

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

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In re: : Chapter 11
: :
Enron Corp., et al., : Case Nos. 01-16034 (AJG)
: :
Debtor. : Jointly Administered
: :
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**MOTION OF STEPHEN FORBES COOPER, LLC FOR ENTRY OF AN ORDER
AUTHORIZING AND APPROVING THE PAYMENT OF SUCCESS FEE**

TO THE HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE

This Motion of Stephen Forbes Cooper, LLC (“SFC, LLC”) for entry of an Order Authorizing and Approving the Payment of Success Fee to SFC, LLC (the “Motion for Success Fee”), respectfully states as follows:

BACKGROUND

1. Commencing on December 2, 2001 (the “Petition Date”), and periodically thereafter, Enron Corp. and certain of its direct and indirect subsidiaries (collectively, “Enron”, the “Company” or the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ chapter 11 cases have been procedurally consolidated for administrative purposes.

2. Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. By order dated July 15, 2004, the Bankruptcy Court confirmed the Supplemental Modified Fifth Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, relating to Enron and affiliated Debtors, including, without limitation, the Plan Supplement and the exhibits and schedules thereto (as the same may be amended or supplemented from to time, the “Plan”).

The Employment Agreement

4. By Order Pursuant to 11 U.S.C. §363 Authorizing the Debtors to Enter into an Agreement to Employ Stephen Forbes Cooper, LLC as an Independent Contractor to Provide Management Services for the Debtors Nunc Pro Tunc, to January 28, 2002, which Order was filed and entered on the docket on April 4, 2002 (the “Original Order”), the Debtors were authorized, pursuant to section 363 of the Bankruptcy Code, to enter into that certain Agreement, dated as of January 28, 2002 (the “Agreement”), between Enron, Stephen Forbes Cooper, LLC (“Cooper”) and SFC, LLC. Pursuant to the Agreement, the Debtors have employed Cooper and SFC, LLC to provide and perform management services on the terms and conditions set forth in the Agreement, *nunc pro tunc* to January 28, 2002. Under the Agreement, the Debtors engaged Cooper as Acting Chief Executive Officer and Chief Restructuring Officer and authorized SFC, LLC to utilize up to fifteen (15) individuals provided by SFC, LLC to serve as Associate Directors of Restructuring (the “Associate Directors”) to work for the Debtors¹. These fifteen Associate Directors served as integral members of the Debtors’ senior management team to provide the following management services:

¹ The Board of Directors of Enron subsequently named Cooper the President of Enron.

- a. Overseeing and directing the liquidation of the Debtors' wholesale and retail trading book;
- b. Overseeing and directing the sale of non-core assets by the Debtors;
- c. Overseeing and directing the business planning and section 363 sales efforts related to the Debtors' core power generation, transportation and exploration production businesses;
- d. Overseeing, directing and performing chapter 11 related activities of the Debtors including but not limited to cash management, claims mapping, special purpose vehicle analysis, chapter 11 reporting and fulfilling information requests from the Official Committee of Unsecured Creditors ("Creditors' Committee"), investigatory agencies and the Enron Examiner; and
- e. Overseeing, directing, and performing litigation support activities for the Debtors.

5. The Original Order was subsequently amended from time to time as approved by this Court to expand the scope of services and the commensurate dedication of resources. Presently, SFC, LLC has deployed 34 Associate Directors, plus Cooper, to perform services for Enron. In addition, through a separate unrelated retention order for employees of Kroll, Inc., (i.e. not SFC, LLC employees), 4 individuals have been deployed to assist the Creditors' Committee with asset investigations.²

6. The Agreement provides in Paragraph 4(c) that compensation to Cooper and SFC, LLC shall consist of, in addition to professional fees and reimbursement of expenses as set forth therein, "a fee to be requested by Cooper and SFC, LLC, subject to Bankruptcy Court approval for reasonableness under all the circumstances, to be fixed and paid promptly after the earlier of either (i) termination of

² Kroll, Inc., is the direct parent of Kroll Zolfo Cooper LLC which, through a series of agreements, is the beneficial recipient of proceeds paid to SFC, LLC.

this Agreement, (ii) disposition of substantially all Enron's material assets or (iii) confirmation of a Chapter 11 plan for Enron or separate plans or a joint plan for two or more of Enron's major subsidiaries, in an amount to take into account, among other things, Cooper's dedication of himself and SFC, LLC to Enron, on short notice, to the exclusion of other business, comparable fees, results achieved, value maximization, and diligent progress and efforts." Agreement, at 4(c). The foregoing fee shall hereinafter be referred to as the "Success Fee".

