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ARIZONA CORPORATION COMMISSION

July 27, 2000

Robert Phillips, Esq.
Latham & Watkins
505 Montgomery Street, Suite 1900
San Francisco, CA 94111-2562

Re: **VelocityHSI, Inc.**
File # S-0068898-NOAC

Dear Mr. Phillips:

We are unable to concur with your conclusion that the stock distribution planned by BRE Properties, Inc. will not constitute a "sale" for purposes of A.R.S. §44-1801(18).

However, on the basis of the facts set forth in your letters of July 18, 2000 and July 20, 2000 and in reliance upon your opinion as counsel regarding A.R.S. §44-1844(A)(5), the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letters.

As this position is premised upon the facts set forth in your letters, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the antifraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter containing the facts upon which this position is based.

Very truly yours,

A handwritten signature in black ink that reads "Mark Sendrow".

MARK SENDROW
Director of Securities

MS:nrp
Attachment

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FACSIMILE TRANSMISSION**DATE:** July 20, 2000**To:**

Name	Fax No.	Phone No.
Ms Cheryl Farson, General Counsel Corporation Commission, Securities Division	602/594-7476	602/542-0193

FROM: Robert W. Phillips**RE:** VelocityHSL, Inc. Request for No-Action

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MESSAGE:

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IF THERE ARE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL (415) 395-8015.

FROM LATHAM & WATKINS-SF

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FILE NO. 025951-0004

July 20, 2000

VIA FACSIMILE

Ms. Cheryl Farson, General Counsel
Corporation Commission
Securities Division
1300 West Washington Street
Third Floor
Phoenix, Arizona 85007

Re: VelocityHSI, Inc. Request for No-Action

Dear Ms. Farson:

Pursuant to the telephone conversation I had with you earlier today, I write to amend the No-Action Request letter we filed with the Securities Division on July 18, 2000 on behalf of BRE Properties, Inc., a Maryland corporation ("BRE"), and VelocityHSI, Inc., a Delaware corporation and wholly-owned subsidiary of BRE ("VelocityHSI"). Specifically, I write to clarify and confirm that, for BRE's accounting purposes, the distribution of VelocityHSI Common Stock will be treated as coming out of BRE's retained earnings, and not, as originally stated, as coming out of BRE's retained earnings *and surplus*.

We respectfully resubmit our request that the Corporation Commission confirm that it concurs with BRE's view that the distribution of the VelocityHSI common stock qualifies as an exempt transaction under Section 44-1844(A)(5) of the Arizona Blue Sky Law.


FROM LATHAM & WATKINS-SF

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Corporation Commission
July 18, 2000
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Thank you for your continued assistance with this matter. Should you require additional information, please do not hesitate to contact me at (415) 395-8245.

Very truly yours,



Robert Phillips
of LATHAM & WATKINS

cc: Jeffrey Pero
Bradley Fenner

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FILE NO. 025951-0004

July 18, 2000

VIA FEDERAL EXPRESS

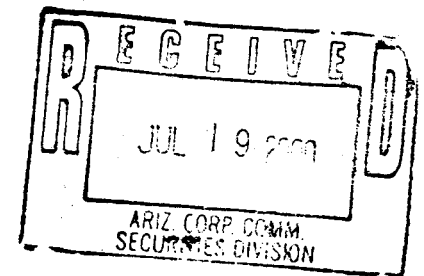
Corporation Commission
Securities Division
1300 West Washington Street
Third Floor
Phoenix, Arizona 85007

Re: VelocityHSI, Inc. Request for No-Action

Ladies and Gentlemen:

As counsel to BRE Properties, Inc., a Maryland corporation ("BRE"), and VelocityHSI, Inc., a Delaware corporation and wholly-owned subsidiary of BRE ("VelocityHSI"), we are submitting this letter in connection with a proposed distribution (the "Distribution") to common stockholders of BRE of approximately 90% of the outstanding shares of common stock of VelocityHSI, par value \$.01 per share (the "VelocityHSI Common Stock") held by BRE. On behalf of BRE, we respectfully request that the Corporation Commission (the "Commission") confirm that either (a) it concurs with BRE's belief that the Distribution would not constitute a "sale" of the VelocityHSI Common Stock to the holders of BRE common stock, par value \$.01 per share (the "BRE Common Stock") under Section 44-1801.18 of the Arizona Blue Sky Law (the "Law"), (b) it concurs with BRE's view that the distribution of the VelocityHSI Common Stock qualifies as an exempt transaction under Section 44-1844(A)(5) of the Law, or (c) it will not take enforcement action if the Distribution is effected without registration of the VelocityHSI Common Stock under the Law.

