

February 08, 2005

ENER characterizes busted-deal accounting as revenue.

Yesterday Energy Conversion Devices, Inc. (NASDAQ: ENER, \$20.90) announced net income totaling \$67.1 million for the quarter ended December 31, 2004. The net income came from a \$79.5 million non-cash related accounting entry that ENER calls "revenue from license agreements." In July 2001 ENER entered into a joint venture called Cobasys LLC with ChevronTexaco Technology Ventures LLC ("CTTV"), a subsidiary of ChevronTexaco Corporation (NYSE: CVX, \$56.26). Cobasys manufactures and markets nickel metal hydride batteries. Between May 30, 2000 and June 30, 2002 ENER sold 4,376,633 shares of its common stock to CTTV for \$81.7 million or \$18.68 per share. On December 3, 2004 ENER announced that it had received an option from CTTV to purchase all of the 4,376,633 shares of ENER common stock held by CTTV at \$4.55 per share. ENER created the so-called "revenue from license agreements" by basing the value of the option to buy the stock held by CTTV on a market price of ENER stock at approximately \$22.71 per share.

On December 3, 2004 CTTV transferred to ENER its ownership interest in a different joint venture between ENER and CTTV called Texaco Ovonic Hydrogen Systems LLC ("TOHS"). In consideration ENER relieved CTTV of any continuing obligations to fund TOHS. Also during this December quarter ENER realized a \$2.3 million extraordinary gain in connection with the transfer of CTTV's TOHS ownership interest.

In the press release announcing the quarterly results, ENER Chairman and CEO, Robert C. Stempel states that the revenues reflect "the value of intellectual property newly licensed to our battery joint venture, Cobasys." This description of the event may well be supported by the deal's documentation. However we believe the transaction is a strong negative reflection on the intellectual property ENER has contributed to Cobasys.

For background information purposes below are links to a November 24, 2003 Forbes article titled, "Repeat Pretender" and an October 1996 Corporate Detroit article titled "Power Switch."

[Repeat Pretender](http://www.asensio.com/Report-images/ENER/repeat.pdf "Repeat Pretender")

By Jonathan Fahey

Forbes

November 24, 2003

[Power Switch](http://www.asensio.com/Report-images/ENER/bob.pdf "Power Switch")

By Tom Henderson

Corporate Detroit

October 1996

Asensio & Company, Inc. reports are published and distributed solely and exclusively to registered asensio.com subscribers who have read and agreed to the [Mandatory User Agreement](http://www.asensio.com/TermsOfUse.aspx "Mandatory User Agreement") located at [http://www.asensio.com/TermsOfUse.aspx](http://www.asensio.com/TermsOfUse.aspx "Mandatory User Agreement"). This Mandatory User Agreement is included herein in its entirety by reference thereto and by notice of its availability.