7. As demonstrated below, through their expertise and diligence, Cooper and SFC, LLC have achieved extraordinary results for the estate and the Success Fee request is appropriate and reasonable and should be approved by the Court. Moreover, the Success Fee is well within the range of reasonableness when compared with the types and amounts of success fees approved in other large bankruptcy cases.

8. The results achieved in this case reflect the contribution and cooperation of many of the parties and professionals in this case. This Motion for Success Fee focuses on Cooper and SFC, LLC's specific leadership and contributions in making these achievements.

RELIEF REQUESTED

9. By this Motion for Success Fee, Cooper and SFC, LLC request the entry of an order authorizing and approving payment of a Success Fee in the amount of \$25 million in accordance with the payment schedule set forth herein. SFC, LLC and the Creditors' Committee engaged in a thorough negotiation regarding i) the results achieved by SFC, LLC, ii) the appropriate amount of a Success Fee, in light of these results, and iii) the timing of payment of such Success Fee. The independent Board of Directors of

Enron has reviewed the results achieved and Success Fee request, and supports the allowance and payment thereof. Additionally, the Creditors' Committee supports approval and payment of the Success Fee pursuant to the payment schedule.

Objective of SFC, LLC Engagement

10. At the time of SFC, LLC's retention in early 2002, Enron was in total free-fall. The Company lacked leadership and direction, its employees were shell-shocked and angry, communication with creditor constituencies was hostile and inadequate, and the Company was being pilloried in the press and by a number of official investigations. Amid the pressure and confusion which reigned, SFC, LLC outlined for the Board and the Creditors' Committee three key objectives which would serve as guides:

- a. Maximize value of the Enron businesses and assets;
- b. Distribute value to Enron's economic stakeholders as rapidly as possible; and
- c. Preserve jobs to the greatest extent possible in the context of sound economics.

11. Through their expertise, persistence, and dedication, SFC, LLC has exceeded any reasonable expectations on these fronts.

- a. The market value of Enron's debt has nearly tripled during SFC, LLC's retention;
- b. A consensual plan incorporating widely divergent interests was confirmed by this Court within two and one half years and preliminary distributions will commence soon; and
- c. Approximately 22,000 jobs have been preserved.

12. In the face of unrelenting pressures, SFC, LLC's skill and dedication remained focused on these objectives throughout the unprecedented scope and scale of this restructuring. Absent Cooper and SFC, LLC's unique expertise, these results would not and could not have been achieved.

A. Maximizing Value

13. Immediately upon their selection, Cooper and SFC, LLC deployed Cooper and a team of seasoned professionals to stabilize Enron and create a path to a successful chapter 11. Even before the retention was approved by this Court, Cooper and his team of Associate Directors began working full time to provide leadership and direction to Enron and the chapter 11 process. SFC, LLC's approach to maximizing value focused on three overriding principles:

- a. Stabilizing the Company;
- b. Organizing its resources; and
- c. Communicating its expectations, plans, and results.

Stabilizing

14. At the time of the SFC, LLC's retention in early 2002, Enron was reeling from its precipitous decline into bankruptcy. Widespread allegations of fraud, mismanagement, and financial statement manipulation had led to the following:

- a. a complete shutdown of access to capital or liquidity by the capital markets,
- b. the resignation or departure of most of senior management; and
- c. a hurricane of investigations launched by various Congressional committees, the Securities Exchange Commission ("SEC"), Federal Energy Regulatory Commission ("FERC") and other regulatory agencies, state attorneys general, and countless of the media.

