

Verne, B. Michael

From: [Redacted]
Sent: Tuesday, May 04, 2004 6:14 PM
To: Verne, B. Michael
Subject: Power Purchase Agreement

I would greatly appreciate your input regarding whether the following transaction is reportable:

Two companies, A and B, entered into a power purchase agreement that obligates B to take power from A, a generator of power. B wishes to assign its rights and obligations under the contract to my client C. In essence, C will step into B's shoes. In addition, company B will pay my client approximately \$120 million to assume the contract with A. As a result of the assignment, C will not acquire any rights in any plant or equipment or other tangible or intangible asset of A or B.

It is my view that this contractual exercise is not reportable because its a simple contractual assignment and because it does not reach any underlying assets of either A or B. Nevertheless, our of an abundance of caution, I'd appreciate your views on this matter.

Best regards,

[Redacted]
[Redacted]
[Redacted] (tel.)
[Redacted] (fax)

STEPPING INTO AN EXISTING CONTRACT IS THE ACQUISITION OF AN ASSET, BUT ITS ONLY VALUE IS WHATEVER PREMIUM IS BEING PAID TO STEP IN. SINCE THERE IS NO PREMIUM IN THIS CASE, THERE IS NO VALUE. NOVUM CONCERN.

B. Michael
515102

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