IMPORTANT ISSUES REGARDING TRUST INFORMATION

1. For any non-publicly traded assets such as limited partnerships, real estate, collectibles, etc., please provide market value as determined by an independent third party. Be sure to keep written documentation to support each year's appraisal. (If you have any questions, please call for a copy of our Information Release regarding valuation of plan assets, or a copy can be found on our website – www.lkravitz.com.)

2. In preparing your trust statement, you should investigate whether either of the following situations is applicable:

   A. Have there been any prohibited transactions (direct or indirect) between the plan and a party-in-interest? For example, has the plan lent monies to the employer?

   B. Does any plan investment generate <u>taxable</u> income (from an unrelated trade/business or from debt-financed investments)? This may occur, for example, if a plan has investments in certain limited partnerships. If taxable income is involved, the plan may be subject to various requirements, among which is the filing of IRS Form 990-T. You should contact your investment advisor for detailed information.

   If either of the above situations is applicable or if you are uncertain, please inform us.

3. If your plan has a portion of its trust assets invested in a product sold by an insurance company (e.g. life insurance policies, annuity contracts, etc.), please ask the insurance company to provide the information necessary to complete the Schedule A of Form 5500.

   Also, if the plan owns any insurance policies, provide the face amount, premiums paid and cash surrender value as of the end of the plan year. As a reminder, all employees who have individual life insurance policies maintained on their behalf under the plan must have the economic benefit of the insurance protection included in income each year. The value of this benefit is known as the P.S. 58 cost and must be reported on Form 1099-R. Your insurance agent or company should provide this information to you to complete the Form 1099-R each calendar year. **As a reminder, we generally do not prepare Form 1099-R to report P.S. 58 costs unless specifically requested to do so.**

4. If you own any "non-qualifying" assets such as limited partnerships, trust deeds, private stock, etc., you may be subject to an independent audit unless you increase your fidelity bond to equal the value of the "non-qualifying" assets (but no less than 10% of the total assets held). **<u>The increased bonding must be in place for the entire plan year</u>** (or since the assets were acquired). The bonding requirement also applies <u>immediately</u> to such assets acquired in the coming year.

   Qualifying assets are defined as any asset held by a bank, insurance company or broker-dealer, mutual fund shares, annuity contracts issued by an insurance company, employer securities, participant loans, or certain assets in a participant-directed account. If you have any assets besides these described or if you have any questions on this issue, please contact us immediately and/or see a copy of our Information Release regarding the New Audit Requirements on our website at www.kravitzinc.com