15. Enron employees were shell-shocked by its rapid decline from one of America's most admired companies to one of its most vilified, and individuals' personal loss of financial security and employment prospects. 4,300 employees had been unexpectedly terminated by Enron's prior management on the eve of or shortly after the chapter 11 filing. The loss of leadership and financial insecurity led to an anxious, unfocused and unmotivated work force.

16. SFC, LLC moved quickly to stabilize the organization and focus its resources on value maximization, while stopping the continued financial bleeding by:

- a. Rapidly deploying a new management team with clear authority and accountability;
- b. Instituting a cash control process which provided a centralized control over disbursements and preserving cash;
- c. Completing a DIP financing facility which assured the marketplace that Enron would be able to meet its legally required financial obligations;
- d. Negotiating and completing a Key Employee Retention Plan ("KERP") which would ensure adequate continuity of the workforce and provide appropriate incentives for certain liquidation activities;
- e. Establishing clear objectives for management designed to efficiently align Enron's resources with value maximization;
- f. Opening effective communications with the Creditors' Committee and other important constituents; and
- g. Creating an accelerated timetable for resolution of the chapter 11 cases.

17. These efforts quickly resulted in a marked transition from an uncontrolled entity which was bleeding cash, lacked focus, and had adverse relations with its economic stakeholders to one which had clear objectives, a focused workforce and an

open dialogue with its economic constituents. This cleared the path for Enron to move forward in its value maximization activities.

Organizing

18. Many characteristics of the Enron organization made it particularly unsuited to weather the storm of insolvency and provide a recovery to creditors, including:

- a. Decentralization: Enron's management structure and culture provided for highly decentralized decision making processes with respect to managing cash and cash commitments, capital commitments, and entry into binding agreements;
- b. Complexity: In building and financing its global operations, Enron created numerous highly complex legal and financial structures designed to minimize taxes and reported debt while maximizing reported earnings and cash flow. Accordingly, Enron's operations were frequently held through a number of subsidiaries, partnerships, joint ventures and special purpose entities which served to obscure management responsibility, financial results, and beneficial ownership;
- c. Opaque Management Reporting: Both as a result of its complexity and in seeking to maintain its credit rating, Enron had a history and culture of opaque financial and operational reporting, both internally and externally. This not only made it difficult to make good management decisions, but also served to undermine Enron's credibility with external constituents.

19. Cooper and SFC, LLC quickly reorganized the management structure of Enron. Starting with over 2,300 active legal entities with overlapping operating authority, resources were reorganized to focus on six core operating units led by the Associate Directors:

- a. Core Businesses: Those operating businesses which could be restructured to provide stable operating cash flow and would benefit from being operated as part of a group;

- b. Non-Core Businesses and Assets: Those businesses and assets which would be slated for disposition because they did not fit into a potential business model and a sale or closure was the best method to maximize recovery or minimize loss of value;
- c. Wholesale/Retail Assets: The wind-up and liquidation of over \$30 billion of trading positions and supply agreements;
- d. Litigation and Investigation: Management of the numerous investigations of Enron by multiple parties, management and coordination of litigation against Enron, and the investigation and pursuit of potential litigation by Enron for various preference, fraudulent conveyance actions, financings, and fraud claims;
- e. Chapter 11 Activities: This function included coordination and communication with the Unsecured Creditors' Committee, the Examiners, and other parties in interest. It also includes resolution of the 55 Special Purpose Vehicles, development of the proposed plan compromise and distribution model, and proposing the Plan and Disclosure Statement;
- f. Other: This included remaining functions such as cash management, employment issues and other key items which did not fit neatly into the previous five areas.

20. The speed and agility with which Cooper and SFC, LLC provided leadership through this structure provided substantial benefit to the estates by bringing clarity, accountability and focus.

Enron's Core Businesses

21. Enron's Core Businesses identified by SFC, LLC were those which could be made profitable on a stand-alone basis, able to service their debt, and provide substantial cash flow. Given the uncertainty and controversy at Enron which continued to unfold, market expectations were that these businesses would be sold as rapidly as possible. Notwithstanding these expectations, SFC, LLC created a controlled process which identified and organized these assets into twelve distinct groupings for evaluation.

