

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In Re ENRON CORP., ET AL., Debtors.	Chapter 11 Case No. 01-16034 (AJG) Jointly Administered
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**FINAL APPLICATION OF CROSSROADS, LLC AS FINANCIAL ADVISORS TO
THE OFFICIAL EMPLOYMENT-RELATED ISSUES COMMITTEE OF ENRON
CORP. FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED IN
CONNECTION WITH RESOLUTION OF CLAIMS FOR SEVERANCE PAY**

Name of Applicant: Crossroads, LLC

Authorized to Provide Professional Services to: Official Employment-Related Issues
Committee

Date of Retention: *nunc pro tunc* to April 18, 2002

Period for which Compensation
And Reimbursement are sought: April 18, 2002 to Sept. 30, 2002

Scope of Duties: Resolution of Claims for Severance Pay by
Debtors' Former Employees

Amount of Compensation sought: \$51,721.00

Total Amount of Expense Reimbursement
sought: \$ 0.00

This is a: interim final monthly statement

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ENRON CORP., ET AL.,	Chapter 11
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FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED IN
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TO THE HONORABLE ARTHUR J. GONZALEZ, UNITED STATES BANKRUPTCY
JUDGE:

Pursuant to 11 U.S.C. §503(b)(3)(D) of the Federal Rules of Bankruptcy Procedure, Crossroads, LLC (“Crossroads”) hereby moves this Honorable Court for an Order awarding it reasonable compensation with respect to financial advisory services rendered to the Official Employment-Related Issues Committee (the “Employee Committee”) of Enron Corp., et al., (the “Debtors”) in connection with the Debtors’ Chapter 11 cases, in the amount of \$51,721.00 for resolution of claims for severance pay by the Debtors’ former employees. In support of its Application, Crossroads respectfully represents as follows:

By this First and Final Application, Crossroads seeks final compensation for professional services rendered from April 18, 2002 to September 9, 2002 on behalf of the Employee

Committee investigating and assisting in the resolution of claims for severance pay asserted by the Debtors' former employees. The value of such fees, calculated in accordance with Crossroads' standard hourly rates, is \$51,721.00. Crossroads respectfully suggests that payment of this amount is fully warranted given that Crossroads services resulted in an actual and demonstrable benefit to the Debtors' estate and a broad group of creditors.

BACKGROUND

1. Beginning on December 2, 2001 (the "Petition Date"), and, in some instances, periodically thereafter, each of the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their property as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The debtors' Chapter 11 cases have been procedurally consolidated for administrative purposes.

2. On March 29, 2002, the Office of the United States Trustee (the "U.S. Trustee") appointed the Employee Committee.¹ Currently, the Employee Committee is comprised of the

¹ On July 19, 2002, Judge Arthur J. Gonzalez signed an Order Establishing Scope of Duties and Responsibilities of Employment-Related Issues Committee empowering the Employee Committee to:

1. Investigate, monitor and assist in the global resolution of pre-petition unsecured claims held by the Debtors' current or former employees, either as a whole or a significant portion thereof, and arising from defined benefit and/or defined contribution plans, retiree benefit plans not covered under 11 U.S.C. § 1114, deferred compensation plans, ERISA and other employment related agreements, but excluding any claims as to which the holders' interests therein fall within the enumerated responsibilities of State Street Bank and Trust under the order dated April 19, 2002 (collectively, the "Employment-Related Claims"); provided, however, that such duties and responsibilities shall neither permit nor include the defense of any objection interposed to the allowance of Employment-Related Claims;
2. Investigate, monitor and otherwise assist in the resolution of claims for severance pay asserted by the Debtors' former employees, which are currently the subject of a joint settlement motion pending before the Court (the "Severance Settlement");

following five members: Mr. Michael P. Moran; Mr. Richard D. Rathvon; Ms. Diana S. Peters; Mr. Kevin Hyatt; and State Street Bank and Trust Company, in its capacity as special fiduciary for certain Enron plans. At a meeting on April 2, 2002, the Employee Committee appointed Mr. Michael P. Moran and Mr. Richard D. Rathvon as co-chairs of the Employee Committee and selected Kronish Lieb Weiner & Hellman, LLP (“KLWH”) as its legal counsel.

