



4. The authorization by the Department is subject to the following conditions:
  - a. The terms and conditions of the Proposed Transaction are at least as favorable to the Plan as those that the Plan could obtain in an arms-length transaction with an unrelated third party.
  - b. The sale of the I-45 Partnership Interest is a one-time transaction for cash.
  - c. As a result of the sale, the Plan receives a cash amount equal to the greater of (i) \$139,000.00, the fair market value of the I-45 Partnership Interest as determined by an appraisal report prepared by American Appraisal Associates, Inc. (referred to herein as the "I-45 Partnership Interest Appraisal"), dated May 23, 2014, which, in turn, expressly relies, in part, upon an appraisal report prepared by David L. Pallante and Associates, LLC, dated March 31, 2014 appraising the fair market value of the real property owned by the I-45 Partnership (referred to herein as the "Real Estate Appraisal"), or (ii) the fair market value of the I-45 Partnership Interest (determined as per above) as of the date of closing of the referenced sale of the I-45 Partnership Interest. In this latter regard, the I-45 Partnership Interest Appraisal and the Real Estate Appraisal will each be updated to be effective as of the date of closing.
  - d. The Plan pays no commissions, costs, or other expenses attributable to, or in connection with, the Proposed Transaction.
  - e. The Plan's Investment Committee, comprised of Michael Lawler, William Lawler, Carol Lawler, Wes Stasny, and Kristi Smith will determine whether it is prudent to go forward with the Proposed Transaction, review and approve the methodology used by the Appraiser in its appraisal of the I-45 Partnership Interest, and ensure that such methodology is properly applied by the Appraiser in determining the fair market value of the I-45 Partnership Interest.
  - f. The Proposed Transaction will close within 10 calendar days following, but no sooner than, the Department's Final Authorization.

#### **General Background**

5. The Plan's Investment Committee, composed of Michael Lawler (President of Lawler Foods, Ltd.), William Lawler (Executive Vice President/Treasurer of Lawler Foods, Ltd.), Carol Lawler (Secretary of Lawler Foods, Ltd.), Wes Stasny (Vice President/Sales of Lawler Foods, Ltd.), and Kristi Smith (Controller of Lawler Foods, Ltd.), represent that the Proposed Transaction is in the best interests of the Plan because it will (a) result in the Plan receiving cash for the fair market value of the I-45 Partnership Interest, (b) reduce the Plan's future administrative costs associated with its owning the I-45 Partnership Interest, (c) allow the Plan to more completely diversify its investments as appropriate, and (d) not require the Plan to pay any commissions, costs, or other expenses in connection with the Proposed Transaction.

6. The Proposed Transaction will involve the sale of the Plan's 4.95% limited partnership interest (the "I-45 Partnership Interest") in I-45 Northborough 88.3, L.P. (the "I-45 Partnership") to Lawler Foods, Ltd. (the "Plan Sponsor") for cash paid at closing equal to the fair market value of the I-45 Partnership Interest, updated as of the date of closing if greater, as determined by American Appraisal Associates, Inc. (the "Appraiser"). The Appraiser is a professional valuation firm proficient in the appraisal of closely held business interests such as the I-45 Partnership. American Appraisal is located at 411 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. American Appraisal Associates, Inc. has over 13 years in valuing closely held business interests. In connection with the sale, an appraisal of the properties owned by the I-45 Partnership was performed by David L. Pallante & Associates, LLC (the "Property Appraiser"). The Property Appraiser is a professional valuation firm specializing in the appraisal of real property. Mr. David L. Pallante, a principal with the Property Appraiser is a Certified General Real Estate Appraiser with the Texas Appraiser Licensing and Certification Board and has over 23 years of experience in the valuation of real property interests.

7. The I-45 Partnership Interest is held on behalf of all of the Plan's eligible participants in 1996 when the contribution of the I-45 Partnership Interest was made to the Plan and later became fully vested; those participants which have received an allocation of the I-45 Partnership Interest from forfeitures due to the participants who terminated their employment prior to fully vesting; and any beneficiaries of these participants. The contribution was a discretionary employer contribution. The contribution of the I-45 Partnership Interest was made on the belief that such investment would increase the diversification of the Plan's investments and that the purchase would be a valuable Plan investment.

