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PRIVATE EQUITY INVESTMENTS

FREQUENTLY ASKED QUESTIONS

What types of private equity investments can I hold within my Sterling account?

Types of private equity investments that Sterling will process include, but are not limited to, stock of C-corporations, limited partnerships, limited liability companies, land trusts, joint ventures, and unit investment trusts.

Are there any types of private equity investments that Sterling will not process?

Types of private equity investments that are not administratively feasible for Sterling to process include, but are not limited to, single-member entities, general partnerships, stock of S-corporations and certain foreign-based investment entities.

Can my Sterling account invest in an entity that I or a family member owns or controls?

If your IRA or Qualified Plan invests in an entity that you or certain family members own or control (whether controlled individually or as an officer of a corporate general partner, managing member, etc.), the transaction could possibly be a prohibited transaction under **Internal Revenue Code Section 4975**. If you, family members or disqualified persons collectively own 50% or more of the entity, Sterling will not process the investment.

What is a prohibited transaction?

Internal Revenue Code Section 4975 defines a prohibited transaction as a transaction between a plan (your account) and a disqualified person. In general, "disqualified persons" are defined to be the Account Holder, other fiduciaries, certain family members (lineal descendants and spouses of lineal descendants) and businesses under the Account Holder's (or disqualified person's) control. Please review the code for specific information and definitions. Other useful resources are **Publication 560** and **590**.

What is Unrelated Business Taxable Income?

Limited partnerships, limited liability companies and other entities that carry on an unrelated business or borrow funds to finance the acquisition of property may generate Unrelated Business Taxable Income ("UBTI"). UBTI is generally reported on **Schedule K-1** issued by the entity. If the UBTI attributable to your account exceeds \$1,000 for any taxable year, **IRS Form 990-T** must be filed along with the appropriate amount of tax, payable from your account. Sterling does not monitor UBTI and does not prepare **Form 990-T** except as a supplemental service for an additional fee. If the tax is applicable, you must prepare, or have prepared, **Form 990-T** and forward to Sterling along with written authorization to pay the tax from your account. If you are required to file **Form 990-T**, you must apply for and utilize an Employer Identification Number ("EIN"). You may not use Sterling's EIN or your social security number. For more information on UBTI, please refer to IRS Publication 598 and/or consult with your tax advisor.

How are capital calls from a limited partnership or limited liability company handled?

Sterling must receive your written authorization to send a capital call from your account. Please provide Sterling with a copy of the capital call assessment along with a signed letter of instruction to send the amount of the capital call from your Sterling account to the entity.

Will Sterling assist with setting up a limited partnership, limited liability company or other entity?

No. As a directed custodian, this is not a service that Sterling provides. You will need to rely on your attorney or tax advisor with respect to the entity's formation and any other legal or tax advice.