[redacted] 7A(c)(2)

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FEDERAL TRADE COMMISSION
PREMERGER NOTIFICATION OFFICE
2002 NOV 14 P 12:49

November 13, 2002

Mr. Michael Verne
Permerger Notification Office
Federal Trade Commission, Room 303
Washington DC 20580

Dear Mr. Verne:

This letter will confirm our telephone conversation of several weeks ago concerning whether a premerger notification filing under the Hart-Scott-Rodino Act ("Act") would be necessary for a proposed transaction.

We represent a company engaged primarily in financing oil and gas development companies. It has entered into an agreement to sell most of its assets for cash consideration at a purchase price exceeding $50 million.

The assets being sold can be divided into three categories. First, is a portfolio of loans that represent approximately 93% of the total assets. These loans are secured primarily by the real estate interests being developed by the borrowers. In two instances, the loans are secured by leasehold interests in plant and equipment. Additionally, the loans are secured by liens on other assets of the borrower which would include all personal property associated with the particular projects.

Because these assets represent more than commercial loans, secured primarily by real estate, we believe they qualify as assets exempt under the provisions of Section 7A(c)(2) of the Act. Consequently, the value of these assets is not included in determining whether the transaction meets the filing threshold.

The second category of assets acquired consists of what are termed "overriding royalty interests." These comprise either a percentage ownership interest in the gross revenues derived from particular real estate or, alternatively, a percentage share of the net income derived by the borrower from the financial project. In the first instance, we believe that the interest could be characterized as the carbon-based mineral interest (subject to the $500 million filing threshold of Rule §802.3). Alternatively, they can be classified as an additional form of interest that the lender receives in exchange for the loan and, as such, do not represent an asset distinct from the

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underlying secured loan. Moreover, the aggregate book value of all such interests, even before discounting, would be below $30 million.

The final category of assets consists of minority equity interests in various developers. The book value of these securities does not exceed $8 million, and the fair market value ascribed to them by the purchaser is well below this number.

In summary, although the aggregate sales price will exceed $50 million, after backing out those assets whose acquisition is exempt under Section 7A(c)(2), the value of the remaining assets being sold is significantly below the $50 million threshold. Therefore we believe that no premerger notification filing is required under the Act.

Please feel free to contact me with any questions or comments you may have. I appreciate your help on this matter.

Very truly yours,

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AGREE THAT LOANS SECURED BY REAL PROPERTY AND REAL PROPERTY INTEREST ARE COVERED BY THE EXEMPTION FOR MORTGAGES IN 7A(c)(2).

B. Michael Verne
11/14/02