

## Protecting You from Identity Theft and Fraud

Identity theft and other financial crimes are on the rise as thieves employ more creative methods to access technology and tamper with individual investors' accounts, sometimes even opening new accounts or assuming their identities. Maintaining and ensuring the security of your account information is our priority.

When you login to your account on the home page at [www.PENSCOTrust.com](http://www.PENSCOTrust.com), your login information is completely secure. To provide the fastest access to our online education and services to clients, as well as visitors, we have made our login section secure without protecting the whole page. For this reason, familiar security indicators will not appear in your browser frame on the home page (i.e. the "lock" symbol or the "s" with the "http" in the address line). Even so, upon hitting the Login button your Account ID and Password are encrypted using Secure Sockets Layer technology.

PENSCO Trust considers client security paramount, and we continually update and strengthen our efforts to protect critical information. We firmly believe that regardless of the strength of our current security level we can always improve. To this end, we have removed personal information from the "Investor Details" section under the "Investor Profile" tab of the secure client site.

Thank you for trusting us with a piece of your financial security. Please contact your dedicated Client Services team at [clients@pensco.com](mailto:clients@pensco.com) or at 800-969-4472 if you have any further questions or concerns.

### To help us protect your privacy, please note:

- We strongly urge you to never give out passwords, Social Security numbers, Tax IDs, credit card numbers, or other sensitive data in response to email - even if it appears official.
- We will never ask you for critical or sensitive information by email.
- Always be cautious when using publicly available computers or accessing the internet through a wireless or shared network.
- Frequently and regularly clear temporary files in your browser by choosing from the Internet Explorer menu: Tools > Internet Options > Temporary Internet Files > Delete Files.
- Never share user account information including account ID or password with others. Be careful where you write them.
- Do not use the "Form Values Saving" or "Login Saving" features of browsers.

## Paperless Faxes Improve Speed and Accuracy

As a result of our continuing efforts to give you the benefits of state of the art technology, all PENSCO Trust faxes are now managed electronically. For our clients and business partners this means no more busy signals, jammed hardware, or tracking problems.

All incoming and outgoing faxes are now electronically captured and available for on-line viewing by our staff. Incoming faxes will automatically route to the correct department for processing. Similarly, outgoing faxes will be automatically routed from our system to your fax machine or on-line document management system. With the information stored securely on our internal servers, only those documents requiring a hard copy will be printed, further reducing internal dissemination of client information. Client calls regarding faxed documents will be handled more efficiently because Client Services can immediately research and retrieve any faxed document. Effectively managing client documents will speed processing of your inquiries or transactions. For detailed instructions on how to fax to PENSCO Trust please refer to the listing of inbound cover letters specific to each department on our website at <http://www.penscotrust.com/forms/Forms.asp>.

## We Need Your Instructions

To improve service and our ability to accurately complete transactions according to clients' specifications, we have developed two "direct instructions" forms. These instructions will be kept readily accessible and will help us to expedite transactions and meet tight deadlines.

### Disbursement and Funding Instructions

This form ensures that we are distributing funds with the full knowledge and approval of the client. Please note this form is required when specific disbursement instructions have not been signature-authorized by either the client or the designated representative.

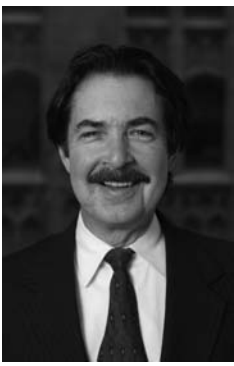
### Stop Payment Authorization

This form provides client-approved documentation on file regarding the movement of your funds. Specifically, this form confirms client awareness to the cancellation of a payment and subsequent direction on handling the pending funds.

*You may find these and all our other transaction and maintenance forms at <http://www.penscotrust.com/forms/Forms.asp>.*

## Late Fee Charges

If PENSCO Trust does not receive payment for outstanding fees within twenty-five (25) days of the date of the bill, we must charge a late fee of \$5.00 per billing period (e.g. monthly) and/or charge your credit cards or IRA cash account.