3. On April 17, 2002 the Employee Committee, with the assistance of its legal counsel, interviewed several financial advisors and determined that Crossroads has the experience and knowledge to best advise the Employee Committee on the bankruptcy and employee issues likely to arise in these chapter 11 cases.

4. On September 10, 2002, an order was entered authorizing the retention of Crossroads as financial advisors *nunc pro tunc* to April 18, 2002, which order provides in pertinent part:

“4. To the extent that Crossroads provides services to the Employment Related Issues Committee, with respect to Scope Items 1, 2, 4 and 5, any fees and expenses incurred by Crossroads shall be paid or reimbursed, as the case may be, by the Debtors and the standard for awarding and allowance of such compensation shall be in accordance with section 503(b)(3)(D) of the Bankruptcy Code, the so-called “substantial

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3. Investigate and, if appropriate, prosecute on behalf of the Debtors’ estates avoidance actions against former Enron employees who received certain “90-day” pre-petition retention bonuses, as more fully described in the Severance Settlement;
 4. Communicate with holders of Employment-Related Claims regarding (a) the progress of the Debtors’ chapter 11 cases generally and (b) any specific issues or motions affecting the treatment of Employment-Related Claims, as distinct from pre-petition general unsecured claims; and
 5. Participate in the formulation of any plan of liquidation or reorganization for any of the Debtors solely to the extent of: (a) reviewing and negotiating the classification of Employment-Related Claims in such plan; (b) reviewing whether a plan which separately classifies Employment-Related Claims or any portion thereof discriminates unfairly or is fair and equitable with respect to such class; and (c) advising holders of Employment-Related Claims of the Employment-Related Issues Committee’s determination as to such plan.

contribution” test, notwithstanding the restrictions concerning statutory committees appointed in accordance with section 1102 of the Bankruptcy Code.

5. Except as provided above, Crossroads shall be compensated in accordance with the provisions of the Federal Rules of Bankruptcy Procedure as may then be applicable, local rules and Orders of the Court, guidelines established by the Office of the United States Trustee, and other such procedures as may be fixed by Order of this Court or established by the Debtors or the fee committee appointed in these chapter 11 cases; provided, however, that, (i) to the extent that Crossroads seeks compensation for services provided pursuant to the provisions of ... decretal paragraph 4 hereof, Crossroads, may submit a fee application requesting such compensation prior to the conclusion of these chapter 11 cases, only upon the completion of the discrete tasks for which compensation is sought.”

JURISDICTION

5. This Court has jurisdiction over this First Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(a) & (b) as set forth in 28 U.S.C. § 157(b)(2)(A). The statutory predicate for the relief sought herein is section 1103 of the Bankruptcy Code.

STATUTORY BASIS FOR COMPENSATION

6. Pursuant to the September 10, 2002 Order authorizing Crossroads’ retention by the Employee Committee, the statutory standard for the relief sought herein is Section 503(b)(3)(D) of the Bankruptcy Code. Pursuant to Section 503(b)(3)(D) of the Bankruptcy Code, Crossroads seeks compensation for professional services rendered from April 18, 2002 to September 9, 2002 spent investigating and assisting in the resolution of claims for severance

pay asserted by the Debtors' former employees, which services have resulted in actual and demonstrable benefits to the Debtors' estate and various creditors.

7. Under Section 503(b)(3)(D), the Court may award an applicant actual, necessary expenses which were incurred "in making a substantial contribution in a case under chapter 9 or 11." Any expenses reimbursed are administrative expenses with the attendant priority. 11 U.S.C. § 507 (1988).

