

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

IN RE: § CASE NO. 01-16034 (AJG)
ENRON CORP., et al., §
DEBTORS § (CHAPTER 11)
§
§
§ Jointly Administered

FINAL FEE APPLICATION OF PHILIP HILDER & ASSOCIATES, P.C. FOR
ALLOWANCE OF COMPENSATION FROM DECEMBER 10, 2001 THROUGH
NOVEMBER 15, 2002

To the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge:

1. Philip Hilder as Philip Hilder & Associates, P.C. ("Hilder") counsel for Sherron Watkins, files this Final Application for Allowance of Compensation (the "Application") for the period from December 10, 2001 through November 15, 2002 (the "Application Period").

Statement of Jurisdiction

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157 and Federal Rule of Bankruptcy Procedure 5005. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(B). This motion arises under 11 U.S.C. §§ 327(e), 328(a), 105a, 503 and 330

Factual Background

3. Sherron S. Watkins was a Vice President of Corporate Development, Enron Corporation ("Debtors"). Ms. Watkins sounded the alarm having warned Ken Lay that Enron "might implode in a wave of accounting scandals". Ms. Watkins disclosed the Debtors' financial improprieties to her colleagues and the authorities. These disclosures, while potentially dangerous, set the Debtors on the course of reorganization which will ultimately benefit the Debtors, creditors and its employees. In fact, Jeffrey McMahon, former Chief Operating Officer of Enron Corp., on

March 7, 2002 testified before this Court and admitted that Sherron S. Watkins has “**substantially contributed**” to the reorganizational efforts of the Debtors.

Ms. Watkins was inundated with demands from Congress and other investigative authorities to elaborate on her prepetition activities and findings. Ms. Watkins requested, through Mr. Robert Williams, Vice President and Assistant General Counsel of the Enron Corp., that she be indemnified for the legal and travel expenses that she would incur on behalf of Enron Corp. While Enron Corp. agreed to provide legal representation to Ms. Watkins, the representation was limited to Swidler Berlin Shereff Friedman L.L.P. (“Swidler”), the attorneys chosen by Enron Corp. Ms. Watkins rightfully and reasonably believed that Swidler had an apparent conflict of interest with her position and declined the representation.

4. On March 7, 2002, this Court held a hearing to determine the application of Swidler to represent the employees of the Debtors for outside investigations against Debtors. Sherron S. Watkins objected to the Swidler application only to the extent it limited her ability to obtain her own counsel. At the March 7, 2002 hearing, this Court, the Debtors' attorneys and to an extent the Official Creditors Committee's counsel recognized that Ms. Watkins' circumstances were unique and that she should probably not be required to use the Swidler law firm in preparation for the appearances before the investigational committees of Congress and other governmental entities. These circumstances included the apparent conflict of interest with other employees of the Debtors which are and were represented by Swidler and the importance of her immediate testimony for the Debtors. On March 29, 2002, this Court entered an Order specifically allowing **the retention and/or payment** of separate counsel for other employees if “(d) **there is a reasonable basis for a belief by the employee(s) and/or officer(s) in question that either Swidler would have a conflict of interest in**

representing such individual(s) or that Swidler could not fully or adequately represent such individual(s)' interests".

On May 20, 2002, this Court entered an Order authorizing Philip Hilder & Associates, P.C. to represent Ms. Watkins.

5. On August 6, 2002, a Supplemental Order pursuant to Sections 105, 327, 330 and 331 of the Bankruptcy Code and this Court's Order of March 29, 2002, Authorizing the Retention and Employment, Nunc Pro Tunc, of Hilder & Associates, P.C. as Special Counsel for Sherron Watkins and Granting Related Relief was entered by this Court. Copies of the Orders authorizing Hilder's employment is attached as Exhibit "1" and "2" respectively.

Hilder refrained from filing its First Interim Fee Application due to the pending correction of the Original May 20, 2002, Order. Hilder's First Interim Fee Application was filed however it has not been acted on by this Court and is now moot with the filing of this Application.