## Tom's Column

**Q.** I am a CPA, and I am interested in getting out of the market and into real estate with my retirement investments. I have a SEP IRA and two Roth IRAs. I also am a member in my own 401(k) with my wife as the only other plan participant. I am considering investing all of these accounts into an LLC and then buying a rental property in Washington State. I will need a loan to purchase the property. I will be the managing member of the LLC and manage the property. Do you foresee any difficulties here?

**A.** Well, this is a scenario where the IRS could view that you have created a prohibited transaction. PENSICO Trust's stance is to avoid potential conflicts whenever possible.

Let's take it one step at a time. First if all of these retirement plans invested into an LLC or directly into real estate on an all cash basis, I would have no qualms about the investment. When you introduce the loan, even on a non-recourse basis, then you raise some red flags. We know that all of the plans are owned by related parties that are considered "disqualified persons" in relation to each other. This means that transactions between them are considered "prohibited." Since the investors are related and they collectively represent 100% of the entity's ownership (to simplify things, we'll say the LLC is a real estate operating company), then the LLC itself becomes a plan asset. This means that any transaction between a disqualified person and the LLC would also be prohibited. Let's assume further that the lender is not also a disqualified person. Where is the problem? The problem arises because the very rule that classifies the LLC as being a "plan asset" specifically states the owners need to be "a group of like plans." While the parties or owners of the plans are related, there is no definition of what a "like plan" is under the code. If they are viewed as unlike plans and one of them (owned by a disqualified person) were to guarantee the loan for the other plan owners, you may have a transaction (the guarantee) between plans and disqualified persons.

If you wanted to be conservative, you could roll the SEP IRA into the 401(k) and leave the Roth IRAs out of the equation, so that you have a single plan [the 401(k)] as the sole owner of the LLC. The Department of Labor code that governs the "plan asset" rule (2010-c) also states that if an entity is owned "100% by a plan or a group of like plans," then the assets of the entity are plan assets, as if the entity did not exist. So just as a non-recourse loan to an IRA or plan is not a prohibited transaction, neither is a non-recourse loan to a 100% plan or IRA owned entity. While this does leave the Roth IRAs out of the picture, it does incorporate the SEP IRA funds, following their consolidation into the 401(k). Sometimes the better part of valor involves the wisdom to compromise and follow the letter of the rules to avoid a potentially expensive ruling against you and your plan assets.

## www.IRALENDING.com

Anyone who has at least 30%-35% of the purchase price vested in a self-directed IRA or SEP has the opportunity to buy rental properties using a non-recourse loan. In a non-recourse loan, the IRA or SEP account holder is not personally liable for repayment of the loan. The security instruments allow no recourse against the individual account holders or the balances of your IRA or SEP funds. In the event of default/foreclosure the lender can only look to the property as the sole source of repayment. Using debt financing to purchase these investments is an intelligent way to balance diversification.

As a leader in the mortgage industry since 1927, North American Savings Bank (NASB), F.S.B. offers a variety of mortgage loans and is the only nationwide non-recourse lender for IRA real estate investments. NASB offers a unique financing program designed for these purchases in all 50 states, and the application process is easy. Loan approval is generally within 48 hours of receipt of a full and complete application, and is subject to appraisal and verification of IRA funds for closing. To learn more about obtaining a non-recourse loan call NASB at 866-735-6272 or visit [www.iralending.com](http://www.iralending.com).

*PENSICO Trust and NASB are not legally affiliated entities. PENSICO Trust offers this information for reference only.*

## Overview of NASB Loan Programs

Type	1-4 Family	Multifamily	Commercial R/E
Product	3/1 or 5/1 ARM	3/1 or 5/1 ARM	3/3 or 5/5 ARM
Max LTV	70%	65%	60%
Max Term	30 years	25 years	20 years
DSCR*	1.2x	1.3x	1.3x

**Ineligible Properties:** Residential with large acreage, raw land, farms, manufactured or log homes, non-warrantable condos, condo-hotels, co-ops, time shares, hotels, senior or assisted living facilities, non-franchise restaurants, entertainment properties, mini-storage. NASB will quote interest rates on a case by case basis, considering collateral type and down payment.

\* **DSCR:** Debt Service Coverage Ratio = net operating income / annual debt service

**For more information call 866-735-6272 or visit [www.iralending.com](http://www.iralending.com).**