8. Thus, "[i]n determining whether there has been a 'substantial contribution' pursuant to section 503(b)(3)(D), the applicable test is whether the efforts of the applicant resulted in an actual and demonstrable benefit to the debtor's estate and the creditors." In re Lister, 846 F.2d 55, 57 (10th Cir.1988). "[S]ervices which substantially contribute to a case are those which foster and enhance ... the progress of reorganization." Consol. Bancshares, Inc., 785 F.2d at 1253 (quoting In re Richton Int'l Corp., 15 B.R. 854, 855 (Bankr.S.D.N.Y. 1981)(other citation omitted)).

CROSSROADS SERVICES AND ITS BILLING PRACTICES

9. In respect of this Court's September 10, 2002 Order, Crossroads has maintained time records in this case. Annexed hereto as Exhibit A and incorporated herein by reference, are the time records (the "Time Records") of Crossroads' personnel showing a day-by-day entry of all time spent by Crossroads' professionals in connection with investigating, monitoring and assisting in the resolution of claims for severance pay asserted by the Debtors' former employees. The Time Records provide a chronological, daily explanation of the services rendered by Crossroads.

10. Crossroads, in its capacity as Financial Advisor to the Employee Committee and as contemplated in the Court's Retention Order, dated September 10, 2002, very actively participated in and directly contributed to the successful resolution of the matter generally known as the Severance Settlement Matter. The aforementioned matter, if it had not been resolved through negotiation and compromise among the parties-in-interest, would have had potentially severe negative economic effects on the Debtors' estate resulting from, among other things, the costs and risks of additional litigation and extraordinary costs resulting from the distraction of the Debtors' limited manpower and economic resources from other important tasks.

11. From April 18, 2002 through September 30, 2002, Crossroads actively worked to achieve a resolution of the severance pay dispute. Crossroads assisted in carefully crafting a strategic plan for the Severance Settlement negotiations and the analysis and review of all pertinent documents and related financial presentations, with direction and input from the Committee and KLWH. Crossroads provided the financial analysis and advisory expertise required by the parties to reach resolution of this matter.

12. More specifically, Crossroads participated in many telephonic and electronic communications and attended several meetings with the Committee and KLWH to formulate appropriate negotiating strategies and compromise plans aimed at a fair and equitable resolution of the matter for both the former employees and the Debtors' estate. The meetings and communications included those professionals necessary to the tasks at hand and were well planned, effective and efficient. Additionally, Crossroads participated on a number of occasions in meetings and on calls with other parties-in-interest, such as representatives of the AFL-CIO and the Official Committee of Unsecured Creditors of the Debtors. Crossroads

undertook responsibility for the Employee Committee’s financial due diligence of the Debtors’ Severance Settlement proposal and related financial presentations of its proposal including, relevant research, review and analysis of certain portions of the Severance Settlement documentation. Crossroads also was required to review the various draft filings and pleadings in respect of this matter as a part of its advisory responsibilities. Crossroads believes that its efforts directly contributed to the accuracy and integrity of the financial analysis and schedules used by the negotiating parties to reach their ultimate agreement resolving the severance pay dispute. Accordingly, Crossroads’ participation in the strategic planning and negotiations contributed significantly to the ultimate resolution of the matter. The resolution of this dispute has benefited the Debtors’ estate with a certain and fair outcome, leading to further progress of the Debtors’ reorganization.

SUMMARY OF CROSSROADS FEES

13. Crossroads’ professionals expended a total of 108.40 hours on the resolution of the severance pay dispute in this case, as set forth in the following charts below.