Retainer, Prior Requests and Present Requests for Allowance of Compensation

6. Hilder did not receive a retainer in this case. Hilder has received 80% of its fees through May 14, 2002 in the aggregate amount of \$195,332.00 and 100% of its expenses through May 14, 2002, in the aggregate amount of \$15,299.94. Hilder has also submitted fee statements through August 30, 2002, for \$26,993.75 which he reduced to \$21,595.00 in fees and \$1,236.63 expenses. Hilder now requests and submits fee statements from September 1, 2002 through November 11, 2002, for \$13,925.00 in fees and \$781.82 for expenses. Ms. Watkins no longer works for Enron accordingly this is the Final Application for Compensation made by Hilder.

Staffing Policy

7. Through its policy regarding professional staffing in bankruptcy cases, Hilder strives to provide the most effective and cost-efficient representation possible. The obvious uniqueness of this case required that Philip Hilder devote the vast majority of his time to Ms. Watkins. Mr. Hilder only involved other attorneys when additional support in this case was necessary.

Philip Hilder was the attorney primarily responsible for the representing the Ms. Watkins in this case and has provided the majority of the legal services in this case. Edgar A. Goldberg is associated with Mr. Hilder for specific purposes and support.

Amount of Fees and Expenses Requested

8. This Application seeks compensation for Hilder's professional services rendered and out-of-pocket expenses incurred from December 8, 2001, through November 15, 2002. During that period, Hilder rendered a total of 739.50 hours of professional services on behalf of the Ms. Watkins. Hilder's detailed monthly statement is attached as 1Exhibit "3". Hilder requests total compensation of \$281,075.0 for professional services rendered to Ms. Watkins during the Application Period. That amount works out to an average hourly rate of approximately \$380.08. These amounts represent Hilder's customary rates for professional services of a similar nature. To date Hilder has received two payments in the amounts of \$210,631.94 and \$25,391.63 which leaves a balance of \$61,276.73. In addition, Hilder also requests that it be awarded compensation in the amount of \$1,200.00 for the preparation and service of this Application. This amount does not fully represent the time incurred in the drafting, filing and serving of this Application and the previous interim application.

9. During the Application Period, Hilder incurred non-reimbursed expenses in

¹ A summary of time is attached for filing while the complete invoices are served on the parties as ordered in this Court's May 31, 2002, Order.

connection with its representation of the Ms. Watkins in the amount of \$16,255.30. All expenditures were necessary and reasonable costs incident to the performance of professional services for Ms. Watkins.

All of Hilder's professional services rendered, and all expenses incurred, were for and on behalf of Ms. Watkins. No agreement or understanding exists between Hilder and any other person with respect to sharing the compensation to be received by Hilder in connection with the legal services rendered to the Ms. Watkins.

Accomplishments

10. The principal accomplishments of Watkin's counsel during the Application Period were the following:

- a. **Protection of Ms. Watkins** Ms. Watkins was a central figure at the inception of this bankruptcy case. Her disclosures were pivotal to sounding the alarm which notified the authorities that there were substantial abuses occurring at the Debtor. During the chaos of the initial days of the filing of the bankruptcy, Ms. Watkins was afraid of the unknown since such huge sums of money and powerful people were involved in a massive fraud. Couple that with the untimely death of a friend associated with this case, Ms. Watkins could have been precluded from telling her story. Ms. Watkins was inundated by requests from the press and numerous investigative authorities, It was imperative that her story and her integrity be protected for the benefit of the Estate.
- b. **Representation before the U.S. Congress and Federal agencies** Ms. Watkins appeared before numerous subcommittees and was extensively interviewed by federal agencies drawing a roadmap for the investigators to uncover the massive fraud. It is important to disclose that to prior to testifying to Congress; Ms. Watkins did not grant an exclusive interview to the press in order to maintain her credibility. In the course of providing its services to Ms. Watkins, Hilder allocates its professional services to the major undertakings involved in the case. In this case, Hilder's professionals individually enter daily time entries into its computerized time and billing system, and those entries are directly allocated to the particular matter on which the professional is working. Hilder has tried to modify his entry process to comport with Bankruptcy rules and procedures. In so doing, counsel facilitates analysis of the services provided. Exhibit "3" describes the major tasks in which Hilder provided services to Ms. Watkins, and the substantive amount of time expended by each professional in regard to each such task during the Application Period.