22. Instead of immediately disposing of these assets at firesale prices, SFC, LLC constructed a thoughtful, strategic approach designed to maximize value comprised of:

- a. Creating a business plan for each of the entities to assess their potential operating performance;
- b. Upon completing those business plans, developing cash flow projections for each of the assets and asset groups;
- c. Using the cash flow projections, developing baseline financial projections and associated valuation metrics against which any potential sales proceeds could be compared;
- d. Conducting auctions of the assets to determine whether a sale of each asset would yield equal or better proceeds than the baseline valuation metrics; and
- e. Assessing the legal and practical issues associated with executing a sale.

23. At SFC, LLC's direction, Enron and its advisors identified and contacted hundreds of potential buyers for all or a portion of the businesses. Both strategic and financial buyers were contacted.

24. The sales process included preparation and distribution of a standard Offering Memorandum, establishment of comprehensive electronic data rooms, distribution of bid procedure letters, and management of a comprehensive due diligence process.

25. The terms of all first and second round bids were thoroughly evaluated, including a review of the relevant tax and structural considerations and the bidder's ability to close. The bids and documentation were reviewed extensively, internally, with the debtors' legal and financial advisors, and with the Creditors' Committee's legal and financial advisors.

26. Interest in the International Assets was somewhat muted due to market conditions in the respective countries, local financing difficulties, and structural complexity.

27. Some assets were sold pursuant to the sales process, including Mariner, EcoElectrica, Statacona and Sithe for a total in excess of \$880 million.

28. In light of the inadequate bids which were obtained from the rigorous sales process, SFC, LLC and Enron created three strategically rational operating platforms with investment grade balance sheets and substantial value:

- a. Cross Country Energy – comprised of the North American pipeline assets;
- b. Portland General Electric (“PGE”) – the utility; and
- c. Prisma Energy International (“Prisma”) – comprised of the international businesses and assets.

29. Had these businesses been sold quickly, indications were that the assets comprising Cross Country Energy might have yielded \$1.1 billion, PGE likely would have yielded about \$1.25 billion. While no bids were received, the Prisma assets would have likely yielded less than \$500 million. As a result of SFC, LLC's leadership and direct involvement, there are pending transactions for Cross Country and PGE which will yield the estate approximately \$2.0 billion and \$1.25 billion, respectively, and Prisma will likely be worth over \$1 billion. Further, the terms and conditions of the current proposed transactions are substantially more favorable to the estate. For instance, potential exposure to the estate for indemnity claims which could have reduced the value of these transactions by hundreds of millions of dollars under the original proposals have been substantially mitigated.

30. Accordingly, SFC, LLC's measured, methodic approach has created over \$1.4 billion in value (approximately \$900 million in Cross Country and \$500 million in Prisma) for the estates and created a mechanism for that value to be realized quickly by its creditors.

Non-Core Businesses and Assets

31. In addition to the restructuring and sales processes surrounding the core assets, SFC, LLC and Enron identified over one hundred businesses and assets which were not critical and were slated for disposition. The criteria for designation as non-core included negative cash flow, no strategic fit, unable to service its own debt, and not a substantial business. Many of these assets were held in financing structures or were part of a pool of investment assets.

32. SFC, LLC directed the disposal of these assets, in concert with advisors to the Creditors' Committee. To date, most of these businesses and assets have been sold, yielding over \$3.2 billion in proceeds, of which approximately \$1.4 billion was owned by Enron as opposed to the Special Purpose Entities.

Wholesale/Retail Assets

33. At the time SFC, LLC was retained, the Wholesale/Retail organization was in complete disarray. There was no understanding of the reasonable value of trading positions and inadequate information to do meaningful assessments. There was substantial disruption in the marketplace due to the Enron bankruptcy and the financial distress of many other market participants. Trading contracts, master netting agreements, ISDA's and other contractual arrangements were largely untested in the chapter 11 context. From December 2001 to January 2002, Enron did not perform on many of its contracts. Based on this confusion, other parties involved in the case asserted that the net recovery from the trading position would likely be di minimus. Instead, it is estimated that some \$5 to \$6 billion will ultimately be recovered – of which over \$4.6 billion has been achieved to date.