8. A chronology of the events leading up to the Proposed Transaction is as follows:

a. James Akin McAlister is the General Partner of the I-45 Partnership. William and Carol Lawler were made aware of this investment opportunity because they are personal friends of the McAlister family. The investment was originally presented to William and Carol Lawler in their personal capacity. William and Carol Lawler thought it was a sound investment, so they presented the opportunity to the Plan. The I-45 Partnership investment was discussed with the Plan's participants prior to the investment being made.

b. The I-45 Partnership Interest was acquired by the Plan in 1996 in consideration for the Plan's payment of cash in the amount of \$153,500 to the I-45 Partnership.

c. The I-45 Partnership was formed for the purpose of acquiring and selling selected parcels of undeveloped real estate located in Harris County, Texas.

d. The Plan was one of 23 limited partners in the I-45 Partnership, two of which included William Lawler and Carol Lawler, the constructive owners of the Plan Sponsor and members of the Plan's Investment Committee. Besides William Lawler and Carol Lawler, no other limited partners were affiliated with or related to the Plan or Plan Sponsor.

e. All 23 limited partners paid \$31,010 for each 1.000% of limited partnership interest in the I-45 Partnership.

f. The Partnership used the funds obtained from its initial subscribers to purchase from parties unrelated to the limited partners 8 tracts of unimproved real property located in Harris County, Texas. The I-45 Partnership has thus far sold 5 of these tracts for \$4,579,284 to parties unrelated to the Plan.

g. The I-45 Partnership has been actively trying to sell the remaining 3 tracts.

h. To date, the I-45 Partnership has distributed \$178,874 to the Plan on account of partnership operations and has required the I-45 Partnership's limited partners to each make additional capital contributions to the I-45 Partnership in the amount of \$96,738.

i. In order to improve the liquidity of the Plan's assets and to reduce the Plan's annual administrative costs of continuing to own the I-45 Partnership Interest, the Plan desires to sell the I-45 Partnership Interest to the Plan Sponsor for a one-time cash amount equal to the fair market value of the I-45 Partnership Interest as determined by the Appraiser (as further explained above).

j. No one, other than the Plan Sponsor, has expressed an interest in purchasing the I-45 Partnership Interest from the Plan.

9. Given the lack of marketability of the I-45 Partnership Interest and the uncertainty regarding when, and for how much, the I-45 Partnership's remaining tracts of real estate can be sold, it is unlikely that the Plan could sell the I-45 Partnership Interest to an unrelated third party for a price higher than the fair market value of the I-45 Partnership Interest as determined by the Appraiser.

10. In preparing its appraisal of the I-45 Partnership Interest, the Appraiser valued the I-45 Partnership Interest at a fair market value of \$139,000.00.

Because the primary value to be derived from the I-45 Partnership Interest is largely dependent upon the net value of the I-45 Partnership's assets, the Appraiser determined that the asset accumulation method of the cost approach was the most appropriate method of valuing the I-45 Partnership Interest, taking into account appropriate discounts on account of the lack of marketability and the lack of control, associated with the I-45 Partnership Interest. Under the asset accumulation method, the initial determination is to combine the net values of the individual assets of the I-45 Partnership in order to indicate the value of the I-45 Partnership. Once such value is established, the Appraiser then multiplies such value by the percentage interest in the I-45 Partnership represented by the I-45 Partnership Interest, further discounted to take into account the lack of marketability and lack of control associated with such interest.

The Appraiser did not use the income approach (which recognizes the value of the I-45 Partnership Interest based on the present worth of future economic benefits to be derived from the I-45 Partnership). The Appraiser rejected the income approach because this method is inappropriate in the case of the I-45 Partnership since an investor in the I-45 Partnership would likely expect to receive most of the return of his or her investment in the I-45 Partnership from the realization of the net values of the assets owned by the I-45 Partnership at the time these assets are sold, not from annual income generated by the assets and possibly paid out in distributions from the I-45 Partnership.

