



PILECO, INC., P.O. BOX 16099, HOUSTON, TEXAS 77222 • 713/691-3000 or 800/231-0421 or FAX: 713/691-0089
www.pileco.com

May 3, 2006

Re: Notice to Interested Persons Regarding a Proposed Transaction Involving the
Pileco, Inc. Employees Profit Sharing Plan

Dear Participant:

Pileco, Inc., the Pileco, Inc. Employees Profit Sharing Plan (the "Plan"), and Mr. Otto Kammerer, the Plan trustee, filed a request for final authorization under Prohibited Transaction Class Exemption (PTE) 96-62 (as published in 61 Fed. Reg. 39,988 (July 31, 1996), as amended by 67 Fed. Reg. 44,622 (July 3, 2002)) with the United States Department of Labor (the "DOL"). Such authorization, if provided by the DOL, would permit Pileco, Inc. to engage in a transaction with the Plan that is otherwise prohibited under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "Code"), in connection with the sale, by the Plan to Pileco, Inc., of a tract of undeveloped land.

The proposed transaction has met the requirements for tentative authorization under PTE 96-62. You are hereby notified that the DOL is considering whether to provide final authorization for the above-described transaction pursuant to PTE 96-62. Upon final authorization by the DOL, the restrictions of section 406(a) of ERISA and/or the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (F) of the Code, shall not apply to the transaction.

As a person who may be affected by this request for final authorization, you have the right to comment by May 31, 2006. The transaction described above will only take place following final authorization by the DOL, which is expected to occur on or after June 5, 2006.

For the convenience of interested persons, a Notice to Interested Persons ("Notice") setting forth both the conditions that would be applicable upon final authorization by the DOL under PTE 96-62 and the facts and representations that support final authorization is attached. The Notice also provides contact information for making comments to the DOL. Pileco, Inc. and the Plan strongly urge interested persons to read the attached notice.

Sincerely,

Robert F. Wolfram
CFO
Pileco, Inc.

NOTICE TO INTERESTED PERSONS

1. You are hereby notified that a written submission has been filed on behalf of Pileco, Inc. (the "Company"), the Pileco, Inc. Employees Profit Sharing Plan (the "Plan"), and Mr. Otto Kammerer, the trustee of the Plan, with the United States Department of Labor (the "DOL") seeking authorization of the proposed sale of certain property owned by the Plan (the "Proposed Transaction"), as described below, to the Company.

This submission has been prepared pursuant to Prohibited Transaction Class Exemption (PTE) 96-62 (as published in 61 Fed. Reg. 39,988 (July 31, 1996), as amended by 67 Fed. Reg. 44,622 (July 3, 2002)).

2. Identifying Information

- a. Name of Plan: Pileco, Inc. Employees Profit Sharing Plan
- b. Plan Number: 001
- c. Name of submitters: Pileco, Inc., Pileco, Inc. Employees Profit Sharing Plan and its related trust, and Mr. Otto Kammerer
- d. Address of submitters:

c/o Pileco, Inc.
Post Office Box 16099
Houston, Texas 77222-6099

- e. The Company's Employer Identification Number: 74-1552009
- f. Name and address of plan administrator:

c/o Pileco, Inc.
Post Office Box 16099
Houston, Texas 77222-6099

3. The submission has met the requirements for tentative authorization under PTE 96-62.
4. If the Proposed Transaction is authorized by the DOL, pursuant to PTE 96-62, the restrictions of sections 406(a) and 406(b)(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the sanctions resulting from the application of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), by reason of section 4975(c)(1)(A) through (F) of the Code, shall not apply to the sale, by the Plan to the Company, the Plan sponsor, of a 1.94 acre tract of undeveloped land in Houston, Harris County, Texas (the "Property"), which is adjacent to other land owned by the Company outside the Plan.
5. The authorization 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 party.
 - b. The Plan receives the greater of \$152,678 or the fair market value of the Property on the date of such Proposed Transaction, as determined by an independent, qualified appraiser (the "Appraiser"). The Appraiser, in its report, shall consider the adjacency of other property already owned by the Company when determining the fair market value of the Property¹.
 - c. The Proposed Transaction is a one-time transaction for cash.
 - d. The Plan pays no commissions, costs or other expenses in connection with the Proposed Transaction or the submission for consideration under PTE 96-62.
 - e. The Plan meets the requirements of section 401(a) of the Code.
 - f. With respect to the past use of a portion of the Property by the Company, the Company pays to the Plan the fair market rent, plus interest, due to the Plan from the Company in the form of a lump sum total rent payment in arrears with respect to the past use of the Property by the Company, as determined by the Appraiser, for the entire period of such use. Such amount will be paid upon or prior to receipt of final authorization of the Proposed Transaction².
 - g. The Company pays all excise taxes associated with the past prohibited transaction and files the required Form 5330 with the Internal Revenue Service within 90 days of receipt of final authorization of the Proposed Transaction.
 - h. The Plan's trustee 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, and ensure that such methodology is properly applied by the Appraiser in determining the Property's fair market value.
6. The Property held by the Plan is described below. In 1983, the Plan purchased a 1.94-acre tract of unimproved and undeveloped land in Houston, Harris County, Texas, which is