34. SFC, LLC assessed the situation and concluded that with the right organization, leadership, incentives, and controlled processes, the Wholesale/Retail Trading Book could become a valuable asset. Accordingly SFC, LLC led a management team which was charged with liquidating and maximizing the recovery of Enron's trading operations and related businesses.

35. Liquidation of these assets was legally complex and highly data-intensive, requiring assessment of daily pricing curves for 185 distinct physical delivery points and management of widely diverse assets while effectively managing employee headcount reductions.

36. SFC, LLC created internal analytical and negotiation processes, as well as a coordinated approach with a sub committee of the Creditors' Committee called the Safe Harbor Sub-Committee. Accomplishments to date include:

- a. Collection of over \$3.0 billion and waiver of over \$6.9 billion of claims in Wholesale Trading Operations; and
- b. Collection of over \$1.6 billion and waiver of over \$1 billion of claims in the Retail Operations.

37. SFC, LLC's efforts have directly led to over \$4.6 billion in cash collections to date, and the process will likely yield an additional \$1 billion. At least 75%, or roughly \$3.5 billion of this recovery is directly attributable to the leadership and commitment of Cooper and SFC, LLC.

Investigations and Other Litigation

38. One of the many substantial risks to a successful chapter 11 process was the nature and number of federal, state, and local investigations and the litigations which ensued from the Enron meltdown. Cooper and SFC, LLC designed and led a strategy which changed Enron's posture to cooperate fully with all governmental investigations and avoid the duplication which would have resulted by continuing to conduct internal investigations.

39. Known investigations and other actions have been initiated by the following:

- a. The Department of Justice (“DOJ”);
- b. The SEC;
- c. The Internal Revenue Service (“IRS”);
- d. The FERC;
- e. The Federal Bureau of Investigation (“FBI”);
- f. The Commodity Futures Trading Commission (“CFTC”);
- g. The Texas Public Utilities Commission (“TPUC”);
- h. The Federal Election Commission (“FEC”); and
- i. Others.

40. SFC, LLC directed Enron to take a cooperative posture with each of these investigations. Substantial resources have been expended to accommodate the information requests. For example:

- a. The SEC has made 71 separate information requests. Enron has provided over 1 million pages of paper documents, hundreds of CD’s, DVD’s, computer hard drives, and video tapes;
- b. The DOJ has made 37 separate requests. Enron has provided hundreds of thousands of pages of paper documents, CD’s, DVD’s and video tapes;
- c. The FERC has made 61 separate requests also resulting in the production of hundreds of thousands of pages of paper documents, CD’s, DVD’s and other media.
- d. Similar volumes of discovery materials have been cooperatively provided with other agencies.

41. It has been estimated that, if produced in hard copy, Enron has provided a volume of material sufficient to fill the Library of Congress in Washington, DC eight and one half times!

42. While many of the investigations are ongoing, Enron has concluded matters with the CFTC, Texas PUC, Federal Election Commission, and Harris County, Texas District Attorney.

43. SFC, LLC also directed the inquiry to evaluate and assert potential claims of the estate against third parties. This process successfully resulted in the commencement of over 1,000 preference and fraudulent conveyance actions as well as commencing litigation or entering into tolling agreements with a number of financial institutions and other parties with respect to allegations of fraud. Many of these actions have been settled or resolved favorably and we expect that these actions will result in substantial benefit to the estates.

