

## **RALLS & ASSOCIATES, INC. PROFIT SHARING AND EMPLOYEE SAVINGS PLAN**

### **NOTICE TO INTERESTED PERSONS**

This Notice is directed to persons who are interested persons with respect to the Ralls & Associates, Inc. Profit Sharing and Employee Savings Plan, a qualified retirement plan (the Plan or the Applicant). All present employees of Ralls & Associates, Inc. (Ralls & Associates) who are eligible to participate in the Plan, and all former employees, beneficiaries of deceased participants and alternate payees under a qualified domestic relations order (“QDRO”) who are receiving or entitled to receive benefits under the Plan, are considered to be interested persons.

#### **Department of Labor Class Exemption**

The proposed transaction has met the requirements for tentative authorization under the Prohibited Transaction Exemption 96-62, 67 Federal Register 44622 (July 3, 2002). The exemption submission number assigned by the Department of Labor (the Department) is No. E-00688. If the Department authorizes the proposed transaction, the sanctions resulting from the application of Section 406(a)(1)(A) and (D) and 406(b)(1) and (b)(2) of the Employee Retirement Income Security Act of 1974 (the Act) and Section 4975(c)(1)(A), (D), and (E) of the Internal Revenue Code (the Code), shall not apply to the proposed transaction.

#### **Proposed Sale of Real Property**

Among its diversified assets, the Plan holds a number of parcels of timberland. The Plan now proposes to sell the two parcels of property (together, the Property) identified below.

The Indian Creek Road Property is a parcel (311 acres) of timberland located in Lane County, Oregon. This property was purchased by the Plan from an unrelated party on January 4, 1995. The Plan acquired the property for cash. The total purchase price for the property, including related closing costs, was \$194,187.41. The property is improved by a house built in 1910, two barns, a spring water system and a septic system (the Improvements). Mann & Associates Appraisal Services, LLC, a qualified independent appraiser (QIA), valued these Improvements as of March 9, 2012, in an appraisal report dated March 21, 2012. In its appraisal report, the QIA determined the following: (1) the house has zero fair market value due to its state of disrepair; (2) the first barn (30’ X 56’), which is in poor to fair condition and is estimated to be approximately 90% depreciated with its need of extensive repairs, has a fair market value of \$6,700.00; (3) the second barn (24’ X 35’), which is in fair condition and approximately 80% physically depreciated, has a fair market value of \$5,040.00; (4) the spring water system has a fair market value of \$10,000; and (5) the septic system has a fair market value of \$8,000. The house and barns have never been used by anyone for any purpose while owned by the Plan. In an appraisal report dated March 23, 2012, Stuntzner Engineering & Forestry, LLC (Stuntzner), a QIA, determined that the fair market value of this property (including the value of the Improvements) as of December 31, 2011 (the 2011 Appraisal), is \$720,000. In an update to its 2011 Appraisal dated May 10, 2012, Stuntzner determined that as of the same date, the fair market value of this property had not changed. The property is not adjacent to any other property owned or used by Ralls & Associates, or any of its affiliates or owners.

The Bellfountain Property is a parcel (111 acres) of timberland located in Benton County, Oregon. It was purchased by the Plan from Weyerhaeuser Real Estate Company on August 7, 1989. The Plan acquired the property for cash. The total purchase price for the property, including related closing costs, was \$78,077.50. Stuntzner determined the fair market value of this property to be \$270,000 as of the 2011 Appraisal. In an update to its 2011 Appraisal dated May 10, 2012, Stuntzner determined that as of the same date, the fair market value of this property had not changed. The property is not adjacent to any other property owned or used by Ralls & Associates, or any of its affiliates or owners.

The value of the two parcels of Property represents approximately 22% of the total assets of the Plan. The purpose of the proposed sale (the Sale) is to reduce the effect of fluctuations in the market values of the real property held as Plan assets. The Sale will provide the Plan with funds to be placed in more diversified investments.

The property is to be sold to CNC Partners, LLC (CNC Partners). CNC Partners and Ralls & Associates, the Plan sponsor, are affiliated companies by reason of having common ownership.

### **Terms and Conditions of Sale**

Upon receiving Tentative Authorization regarding the Sale, the Plan will enter into a Purchase and Sale Agreement providing for the sale of the properties at issue to CNC Partners.

The authorization is subject to the following conditions:

- The terms and conditions of the Sale are at least as favorable to the Plan as those obtainable in an arm's length transaction with an unrelated third party;
- The Sale is a one-time transaction for cash;
- The Plan pays no brokerage commissions, costs or other expenses in connection with the Sale;
- With respect to the Indian Creek Road Property, the Plan will receive no less than the greater of (a) \$720,000 or (b) the fair market value of this property as of the date of the Sale;
- With respect to the Bellfountain Property, the Plan will receive no less than the greater of (a) \$270,000 or (b) the fair market value of this property as of the date of the Sale; and
- The Trustees will determine, among other things, whether it is in the best interests of the Plan to go forward with the Sale of the Property, will review and approve the methodology used in the appraisal that is being relied upon, and will ensure that such methodology is applied by a qualified independent appraiser in determining the fair market value of the Property as of the date of the Sale.

The Sale is expressly conditioned upon the Department's final authorization of such Sale.

### **Similar Sales Approach by Department of Labor**

The Sale is substantially similar to other sales for which the Department has granted prohibited transaction exemptions. The citations for the exemptions granted to two of these similar sales are as follows:

- ◆ PTE 2006-02, 71 Federal Register 14008 (March 26, 2006)
- ◆ FAN 2009-11E (July 18, 2009)

### **Right to Submit Comment**

As a person who may be affected by this exemption, you have the right to comment on the proposed exemption. The comments must be submitted by June 25, 2012. Comments should be addressed to:

Office of Exemption Determinations  
Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Room N-5700  
Washington, DC 20210  
Attention: Anna Vaughan - Re: E-00688

The Department will make no decision on the request for final authorization for the transaction until it reviews all comments received in response to this Notice. Be sure to reference the submission number, E-00688. Comments may also be submitted by facsimile to 202-219-0204, or by e-mail to [vaughan.anna@dol.gov](mailto:vaughan.anna@dol.gov).

The final authorization to engage in the Sale will occur on June 30, 2012, unless the Department notifies Ralls & Associates, Inc. otherwise. Upon final authorization, the Sale will occur as soon as administratively feasible, but no later than August 31, 2012.