



PENSCO Trust Company's WEDNESDAY WEBINAR SERIES

How to Invest in a Start-Up Business Using Your IRA

Wednesday, May 2nd, 2007

11 am PDT / 12 pm MST / 1 pm CST / 2 pm EST

Hosted By:

Tom Anderson, President & CEO, PENSCO Trust Company
Robyn Levin, Marketing Consultant, PENSCO Trust Company

Guest Speaker:

Tomer Tal, Esq., New Venture Attorneys, P.C.

PENSCO Trust does not give legal or tax advice. We do our best to understand and educate about building wealth through self-directed IRAs. However, you are advised to consult your own legal and tax advisors for specific guidance regarding your investments. This document is for educational purposes only.



Guest Speaker:
Tomer Tal, Esq., New Venture Attorneys, P.C.



PRIVATE EQUITY

INVESTING WITH IRA MONEY

Tomer Tal, Esq.

JD/MBA

WHO IS THIS FOR?

- Investors – People looking for deals
- Entrepreneurs – Deals looking for money

What is Private Equity?

- Private Equity is the investment or purchase of equity securities in a non publicly traded company through a special securities law exemption.
- In layman's terms - Private Equity is the purchase of an ownership interest in a non-publicly traded company

Types of Investments

- What kind of equity investments can you make in an IRA?
 - Start Ups
 - Real Estate
 - Your neighbor's Company
 - Limited Partnerships & LLC's
 - Pretty much anything EXCEPT S corp stock

Private Equity Differences

- Public Company Securities
 - Freely Tradable
 - Liquid Markets
 - Generally Common Stock
 - No lock out or other volume limitations

Private Equity Differences

- Private Company Equity
 - Not Freely Tradable – May not be tradable at all
 - No Liquid Markets
 - Lock outs, blackouts and other volume limitations
 - Generally Preferred Stock

Private Company Preferred Stock

- Private Company preferred stock is different from Public Company preferred stock.
 - Private company preferred stock can be viewed as a Ferrari
 - Private company common stock can be viewed as a Yugo

Private Company Preferred Stock

- Preferences can include
 - Dividend Preference – The right to get dividends in preference to the holders of Common Stock
 - Can be cumulative or non-cumulative
 - Liquidation Preference – The right to get money in the event of a sale of the Company before the common stock holders.

Private Company Preferred Stock

- Liquidation Preference
 - Can be “soft” or “hard” participating preferred
 - Ex: 3X Purchase Price then share w/ common (“Hard”)
 - Ex: Greater of 3X Purchase Price OR share w/ Common (“Soft”)

Private Company Preferred Stock

- Additional Private Equity Rights
 - Registration Rights (e.g. the right to get your shares registered or tradable)
 - Rights of First Offer
 - Co-Sale Rights
 - Protective Provisions

Private Equity from the Entrepreneur's Perspective

- Valuation – E.g. How much of the Company am I giving away?
- Stock structure – strong preferred or weak preferred?
- Accredited Investors and Disclosure Requirements

Private Equity from the Entrepreneur's Perspective

- Securities Law Compliance
 - Exemptions from the Registration Requirements of the 1933 Act
 - Regulation D Safe Harbor
 - 4(2) Not a public offering
 - Other misc. exemptions

Regulation D Safe Harbor

- Comprised of Rules 504, 505 and 506
- Rule 504
 - \$1 million dollar limit in any 12 months
 - Any number of investors
- Rule 505
 - \$5 million dollar limit in any 12 months
 - No more than 35 “non-accredited investors”

Regulation D Safe Harbor

- Rule 506
 - Unlimited funds
 - No more than 35 non-accredited investors
 - Non-accredited investors must be “sophisticated”

Regulation D Safe Harbor

- Anti-Fraud Rules
 - Offering Documents (business plan et al), must not make an untrue statement of fact or fail to omit a material statement
- Penalty
 - Rescission
 - Money back plus interest

Private Equity Liquidity

- Merger/Acquisition/Sale of Company
 - Most Common
 - Can get paid with cash or tradable securities of purchaser
- Redemption
- Resale to other investors

Private Equity Liquidity

- Public Offering
 - Just because company is publicly traded does not mean your stock is!
 - Underwriters Lock Up 6 Months
 - Have your shares been registered?
 - Registration Rights
 - Demand Rights
 - Piggy Back Rights

Private Equity Liquidity

- Rule 144 Sales
 - “Broker’s Transaction”
 - Must hold stock for 1 year or 2 years if “insider”
 - Volume limitations
 - Legal Opinion
- Rule 144k Sales
 - Must hold stock for 2 years, 3 if insider
 - No volume limitations

QUESTIONS?

Tomer Tal, Esq.

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Attend This One-Day Content-Rich Event in Dallas on Thursday May 17th, 2007

PENSCO Inc. is hosting a series of one-day advanced training sessions for professionals who want to learn more about investing using self-directed IRAs. Learn from industry leaders how to capitalize on this \$3.7 trillion emerging market!

- *Thursday, May 17th, Dallas, TX*
- *Thursday, June 14th, NY, NY*
- *Thursday, September 20th, Boston, MA*
- *Thursday, October 25th, SFO, CA*
- *Thursday, November 15th, Chicago, IL*

Created For: CPAs, attorneys, financial advisors, real estate and mortgage professionals who want to learn about self-directed IRAs and how they can grow their businesses.

Sponsors Include:



For more information and to register, go to:
penscotrust.com/symposium/mini_symposium.asp

Hard Money Lending Using IRA Funds

- Learn how to diversify your IRA outside of the stock market for potentially greater returns
- Discover how to find and structure hard money deals that may boost your retirement portfolio
- Hear first-hand: one professional's success story



Guest Speaker:

Thomas Baird, Attorney with Baird, Crews, Schiller & Whitaker P.C.
P2 of the Month, April 2007-- PENSCO Trust Company

Register At:

penscotrust.com/events/WebAndTeleseminars.asp



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<http://www.penscotrust.com/education/webandaudioconferences.asp>





PENSCO Trust's New Product:



For information go to:

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Get educated!
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866-818-4IRA (4472)

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http://www.penscotrust.com/brokers/preferred_professionals.asp



Reference Materials Available:

eBook

Get the Answers to Investors'
Top 50 Questions on Investing
with a Self-Directed IRA!



Go to: <http://www.penscotrust.com/education/pdfs/Ebookweb.pdf>
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Get Started CD

This interactive CD for your computer gives you the quick overview of the references needed to self-direct your IRA and helpful direct links to the webpages at www.PENSCOTrust.com.

Please email takecontrol@pensco.com to request one.





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Business Development Center:

866-818-4IRA(4472)

takecontrol@pensco.com

For more information:

www.PENSCOTrust.com

PENSCO Trust does not give legal or tax advice. We do our best to understand and educate about building wealth through self-directed IRAs. However, you are advised to consult your own legal and tax advisors for specific guidance regarding your investments. This document is for educational purposes only.