Chapter 11 Activities

44. SFC, LLC led and managed the chapter 11 processes in a highly successful manner. By building a consensual process with the Creditors' Committee and other parties in interest, SFC, LLC has been able to:

- a. Achieve a plan compromise of potential substantive consolidation and related arguments which avoided wasteful litigation, will accelerate distributions to creditors, and will maximize recoveries. Achievement of this global compromise shortened the bankruptcy process by years, saving the estates over an estimated \$1.2 billion in professional fees as demonstrated at the hearing on confirmation of the Plan;
- b. Propose a chapter 11 plan and disclosure statement which was accepted by consenting classes in each of the 180 debtors in which third party creditors cast ballots. The Plan was confirmed by this Court on July 15, 2004 – less than two and one half years after SFC, LLC's retention.

- c. Create a cooperative process with the Creditors' Committee to resolve the largest, most complex special purpose vehicles, resulting in adding over \$2.6 billion of recovery for the estate.
- d. Notwithstanding the wide divergence of interest among the parties and the many opportunities for discord and difference, SFC, LLC and Cooper set the highest level of professional tone. This enabled the case to progress without delay resulting in a benefit to Enron and all parties in the case.

Chapter 11 Plan

45. With Enron's highly complex legal and financial structure, creating a confirmable chapter 11 plan could have been an overwhelming process. At the commencement of SFC, LLC's retention, Enron included:

- a. Over 2,300 legal entities and 3,100 accounting entities;
- b. 180 filed debtors;
- c. Over 26,000 and potentially millions of intercompany balances;
- d. Widely divergent goals of interested parties; and
- e. Multiple Court appointed creditor representatives.

46. While this could have bogged down the plan negotiation process into years of litigation, SFC, LLC created a strategy to:

- a. Organize and simplify Enron's financial and legal structure;
- b. Create transparency for the Court and interested parties; and
- c. Create a plan which adhered to the requirements of the Bankruptcy Code.

47. Through extended discussion with a myriad of interested parties, SFC, LLC created an evaluation framework and was able to forge a consensus which resolved a number of potential litigation issues, including:

- a. Substantive consolidation;
- b. Characterization of intercompany claims;
- c. Treatment of guarantee claims;
- d. Ownership of certain assets and litigation claims;
- e. Distribution of plan currency; and
- f. Governance.

48. Achievement of this global compromise and SFC, LLC's direct involvement in fashioning a plan which met the requirements of the Bankruptcy Code and could be accepted by the myriad of interested parties in the two and one half year timeframe saved the estate over \$1.2 billion in professional fees and will allow a much faster distribution to creditors. It is a remarkable achievement.

Special Purpose Vehicles

49. Enron and its affiliates entered into numerous on- and off-balance sheet financing transactions in the years prior to the chapter 11 filing. These financings frequently involved the creation of special purpose vehicles (SPV's). Given the value of the assets affected and the magnitude of debt and other potential claims, SFC, LLC concluded that resolution of these structures would significantly affect Enron's chapter 11 plan. Accordingly, SFC, LLC developed a plan and approach to:

- a. Identify financing and tax related SPV's;
- b. Recover assets;

- c. Minimize claims; and
- d. Minimize potentially wasteful and time-consuming litigation.

50. SFC, LLC identified 39 financing-related and 16 tax-related SPV's. The 39 financing-related SPV's held \$3.5 to \$4.0 billion of assets and had raised over \$14 billion of debt and equity financing. Roughly 90% of the asset value at the time of the filing was concentrated in ten structures.

51. To reduce the substantial complexity and minimize the potential for protracted litigation, SFC, LLC established resolution priorities based on business and legal factors:

- a. Business factors included the value of the underlying assets, the potential value of claims minimization, structure similarity and counterparty dynamics;
- b. Legal factors included the structure type, complexity, and the integrity of the various contractual, security and collateral documentation.

52. SFC, LLC's efforts to accelerate and maximize recovery from the SPV's led to the formation of a joint task force comprised of legal and financial advisors for the Debtor and the Creditors' Committee. The task force met twice weekly and served as the key interface with the Enron Corp. Examiner and the ENA Examiner with respect to the structures.

53. To date, SFC, LLC has achieved negotiated settlements for 90 % of the high priority structures, and 22 of the 39 structures overall. Each of these settlements, on its own, would have been a high value, complex workout. The impact of these settlements has been to realize over \$2.6 billion of value for the estate through asset recovery and claims minimization. Over one half of this recovery, or \$1.3 billion, can be directly attributed to the leadership of Cooper and SFC, LLC.