¹ The selection of an independent qualified appraiser to determine the value of the Property and the acceptance of the resulting valuation are fiduciary decisions governed by the provisions of Part 4 of Title I of ERISA.

² The Plan fiduciaries, including Otto Kammerer, acknowledge that the DOL, by authorizing the Company's purchase of the Property upon the satisfaction of the conditions described in this notice, provides no relief from the fiduciary requirements under ERISA for the past acquisition, holding, and use of the Property, or any other property acquired, held, or sold by the Plan. The general fiduciary responsibility provisions of ERISA require, among other things, that the Plan fiduciaries discharge their duties respecting the Plan solely in the interest of the participants and beneficiaries of the Plan and in a prudent fashion in accordance with sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA.

adjacent to other land owned by the Company outside the Plan³. The Property was purchased by the Plan from unrelated third parties Martha Winkler Walla and Violet D. Winkler, individually and as independent executrix of the estate of Tony Walker, Jr., deceased, for a purchase price of \$75,282, which, at the time of purchase, did not represent more than fair market value. The Plan trustee made the original decision to purchase the Property as a long-term growth investment for the Plan.

7. The value of the Property represents approximately six percent (6%) of the Plan's total assets as of September 30, 2004. The Company, rather than the Plan, has paid all expenditures related to the Property, including real estate taxes, liability insurance premiums, and costs associated with constructing a fence on the Property and demolishing a structure on the Property that had fallen into a state of disrepair.
8. In 1993, the City of Houston, through its powers of condemnation and eminent domain, obtained a right of way on the eastern side of Fulton Street that affected the Property. In return for the granting of this right of way, the City of Houston paid consideration in the total amount of \$7,155.57 which was deposited into the Plan.

While the Plan did not obtain its own valuation from an independent appraiser at the time, an assessment of the City's offer was made based upon the Plan trustee's knowledge of property values in the area. Based upon this knowledge, a good faith determination was made that the value per square foot being offered to the Plan by the City of Houston was fair and equal to, or greater than, the then current fair market value for the strip of land being acquired.

9. Since July 1, 2001, the Company has used a .54-acre portion of the Property (27.8% of the total Property) for the storage of equipment and inventory. The Company did not pay the Plan for this use of the Property. The use of all or a part of the Property by the Company is classified as a prohibited transaction that violates the restrictions under sections 406 of ERISA and 4975 of the Code. Upon or prior to receipt of final approval of the Proposed Transaction, the Company will correct this prior prohibited transaction by paying to the Plan fair market rent for the period, as determined by the Appraiser, plus reasonable interest for the same period. In addition, the Company will pay all sanctions associated with the prohibited transaction and file the required Form 5330 with the Internal Revenue Service within 90 days of the receipt of final authorization of the Proposed Transaction.

The Company acknowledges that the DOL will provide no retroactive relief from the prohibitions as set forth in section 406 of ERISA for the past use and/or leasing of the Property by the Company.

³ In 1995 it was discovered that the deed issued in 1983 for the original purchase of the Property mistakenly listed Otto Kammerer, individually, as the owner rather than in his capacity as Trustee of the Plan. This error was corrected through the preparation of a new deed dated September 30, 1995 to reflect that Otto Kammerer merely held legal title to the Property on behalf of the Plan, solely in his capacity as Trustee of the Plan. The Plan did not pay Otto Kammerer for the issuance of this corrected deed and the Plan was the actual owner of the Property at all times between its acquisition in 1983 and the present.