The Appraiser also did not use the market approach of valuing the I-45 Partnership Interest because the Appraiser determined that there is no readily available market for closely-held limited partnership interests for which there have been no recent sales.

11. It is represented that the Proposed Transaction poses little, if any, risk of abuse or loss to the Plan or to any participant or beneficiary of the Plan, as the Proposed Transaction will enable the Plan to sell the I-45 Partnership Interest at its fair market value at the time of the transaction, as determined by the Appraiser.

#### **Substantially-Similar Approved Transactions**

12. In general, under PTE 96-62, an EXPRO applicant must identify two substantially similar individual exemptions granted by the Department within the past 60 months, or one individual exemption granted by the Department within the past 120 months and one transaction that has received Final Authorization pursuant to PTE 96-62 within the past 60 months (an "Authorized Transaction"). The following granted individual exemption and Authorized Transaction (together, the "Approved Transactions") satisfy this requirement:

**a. PTE 2010-23 – Carle Foundation Hospital & Affiliates Pension Plan, 75 FR 47637 (August 6, 2010).** The Carle Foundation Hospital & Affiliates Plan was selling a limited partnership interest to the plan sponsor (Carle Foundation). The sale was a one-time transaction for cash at fair market value as determined by a Qualified Independent Appraiser. No commissions, fees, or other expenses were paid in connection with the sale.

**b. FAN 2011-07E – The Shelly Company and Subsidiaries Retirement Plan, Submission E-00670 (September 23, 2011).** The Shelly Company and Subsidiaries Retirement Plan was selling two limited partnership interests to Oldcastle Materials, Inc., the parent corporation of the plan sponsor, Shelly Company. The sale of each partnership interest was a one-time transaction for cash at fair market value as determined by a Qualified Independent Appraiser. No commissions, fees, or other expenses were paid in connection with the sale.

The Approved Transactions above are substantially similar to the authorization requested by the Plan because they involved the sale by a plan to a party in interest of a partnership interest. In PTE 2010-23, the partnership's objective was to generate superior, risk-adjusted returns for the partners through a diversified portfolio of leveraged buyout, venture capital, and special situation funds. Investments in such private equity funds are generally made to generate long

term capital gains for their partners and are generally illiquid investments. In FAN 2011-07E, the partnerships' objectives were to invest in equity, equity-related and debt securities primarily acquired in privately-negotiated transactions, leveraged acquisitions, reorganizations, and other equity transactions in order to provide the limited partners with long term capital gains. These closely-held equity investments were also generally illiquid. The I-45 Partnership, just like the partnerships in PTE 2010-23 and FAN 2011-07E, was an investment partnership created to own and hold investments on a long-term basis, until they could be sold after having appreciated in value.

The Approved Transactions above are different from the Plan's request in that the underlying investments of the partnerships in the two Approved Transactions consisted of equity securities rather than real estate. However, these differences are immaterial because all of the assets of each partnership, including the I-45 Partnership, were passive investments with the opportunity for long term appreciation in value. Furthermore, the Appraiser of the I-45 Partnership noted that his appraisal approach and methodology (the Cost Approach) would be similar for all the different partnerships, although the discounts and possible support for the discounts may have been different for the other partnerships because the underlying assets may have been more liquid than the undeveloped land held by the I-45 Partnership.

### **Right to Comment**

13. As a person who may be affected by the Proposed Transaction, you have the right to comment on the Proposed Transaction during the twenty-five (25) day comment period. Written comments should be sent to:

Office of Exemption Determinations  
Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Room N-5700  
Washington, D.C. 20210

Attention Erin S. Hesse, Submission No. E-00748

Comments may also be submitted by facsimile to (202) 219-0204 or by e-mail to Hesse.Erin@dol.gov

14. Furthermore, please direct any questions regarding this Notice or the Proposed Transaction to Erin Hesse at 202-693-8546. Questions regarding your account balance should be directed to the Plan Sponsor.

15. The comment period will close on August 25, 2014. Final Authorization of the Proposed Transaction will not occur until the Department reviews all comments received in response to this notice.