Factors Supporting Allowance of Compensation

11. Section 330(a)(3)(A) of the Bankruptcy Code sets forth the criteria for the evaluation of professional fees. Prior to enactment of § 330(a)(3)(A), *In re First Colonial Corp. of America*, 544 F.2d 1291 (5th Cir.), *cert. denied*, 431 U.S. 904 (1977) was the controlling authority that Courts within the Fifth Circuit relied upon in evaluating requests for payment of professional fees. The § 330(a)(3)(A) factors are subsumed within the more extensive *First Colonial* factors. Pursuant to Bankruptcy Local Rule 2016, applicants in this district are required to address the *First Colonial* factors. The following factors support the reasonableness of the requested fees and expenses:

- a. **Time and labor required.** Exhibit “3” to this Application contains revised copies of Hilder’s monthly invoices. All time records are recorded in Hilder’s computerized billing system contemporaneously with the rendition of the services, however they have been later modified to conform with bankruptcy procedures and those daily records are reviewed at least monthly. Exhibit “3” sets forth in detail all the time for which compensation is sought, as well as the specific services performed by each of the professionals in connection with the services.
- b. **The size of the fee is commensurate with the novelty and difficulty of the questions presented in the case.** This case was extremely complex and time consuming and difficult. At the time this was the largest bankruptcy filed with unknown consequences to the individual personalities, the companies and the economy. Counsel believes that the amount of the fees is reasonable in light of the complexity of the legal issues and problems present in this case.
- c. **The skill requisite to perform the legal services properly.** Hilder is an experienced law firm in the area of complex criminal, business litigation and bankruptcy law. Moreover, it has considerable expertise in dealing with high profile cases which requires a public presence. Its expertise in these areas is reflected by the results obtained in the case.
- c. **Preclusion of other employment due to the acceptance of this case.** Hilder was required to devote substantial amounts of time to this case and accordingly could not take other cases. Hilder has declined representation in other matters due to this case.
- d. **The customary fee.** The rates charged in this case are the same as the customary rates charged for services of a similar nature for Hilder’s other clients.

- f. **Whether the fee is fixed or contingent.** This case was not based on a fixed or contingent fee. Due to the uncertainties related to the Estate payment of counsel's fees and expenses at the time of its employment was uncertain at best. Despite this uncertainty, Hilder did not require that a retainer be paid as a condition to providing its expertise in this case. In fact, Hilder advanced substantial sums of money as expenses to protect the wellbeing of his client and ultimately the Estate. This willingness to endure substantial financial risk to represent Ms. Watkins, protected the assets of the Estate and is another factor that supports the requested compensation in this case.
- g. **The amount of time involved and the results obtained.** Counsel's actions in this case have assisted the Debtor in Possession and the creditors' committees in efficiently administering this case. Organizing the facts and persisting in telling the story to the authorities facilitated the opportunity for the Debtor to regain the confidence of its creditors. The requested compensation is reasonable in view of the time expended, the parties involved, and the results obtained in the case to date.
- h. **The experience, reputation and ability of the professionals who performed virtually all of the services in the case.**
The following summarizes the background of the primarily responsible attorney who performed the legal services during the Application Period:

Philip Hilder. Mr. Hilder is the senior partner who applies his criminal and business experience to resolving complex criminal and business problems that arise in his practice. Mr. Hilder received a B.A. degree in 1977 from The University of Iowa. In 1981, Mr. Hilder received his Juris Doctorate from the Boston College Law School. Mr. Hilder became an Assistant United States Attorney for the Southern District of Texas and a trial attorney with the United States Department of Justice, Organized Crime Strike Force. Since becoming an attorney, Mr. Hilder has specialized in business and governmental matters, complex business litigation and white-collar criminal defense. Mr. Hilder is member of the state Bars of Texas and Illinois, and is admitted to practice before the United States District Court for the Southern, Eastern and Western Districts of Texas and the Northern District of Illinois, the Fifth Circuit Court of Appeals and the United States Supreme Court. He is a member of the Federal, American, Houston, and Fifth Circuit Bar Associations.

