – about a third of their present size.

Across the quarter, indicators were largely in the red. As of late September, adjusted Commerce Department figures had new home sales falling 2.9% in June, up 4.0% in July, and down a whopping 11.5% for August. A bright spot many people didn't notice: the inventory of unsold new homes was down to 408,000 by August, the lowest since 405,000 in August 2004. Existing home sales mirrored this pattern. National Association of Realtors data had residential resales down 2.6% for June to a 10-year low; in July, sales rose 3.1%, but resale prices were down 7.1% from a year ago and a record number of homes were on the market. August saw a 2.2% decline, to a sales pace 10.7% below that of a year before.

Here's some good news: the national averages on mortgage rates went down during the third quarter, with a sharp September dip resulting from the government save of Fannie Mae and Freddie Mac. At the end of the quarter, 30-year FRMs were averaging 6.09%, where they had averaged 6.45% in the last week of 2Q 2008. Over the quarter, averages on 15-year FRMs came down from 6.04% to 5.77%. Averages on 1-year ARMs fell to 5.16% from 5.27%. Only 5-year ARMs saw averages rise during the quarter, from 5.99% to 6.02%.

Fourth quarter outlook. Can the government fix the credit crisis by pouring cash into the financial markets? Maybe, but no one is assuming that the Wall Street rescue plan is a cure-all for the entire economy. We may be midway through a severe recession … or technically, we may be just entering one. Recent unemployment, housing and manufacturing indicators suggest things may get a little worse before they get better. So what does that mean for you? It means that it's time to hang in there, plain and simple. Any history of the stock market will show you a long ascent punctuated by an occasional downturn. When the market rebounds, you don't want to miss the best days of the recovery, and the compounding that goes hand in hand with a bull market. This is a time for perseverance, not a time to hide or blithely change course. You don't want to find yourself outside the market when the market changes for the better.

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WHAT'S A "DELAWARE STATUTORY TRUST" AND WHY DO I NEED TO KNOW?
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According to Arnie Harrison, Attorney at Law, Jenner & Block, however, DSTs may contain a provision allowing the investor to exit the DST by way of exercising a contractual right to convert his or her beneficial interest into a partnership interest – the so-called "springing Limited Liability Company" provision (the investors may then raise new capital in the form of debt or equity, i.e., for emergency needs). While the restriction on new leases (or even renewal of existing leases) also may seem prohibitive, DSTs typically feature investment properties which are either single tenant, long term leases, or are multifamily apartment projects which are "master leased" to an affiliate of the sponsor (in either case there is only "one tenant." Jenner also opines that even in the case of major capital improvements — i.e., a roof replacement or repair — so long as the improvement is being done to conform with building codes and regulations, it should be permitted under the revenue ruling.

In sum, DSTs provide many potential advantages for the investor, as well as some limitations. The investor should seek professional counsel regarding the appropriateness of any investment vehicle for his or her needs.

Wishing You and Your Family a Festive Fall Season!