10. The Property was appraised as of August 16, 2005 by the Appraiser in a manner consistent with the Sales Comparison Approach, where a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. In correspondence dated February 27, 2006, the Appraiser updated its analysis of comparable sales in the area and concluded that the value of the Property had remained unchanged since the original report was published. Therefore, based on the appraisal, the total fair market value for the Property was determined to be \$152,678. The Appraiser rounded this value down to \$150,000. However, the Company will pay the greater of \$152,678 or the fair market value of the Property on the date of the Proposed Transaction.
11. Additionally, the Appraiser considered whether to recommend that the Company pay to the Plan a premium as a result of its ownership of improved real property that is adjacent to the Property. The Appraiser determined that such a premium is not necessary for several reasons, including:
 - The amount of undeveloped land that is available for purchase in the area;
 - The relatively large size of the Company's neighboring land in comparison to the size of the Property;
 - The location of the Property in relation to the Company's neighboring land (the Property is located behind the Company's land); and
 - The Property's lack of significant street frontage or other qualities that make it attractive for purposes of commercial development.
12. A report, dated September 15, 2005, was issued by the Appraiser addressing the fair market rent due to the Plan from the Company for the Company's prior use of a portion of the Property from July 1, 2001 through the present. The scope of the Appraiser's assignment was to complete an exterior viewing of the Property and the surrounding neighborhood, estimate the nature and extent of the Company's occupancy of the Property, and develop an opinion of value. To supplement its efforts, the Appraiser received representations from Otto Kammerer, the trustee of the Plan, regarding the nature and extent of the Company's use of the land.

In reaching a conclusion on the fair market rental value of the Property, the Appraiser utilized an underlying land value of \$1.40 to \$1.50 per square foot based on comparable land sales in the neighborhood, and an annualized rate of return of eight percent (8%). Based on these assumptions, the Appraiser calculated an indicated annual ground lease rate of \$2,760, or \$230 per month. For purposes of calculating the interest to be paid with respect to the past use, the Plan will utilize the Internal Revenue Code Section 6621(a)(2) underpayment rate for the period. As of December 31, 2005, based on this interest rate, a total of approximately \$1,660 in interest has been accrued.

13. The gain enjoyed by the Plan with respect to its holding of the Property is approximately \$77,400⁴. Plan participants and beneficiaries will share in this gain, proportionate to their account balance in the Plan, as of the Plan valuation date immediately following the date on which the transaction occurs. The transaction will occur as soon as administratively feasible following approval by the DOL and receipt of a current appraisal of the Property.
14. The Plan's trustee has determined that it is prudent to go forward with the Proposed Transaction, he has reviewed and approved the methodology used by the Appraiser in its appraisal reports, and has ensured that such methodology was properly applied by the Appraiser in determining the Property's fair market value.
15. It is represented that neither the Company nor Otto Kammerer (or any other party-in-interest) has sold or otherwise conveyed property to the Plan or purchased other property from the Plan⁵. In addition, it is represented that other Plan-owned property has not been used by any party-in-interest.
16. The Board of Directors of the Company approved the complete freeze and termination of the Plan in connection with the acquisition of the Company by a third-party purchaser on October 7, 2005. The transaction will be a one-time cash sale and will enable the Plan's trust to be liquidated in the best interests and most cost-effective way to Plan participants and beneficiaries.
17. 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 dispose of the Property at a price which equals the fair market value at the time of the transaction, as determined by an independent, qualified appraiser.
18. The Applicant has identified as substantially similar to the Proposed Transaction the following individual exemptions granted by the DOL within the past 60 months:
 - a. Prohibited Transaction Exemption 2003-13 for the Law Offices of Richard D. Gorman Pension & Profit Sharing Plan, 68 Fed. Reg. 34,648 (June 10, 2003). This exemption permitted the one-time cash sale by a qualified plan of certain property to a party-in-interest to the qualified plan, where the subject property was adjacent to other property owned by the party-in-interest, to bring liquidity to such plan.
 - b. Prohibited Transaction Exemption 2002-26 for the Holt, Fleck & Free P.A. Profit Sharing Plan, 67 Fed. Reg. 36,030 (May 22, 2002). This exemption permitted the

⁴ The approximate gain of \$77,400 does not include the rental income and interest owed to the Plan for the past use of the Property which will be paid by the Company.

⁵ This representation does not include the previously disclosed preparation of a general warranty deed in 1995 by which title was technically corrected to reflect that Otto Kammerer merely held legal title to the Property on behalf of the Plan, solely in his capacity as trustee of the Plan. The Plan paid no consideration in connection with the issuance of this corrected deed and was the beneficial owner of the Property at all times between its acquisition in 1983 and the present.

one-time cash sale by a qualified plan of certain property to a party-in-interest to the qualified plan to bring liquidity to such plan.

19. As a person who may be affected by the Proposed Transaction, you have the right to comment on the Proposed Transaction. Written comments should be addressed to:

Office of Exemption Determinations
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Ave, NW
Room N-5649
Washington, D.C. 20210
Attention Submission No. E-00421

Comments may also be submitted by facsimile to 202-219-0204, or by e-mail to the following address: moffitt.betty@dol.gov.

20. The comment period will close on May 31, 2006. Final Authorization of the Proposed Transaction will not occur until the DOL reviews all comments received in response to this notice.