



Social Networking and PENSCO Trust

The wait is over! PENSCO Trust is now on some of the top social networks such as YouTube, Facebook, Squidoo, and Twitter. The New York Times calls Twitter "one of the fastest-growing phenomena on the Internet." In addition, we have also given our blog a little facelift! Tom's new blog called "Self-Directed IRA Investing" brings readers the latest IRA industry information along with a fresh layout, new graphics, and user-friendly links. Please check out: www.selfdirectedira.com.

While always looking for new ways to disseminate education for free – or at the lowest cost possible, we are really excited about how the 'Web 2.0' phenomenon will allow our investors new sources for information about self-directed investing! And there is growing evidence that people (like you), who fit our typical client profile, are ready to take advantage. For example: recent surveys of U.S. consumers found that 61 percent of baby boomer Internet users (age 44 to 61) had visited sites that offer streaming and downloadable video, while 41 percent had visited social networks.

To join us on the web and receive additional information on self-directed investing through PENSCO Trust, please visit the websites listed to the right. We would love to see you engaging with us on the Internet, and hear what you think.

Look for PENSCO Trust on:



youtube.com/user/PENSCOTrust



facebook.com/pages/PENSCO-Trust-Co/31497518053



SQUIDOO

squidoo.com SEARCH: Tom Anderson



twitter.com/PENSCOTrustCo



PENSCO Trust identified by Inc. as the 98th fastest growing financial services company in the U.S.

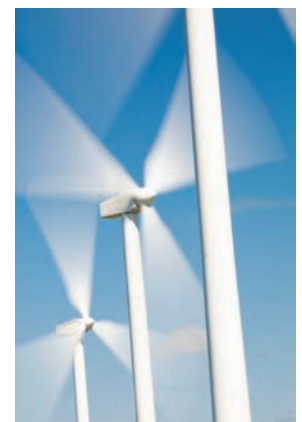
PENSCO Trust has been recognized by INC. magazine's INC 5000 as the 98th fastest growing financial services company in the U.S. for growth between 2003 and 2008.

We would like to thank all of our clients and professional relationships for their business, support and referrals that have allowed us to achieve this result.

Self-Directed IRAs Fuel Alternative Energy Investments

With all of the focus on the price of oil and its effects on the economy and social demographics, PENSCO Trust is seeing an increase in private equity investment opportunities aimed at starting or refueling efforts to develop alternative energy sources. Many of these private equity investment sponsors are approaching individuals with self-directed IRAs to source their needs for capital. These investments range from mezzanine financing for wind turbines to new ventures based on bison and chicken manure turned into either bio-fuel or fertilizer. Advocates and sponsors point out that these are also better renewable energy alternatives than corn, for example, because they don't deplete the food source.

These are further examples of how self-directed IRAs not only benefit IRA owners through diversification, but help new and existing businesses with necessary financing, an especially important benefit in this time of capital market crisis.



PENSCO Raises Funds for Children with Muscular Dystrophy

PENSCO Trust was recognized as a "Star of San Francisco" for being the largest corporate contributor to the Muscular Dystrophy Association in the Greater Bay Area. Tom Anderson appeared on the MDA's nationally televised telethon on behalf of the San Francisco area's fundraising effort.



Need to loan money to your self-directed IRA?

Suppose you purchase a rental property by using your self-directed IRA as a down payment, and then your IRA obtains a non-recourse* loan from a bank. Next, you find a tenant, and the rent just covers the mortgage payment. Everything runs along fine for a year, and then suddenly your tenant moves away and there is no income to cover the mortgage payment. If you don't have cash reserves in your IRA, have no other IRAs or qualified plans to roll over to it, and have already consumed your annual cash contribution for the year, you could be in trouble, right? Maybe not. There is a little-known exemption that was designed by the Department of Labor for just this scenario. It is called Prohibited Transaction Exemption (PTE) 80-26, as recently amended, and it applies to both IRAs and pension plans.

Loans from IRAs owners (or other disqualified persons) to IRAs have been permitted for many years, provided the loan is unsecured and interest-free. However, the purpose of the loan is important and in order to satisfy the exemption, the loan must be for the payment of ordinary operating expenses (e.g., the mortgage), or for a purpose incidental to the operation of the IRA. In other words, not to be used for an additional investment, or other purpose. While the exemption is not new, two elements have changed recently: 1) the former 3-day term limit for the loan has been removed and 2) the loan must be documented in the form of a note from the IRA (borrower) to the lender (IRA owner) and given to the custodian for all loans over 60 days in term. Also, there is no limit on the amount of the loan, as long as it doesn't exceed the need.

So if you're thinking about increasing the yield on your IRA's investment in real estate by using leverage, but are worried that you might run out of cash to pay the bank, here is your solution.

**non-recourse means that the IRA owner cannot guarantee the loan for his or her IRA.*

The information presented within this newsletter is provided by PENSCO Trust for educational purposes only and is not intended as, nor should be relied upon as tax, legal, nor investment advice. Please seek professional guidance when making your own investment decisions.



Tom's Column

Q. Mark and Mildred, husband and wife, purchased a condo hotel in Hawaii about four years ago for a purchase price of \$450,000. They each put in \$225,000 from their respective IRAs. The property is now worth \$800,000 and has

been rented out with a positive net return. They have an opportunity to purchase another condo hotel in Palm Springs for \$500,000. They want to refinance their Hawaiian property, pull out enough cash to make a down payment on the Palm Springs property, and apply for a non-recourse loan for the balance. They were told that they could transfer their joint ownership of the Hawaiian property into a LLC, have the LLC apply for refinancing, and then purchase the Palm Springs property. Can they do this?

A. Unfortunately, no. Despite the fact that they have a tidy profit, they cannot refinance to recycle cash back to their respective IRAs because they are jointly on title through their IRAs - and because they are husband and wife, their IRAs are "disqualified persons" in relation to each other. Hence, the loan associated with the refinancing would constitute a transaction between disqualified persons, which is prohibited. Another way of looking at this scenario is that a prohibited transaction would have been created at the outset if they had taken a loan (non-recourse or not) when purchasing the Hawaiian condo. Because, as with the refinancing, each of their IRAs would have been enabling the other to obtain the loan, and that is one type of self-dealing prohibited by law. Of course, they could always sell the Hawaiian property to capture the gain, which would be returned tax-deferred to their respective IRAs. Also, if Mark and Mildred had been brother and sister, or simply unrelated friends, the answer would have been "Yes, they could."

NationalAlt.com – A new and growing resource for self-directed investors.

On our home page, you may now find a link to National Alternate Investment Forum. NationalAlt has just launched, and will be aggregating a list of "Off Wall Street" investment companies that are actively educating investors about alternative ways to meet their retirement goals. We hope that this directory will provide you with a valuable resource for investment information.

