

804.4(a)  
802.4  
7A(c)(2)

October 17, 2000

**By Hand**

Mr. Michael Verne  
Premerger Notification Office  
Bureau of Competition, Room 303  
Federal Trade Commission  
6th Street & Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

*10/17/00  
copy of the  
2/03 of the  
of the under the*

Dear Mr. Verne:

This correspondence is to confirm the recent telephone conference which [redacted] of the [redacted] law firm and I had with you concerning the status of a mortgage company for purposes of the exemptions set forth in 15 USC § 18a(c)(2) (concerning acquisitions of bonds, mortgages, deeds of trust or other obligations which are not voting securities) and 16 CFR § 802.4.

As explained, "Company A" is acquiring "Company B" which is primarily engaged in the construction of residential homes (the "Acquisition"). Company B owns 100 percent of a mortgage company subsidiary ("Company C"). Company A's acquisition of Company B will be exempt under 16 CFR, § 802.2(d) and 802.4. The purpose of the call to you was to determine whether Company A's indirect acquisition of Company C will also be exempt under 16 CFR § 802.4.

As outlined, the three most significant categories of assets on the balance sheet of Company C are (i) "fee receivable" (relating to application and similar fees charged by Company C to its customers), (ii) "mortgages receivable warehouse" (mortgages which have been made by Company C and are held in inventory until they can be sold to third parties), and (iii) "intercompany" assets (consisting of profit owed by Company C to its parent, Company B). The remaining assets consist of office furniture and fixtures, computer equipment, prepaid expenses, prepaid commissions, prepaid insurance, loan fees, and mortgage receivables.

Based on your comments, we understand that since each of the assets either consist of mortgages or have a direct nexus to Company C's mortgage lending business, they can all be treated as assets falling within the exemption set forth in 18 U.S.C. § 18a(c)(2), with the result that Company A's indirect acquisition of all of Company C's voting securities is exempt under 16 CFR § 802.4.

[redacted]

Mr. Michael Verne  
Page 2  
October 17, 2000

If you or your colleagues should disagree with the conclusions expressed herein, please contact me at [REDACTED] as soon as possible.

Thank you for your assistance in connection with this matter.

Sincerely yours,

[REDACTED]

AGREE -  
*B. Anderson*  
10/18/00