

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	
	:	Chapter 11
ENRON CORP., et al.,	:	
	:	Case No.: 01- 16034 (AJG)
	:	Jointly Administered
Debtors.	:	
	:	
	:	

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INTERIM ORDER PURSUANT TO 11 U.S.C. § 327(a) AND 328(a) AUTHORIZING THE EMPLOYMENT AND RETENTION OF THE BLACKSTONE GROUP L.P. AS FINANCIAL ADVISOR FOR THE DEBTORS AND DEBTORS-IN-POSSESSION

Upon consideration of the application, dated December 3, 2001 (the “Application”), of the debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the “Debtors”), for entry of an order authorizing the Debtors to employ and retain The Blackstone Group L.P. (“Blackstone”) as their financial advisors; and upon the affidavits of Steven Zelin, Senior Managing Director (the “Zelin Affidavits”), and the affidavit of Robert J. Gentile, Compliance Manager, of Blackstone (the “Gentile Affidavit”); and the Court being satisfied, pending a final hearing on reasonable notice, based on the representations made in the Application and in the Zelin Affidavits and the Gentile Affidavit, that Blackstone does not hold or represent an interest adverse to the Debtors’ estates and is a “disinterested person”, as that term is defined under Section 101(14) of Title 11 of the United States Code (as amended, the “Bankruptcy Code”), as modified by Section 1107(b) of the Bankruptcy Code, and that the employment of Blackstone on an interim basis is necessary and would be in the best interests of the Debtors, their creditors and estates; and the Court being satisfied that the terms of compensation being sought by Blackstone applicable during its interim retention (i.e., its Initial Monthly Fee, Interim Monthly Fee and Ongoing Monthly Fee), as described in the Engagement Letter attached hereto as Exhibit “A” (“Letter Agreement”), which Letter Agreement supercedes

the Engagement Letter attached to the Application, are reasonable; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that the Debtors are authorized, effective as of the commencement of these cases, to employ and retain Blackstone on an interim basis pending a final hearing upon adequate notice as their financial advisors, on the terms set forth in the Letter Agreement (as limited herein); and it is further

ORDERED that all compensation and reimbursement of expenses to be paid to Blackstone, shall be subject to prior approval of this Court in accordance with the requirements under §§ 330 and 331 of the Bankruptcy Code and the orders of this Court which establish procedures for monthly compensation and reimbursement of expenses; and it is further

ORDERED that Debtors are hereby authorized and directed to pay Blackstone all fees and expenses accrued prior to the date of entry of this Order; and it is further

ORDERED that the deadline for the filing of Blackstone's first interim fee application is hereby extended to and including July 15, 2002; and it is further

ORDERED that except as provided in the following decretal paragraph, to the extent accrued during this interim retention, (a) the terms of the Initial Monthly Fee, Interim Monthly Fee and Ongoing Monthly Fee each as defined in the Letter Agreement and (b) reimbursement of Blackstone's expenses (including reimbursement of any expenses incurred since the petition date under the terms of the Letter Agreement), shall not hereafter be subject to challenge except under the standard of review set forth in Section 328(a) of the Bankruptcy Code; and it is further

ORDERED that the United States Trustee, the Debtors and the Official Unsecured Creditors' Committee (the "Creditors' Committee") retain all rights to object to Blackstone's interim and final fee applications (including expense reimbursement) on all grounds, including but not limited to, the reasonableness standard provided for in Section 330 of the Bankruptcy Code; and it is further

ORDERED that all requests of Blackstone for payment of indemnity pursuant to the Letter Agreement shall be made by means of an application (interim or final as the case may be) and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Letter Agreement and is reasonable based upon the circumstances of the litigation or settlement in respect of which indemnity is sought; provided, however, that in no event shall Blackstone be indemnified in the case of its own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct; and it is further

ORDERED that in no event shall Blackstone be indemnified if the Debtor or a representative of the estate, asserts a claim for, and a court determines by final order that such claim arose out of, Blackstone's own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence, or willful misconduct; and it is further

ORDERED that, in the event that Blackstone seeks reimbursement for attorneys' fees from the Debtors pursuant to the Letter Agreement, the invoices and supporting time records from such attorneys shall be included in Blackstone's own applications (both interim and final) and such invoices and time records shall be subject to the United States Trustee's guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court under the standards of §§ 330 and 331 of the Bankruptcy Code without regard to whether such attorney has been retained under § 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy Section 330(a)(3)(C) of the Bankruptcy Code; and it is further

ORDERED that to the extent this Order is inconsistent with the Letter Agreement, the terms and conditions of this Order shall govern; and it is further

ORDERED, that the Debtors shall serve a notice, substantially in the form annexed hereto as Exhibit "B", upon all known creditors that discloses to the served parties the material terms of Blackstone's proposed compensation and indemnification; and it is further

ORDERED that the final hearing on Blackstone's retention shall be held on September 26, 2002 at 2:00 p.m., before the Honorable Arthur J. Gonzalez, United States

Bankruptcy Judge, at the United States Bankruptcy Court, Room 523, United States Customs House, One Bowling Green Plaza, New York, New York 10004; and it is further

ORDERED that objections to the Application and the relief requested therein shall be filed and served no later than 4:00 p.m. on September 23, 2002 on (a) Weil Gotshal & Manges LLP, Attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attention: Brian S. Rosen; (b) Simpson Thacher & Bartlett, Attorneys for Blackstone, 425 Lexington Avenue, New York, New York 10017, Attention: Mark Thompson, Esq.;(c) Milbank Tweed Hadley & McCloy, Attorneys for the Creditors' Committee, One Chase Manhattan Plaza, New York, New York 10005, Attention: Luc Despins, Esq. and (d) Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Mary Tom, Esq.

Dated: New York, New York
July 8, 2002

s/ Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE