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802.40

December 20, 2001

By Facsimile Transmisstion

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

Dear Mr. Verne:

This is to confirm our conversation several weeks ago concerning the consolidation of two rural electric cooperatives.

The specific facts described are as follows. Rural electric cooperative A ("Cooperative A") and rural electric cooperative B ("Cooperative B") have both been created under Chapter 161 of the Texas Utilities Code. They are also non-profit corporations for purposes of Section 501(c)(12) of the Internal Revenue Code.

It is proposed that the business of the two be consolidated. This will be accomplished by creating a new rural cooperative ("Cooperative C") into which Cooperatives A and B will be combined pursuant to a Consolidation Agreement.

Based on our discussion, I understand that the formation of a new rural electric cooperative in the manner described above is not subject to Hart-Scott-Rodino filing requirements. Membership interests in electric cooperatives are not "voting securities", so that 16 CFR § 801.40 does not apply. Even if the membership interests were somehow viewed to be voting securities, the formation would nevertheless be exempt under § 802.40 since Cooperative C will be a non-profit corporation within the meaning of Section 501(c)(12) of the Internal

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Revenue Code. 16 C.F.R. § 802.40 The transfer of assets of Cooperatives A and B to Cooperative C is part of the overall formation of the new Cooperative C and is thus exempt.

Should you disagree with the conclusions expressed above, please let me know as soon as possible.

We appreciate your assistance.

Sincerely yours,

Cathy A. Lewis
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