

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, August 26, 2002 10:43 AM  
**To:** 'psharpe@ftc.gov'  
**Subject:** Section 7(a)(c)(2) interpretation

Patrick,

We represent a company engaged in power project development and the trading of electric power and natural gas. The company has also engaged in the exploration and production finance business through a subsidiary. The company now seeks to divest the subsidiary's loan portfolio. The loan portfolio consists of (1) mortgages and related credit agreements, (2) warrants and (3) royalty interests.

I believe that acquisition of the warrants would be exempt pursuant to Section 802.31 (although the conversion may be subject to the act) and the acquisition of the royalty interests would be exempt pursuant to Section 802.3 (unless valued in excess of \$500 million).

I believe that Section 7(a)(c)(2) would exempt the acquisition of the mortgages and related credit agreements. However, after reviewing Informal Staff Opinion 8811004, dated November 17, 1988, I am concerned that the staff would view this transaction as a sale of substantially all of the finance company subsidiary's assets. Under the analysis stated in the informal opinion, the Section 7(a)(c)(2) exemption would be unavailable in such instance.

I would appreciate your thoughts on the above facts. Thank you for your time.