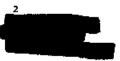DATE: April 30, 1999   PAGES (INCLUDING COVER)   2
                                 FAX FROM:
                                 DIRECT DIAL:
                                 EMAIL ADDRESS:

RECIPIENT	COMPANY	FAX NO.	PHONE NO.
1. Dick Smith, Esq.	Federal Trade Commission/Premerger Office	202 326 2624	202 326 2850

Dick:

I am writing to confirm the advice you provided me ~~~~~~~~~~~

~~~~~~~~~~ securities should, upon exercise of the warrants or options, be aggregated with the exercise price (or some other measure) to determine ~~~~~~~~~~~

You responded that there would be no aggregation. You told me that, although the purchase of warrants or options is a purchase of voting securiti ~~~~~~~~~~

801.1(f).) The exercise of the warrants or options would be viewed as a separate purchase of voting securities with no aggregation with the earlier, exempt transaction per § 801.15.

You then told me that for purposes of determining the size of the transaction, the value of the voting securities purchased pursuant to the exercise is determined under § 801.10. Thus, if the shares acquired upon exercise are publicly traded, their value would be the greater of the acquisition price or the market price. (§ 801.10(a)(1).) If the shares are not publicly traded, the value would be the acquisition price (or, if there is no acquisition price, the fair

purchase what would amount to 20% of the non-publicly traded voting shares of Company B. The warrants, which are granted at no cost to induce A to loan money to B, give A the right to purchase the B shares at $.01 apiece. One year later A exercises the warrants and purchases 20% of the voting shares of B for $15. Meanwhile, the value of B has increased dramatically, such that 20% of the company would be worth substantially more than $15 milli ~~~~~~~~~~

advised that the value of the transaction for purposes of determining the size of the transaction and eligibility for the minimum dollar value exemption (§ 802.20) would still be the acquisition price of the shares, *i.e.*, $15.

Please let me know if the above does not correctly portray your advice.

Thank you very much for you help.

Best regards,