BRE is a self-administered, self-managed real estate investment trust, or REIT, that owns and manages multifamily apartment communities in the western United States. BRE



has developed a package of Internet services designed to meet the needs of property owners and managers as well as the residents of its properties. The e-mail, Internet access, and Web-hosting services, known as "Project Velocity," are designed to enhance the experience of apartment community residents and facilitate the leasing and operation of the communities. The BRE board of directors believes that separating the Project Velocity business from the BRE business will, among other things, (1) enable VelocityHSI to operate outside the constraints imposed by rules and regulations applicable to REITs such as BRE; (2) enable VelocityHSI to offer services to residents of properties not owned by BRE; and (3) enhance the attractiveness of VelocityHSI and BRE to investors who have investment criteria aligned with only one of their businesses. Thus, the BRE board of directors determined that it is in the best interests of BRE and its stockholders to organize VelocityHSI to pursue these opportunities, to transfer to VelocityHSI certain assets currently held by BRE and to spin-off VelocityHSI to the stockholders of BRE by distributing shares of VelocityHSI Common Stock to BRE stockholders. The Distribution will enable investors who own both BRE Common Stock and VelocityHSI Common Stock to participate in the benefits of the REIT operations of BRE and the non-REIT operations of VelocityHSI. For BRE's accounting purposes, the Distribution will be treated as coming out of retained earnings and surplus.

The general terms and conditions relating to the Distribution are set forth in a Contribution and Distribution Agreement between BRE and VelocityHSI that will be executed prior to the distribution date. The Distribution will be made on the basis of one share of VelocityHSI Common Stock for each five shares of BRE Common Stock held as of the close of business on the distribution record date. As of July 17, 2000, there were outstanding 44,931,381 shares of BRE Common Stock. Based on such number, approximately 8,986,276 shares of VelocityHSI Common Stock will be distributed to BRE stockholders in the Distribution, subject to adjustment to avoid issuance of fractional shares. The shares of VelocityHSI Common Stock are validly issued, fully paid and nonassessable, and the holders of these shares will not be entitled to preemptive rights.

Upon consummation of the Distribution, VelocityHSI will become an independent publicly-held corporation. On May 3, 2000, VelocityHSI filed a Registration Statement on Form S-1 under the Securities Act of 1933. On June 20, 2000, VelocityHSI filed Amendment No. 1 to the registration statement on Form S-1 to respond to comments received from the Securities and Exchange Commission. On July 17, 2000, VelocityHSI filed Amendment No. 2 to the Registration Statement on Form S-1 to respond to additional comments received from the Securities and Exchange Commission. The Distribution will not occur until the Registration Statement on Form S-1 has been declared effective by the SEC and the prospectus contained therein has been delivered to the stockholders of BRE.

BRE believes that the Distribution will not involve a "sale" of a security under Section 44-1801.18 of the Law because there will be no disposition by BRE of securities for

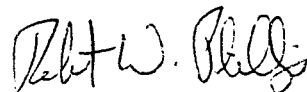
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Page 3

value and no new investment decision by the stockholders of BRE receiving VelocityHSI Common Stock in the Distribution. Furthermore, the stockholders of BRE will not provide any consideration to BRE for the VelocityHSI Common Stock they will receive as a dividend in the Distribution. Thus, BRE believes that registration of the Distribution is not required under the Law. We urge the Commission to concur in this view. Alternatively, we hereby request either (a) that the Commission concur with BRE's view that the Distribution, which will be treated as coming out of retained earnings and surplus, qualifies for the exemption at Section 44-1844(A)(5) of the Law or (b) that the Commission take no enforcement action if the Distribution is effected without registration under the Law.

Enclosed for your review is VelocityHSI's Amendment No. 2 to the Registration Statement on Form S-1. Also enclosed is a check in the amount of \$200 in payment of the required filing fee.

Should you require additional information, please do not hesitate to contact the undersigned at (415) 395-8245.

Very truly yours,



Robert Phillips
of LATHAM & WATKINS

Enclosure

cc: Jeffrey Pero
Bradley Fenner