Edgar A. Goldberg. Mr. Goldberg is of counsel to Hilder & Associates, P.C. in this matter who applies his bankruptcy and business experience to resolving issues related to bankruptcy and commercial litigation. Mr. Goldberg received his B.B.A. in Accounting from the University of Texas in 1974. He was a manager for Cargill, the largest privately held corporation in the world, where he traded commodities. Thereafter he founded Goldberg Sand, Inc. which was a mining operation in Fort Bend County, Texas. While operating his business Mr. Goldberg received his Juris Doctorate from South Texas College of Law in 1985. Mr. Goldberg worked primarily for United States Trustees while maintaining both a debtor and creditor practice. In 1987, Mr. Goldberg joined the firm of Chamberlain Hrdlicka White Williams and

Johnson as an associate in the bankruptcy and commercial litigation sections. In 1992, Mr. Goldberg established his firm specializing in bankruptcy and commercial litigation. Mr. Goldberg is member of the state Bar of Texas, and is admitted to practice before the United States District Court for the Southern, Eastern, Northern and Western Districts of Texas, the Fifth and Eleventh Circuit Court of Appeals and the United States Supreme Court.

- i. **The undesirability of the cases.** This case was undesirable in that Ms. Watkins had little or no resources to pay the substantial legal fees required to protect her. The case did have desirable characteristics including (i) the opportunity to represent Mr. Watkins who is now considered an American hero for her efforts related to this case; and (ii) the ability to make a substantial contribution to the reformation of business practices in this country.
- j. **Awards in similar cases.** The compensation requested in this case is comparable to the compensation allowed in other cases of the size and complexity of this case.
- k. **Disbursements.** Hilder disbursed the sums set forth above for actual and necessary expenses incurred in the rendition of professional services during this case. The following describes Hilder's policy regarding charging of expenses:
 - Billing rates do not include components for copying and other extraordinary charges that may be incurred by particular clients;
 - Photocopies made on premises are charged at twenty cents per copy, which is the same rate charged to firms' other clients;
 - All travel and accommodation expenses are charged at the least expensive cost to the Estate available under the circumstances of the particular trip.
13. Counsel believes that the expenses incurred in the rendition of professional services were necessary, reasonable and justified under the circumstances.

Conclusion

With counsel's assistance, Ms. Watkins has helped the Congress and numerous Federal agencies as well as the Debtor in Possession efficiently administer this case. Without Hilder's involvement in this case, it is unlikely that the Estate would have uncovered the pertinent information in such an expeditious and organized manner. By any reasonable measure, the services provided in this case by Hilder have benefited the Estate and its creditors. Accordingly, Hilder

requests the Court approve interim fee compensation of \$281,075.00 and reimbursement of expenses in the amount of \$16,225.30 and \$1,200.00 for preparing this fee application totaling \$298,500.30; after subtracting previous payments of \$236,023.57 there remains a balance to be paid of \$62,476.73 and (ii) Hilder requests such other and further relief as is just.

Dated: February 18, 2003.

Respectfully Submitted,
LAW FIRM OF
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CERTIFICATION OF SERVICE

I hereby certify that a true and correct copy of the foregoing Final Fee Application of Philip Hilder & Associates, P.C. for Allowance of Compensation From December 10, 2001 through November 15, 2002 was served on the 18th day of February 2003, via United States First-Class Mail, postage-prepaid on the persons and entities listed below:

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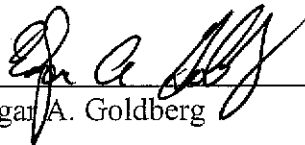
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