14. The following is a breakdown of the time spent and fees incurred for services rendered for each category to which professional time was billed during the period of time encompassed by this First and Final Application:

Category	Total Hours	Total Fees
Employee Analysis	13.40	\$6,531.50
Employee Benefits	46.60	\$22,144.50
Debtor/Creditor Meeting	33.80	\$18,084.50
Travel	11.50	\$3,402.50
Fee Application	2.50	\$1,300.00
Case Administration	.60	\$258.00
TOTAL:	<u>108.40</u>	<u>\$51,721.00</u>

15. The breakdown of fees by Professional who worked to resolve the Severance Pay Settlement is as follows:

Professional	Rate	Hours	Travel Rate	Travel Hours	Total
Dennis Simon	\$595.00	14.70	\$297.50	11.00	\$12,019.00
Joel Simon	\$520.00	9.60	\$260.00	.50	\$5,122.00
Larry Morriss	\$550.00	33.10	\$275.00	0.00	\$18,205.00
Ruth Ford	\$550.00	15.80	\$275.00	0.00	\$8,690.00
Paul Smith	\$320.00	2.00	160.00	0.00	\$640.00
Allen Soong	\$295.00	17.50	\$197.50	0.00	\$5,162.50
Kelly Hoeckele	\$220.00	.80	\$110.00	0.00	\$176.00
Daniel Phung	\$160.00	.30	80.00	0.00	\$48.00
Roland Simpson	\$535.00	3.10	\$267.50	0.00	\$1,658.50
TOTALS:		<u>96.90</u>		<u>11.50</u>	<u>\$51,721.00</u>

CONCLUSION

16. The services rendered by Crossroads to the Employee Committee and indirectly to the Debtors' estate have substantially contributed toward the progress of this reorganization. The amount of compensation sought by Crossroads is reasonable compensation for actual, requested and necessary services rendered by Crossroads.

WHEREFORE, Crossroads prays for the entry of an appropriate order (i) granting this First and Final Application for compensation, (ii) allowing and awarding Crossroads \$51,721.00 as compensation for financial advisory services rendered in the resolution of claims for severance pay asserted by the Debtor's former employees, (iii) authorizing the Debtors to pay Crossroads \$51,721.00 as final compensation for Crossroads' professional services rendered on this matter, and (iv) granting Crossroads any such other and further relief as is just and proper.

DATED: February 28, 2003

Respectfully submitted,
CROSSROADS LLC

/s/ Joel Simon
Joel M. Simon
Financial Advisor to the Committee

Crossroads, LLC
Enron
Summary of Activity
Severance Settlement

Bk-27 Employee

<u>Analysis</u>	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Allen Soong	295.00	3.40	1,003.00
Dennis Simon	595.00	0.70	416.50
Joel Simon	520.00	0.10	52.00
Larry Morriss	550.00	8.70	4,785.00
Ruth Ford	550.00	0.50	275.00
		13.40	6,531.50

Bk-22 Employee

<u>Benefits</u>	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Allen Soong	295.00	9.80	2,891.00
Dennis Simon	595.00	1.70	1,011.50
Daniel Phung	160.00	0.30	48.00
Joel Simon	520.00	7.00	3,640.00
Kelly Hoeckele	220.00	0.80	176.00
Paul Smith	320.00	2.00	640.00
Larry Morriss	550.00	22.10	12,155.00
Ruth Ford	550.00	2.10	1,155.00
Roland Simpson	535.00	0.80	428.00
		46.60	22,144.50

Bk-26 Dr/Cr AdvMtg

	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Allen Soong	295.00	4.00	1,180.00
Dennis Simon	595.00	12.20	7,259.00
Larry Morriss	550.00	2.30	1,265.00
Ruth Ford	550.00	13.00	7,150.00
Roland Simpson	535.00	2.30	1,230.50
		33.80	18,084.50

Bk-17 Travel

	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Simon, D.	297.50	11.00	3,272.50
Joel Simon	260.00	0.50	130.00
		11.50	3,402.50

Bk-09 Fee Application

	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Joel Simon	520.00	2.50	1,300.00
		2.50	1,300.00

Bk-04 Case

<u>Administration</u>	<u>Rate</u>	<u>Hours</u>	<u>Total Fees</u>
Dennis Simon	595.00	0.10	59.50
Allen Soong	295.00	0.30	88.50
Ruth Ford	550.00	0.20	110.00
		0.60	258.00

Grand Total		108.40	51,721.00
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