Summary Financial Impact Of SFC, LLC Management

54. As a direct result of SFC, LLC’s management of these estates, significant value has been maximized and realized:

• Value Maximized

	<u>Net Proceeds</u>	<u>Value Added</u>
- Core Businesses		
- Cross Country	\$2.0 billion+	>\$0.9 billion
- Portland General	1.25 billion+~200M	
- Prisma Energy	1.0 billion	>0.5 billion
- Non-Core Businesses	1.4 billion	
- Wholesale/Retail Trading Book (to date)	4.6 billion	>3.5 billion
- SPV's	<u>2.6 billion*</u>	<u>>1.3 billion</u>
- Subtotal	<u>\$12.85 billion</u>	<u>\$6.2 billion</u>

• Cost Savings

- Savings from Plan Compromise	1.2 billion
- Centralized Discovery	0.2 billion
- Professional Fees	

*Includes claims elimination and non-core asset sales in addition to those shown in prior line item

B. Distributing Value

55. In addition to the value maximization activities, SFC, LLC has focused tremendous effort on leading and organizing the process to distribute that value to Enron's creditors. Over 24,000 liquidated proofs of claim were filed with claims totaling approximately \$840 billion. In addition, over 7,800 proofs of claim were filed as contingent, disputed or unliquidated. Surely this is the only case filed to date with claims approaching \$1 trillion to be resolved to achieve distribution.

56. SFC, LLC developed an organized process to focus resources on:

- a. Identifying the proper classification and Debtor for each claim;
- b. Identifying valid and invalid amounts of each claim; and
- c. Maintaining and reporting accurate, current claims data.

57. SFC, LLC is moving rapidly to resolve claims so that distributions can occur as rapidly as possible. As of approximately July, 2004:

- a. Over 1,900 claims have been reviewed, analyzed and allowed "as is" and approved by management for distribution;
- b. Numerous settlements have been ordered "allowed" and motions have been filed seeking approval of certain agreements to compromise and settle certain proofs of claim by i) reducing or changing the amount of the claim, ii) reclassifying the claim, or iii) correcting the debtor against which the claim is to be allowed. To date there are over 300 such "allowed" claims totaling \$10 billion.
- c. To date, 39 omnibus objections and over 50 individual objections have successfully expunged or reclassified 11,800 claims totaling \$756 billion out of the \$840 billion of liquidated claims.
- d. Hundreds of unliquidated claims are being prepared for estimation and/or objection pursuant to Estimation Order dated February 18, 2004.

58. This massive effort will allow early distributions to occur after the administrative claims bar date has passed. While claims resolution will be an ongoing process for some time to come, Enron is well positioned due to SFC, LLC's direct actions.

C. Preserving Jobs and Proactively Managing Transition

59. A significant benefit of the approach we took to maximizing value was the preservation of jobs. Immediate liquidation of Enron businesses – a strategy which many strongly favored – would not only have significantly lowered creditors' economic return, but also would have resulted in the immediate loss of jobs for tens of thousands of employees.

60. By the time of SFC, LLC's retention, Enron employees had experienced their fair share of negatives surprises, including numerous senior management departures, daily media coverage of the company's meltdown and a mass layoff of 4,300 of its 7,000 Houston-based employees – some learning of their termination via voice mail or email. Central to creating a successful chapter 11 was the need to effectively, efficiently manage the company's work force whose faith in management had been severely shaken, and to channel their energies on behalf of the estate. Accordingly, SFC, LLC developed a strategy and plan to align employee interests with creditor objectives of maximizing value.

61. Because of its expertise in managing financial and operational distress, SFC, LLC understood the importance of providing employees with a road map of bankruptcy events and clear communication of changing estate needs. Accordingly, a critical element of the plan was to establish and maintain an environment of open communication with employees. This included a series of regular all-employee meetings, floor meetings, voice mail messages and publications designed to share updates – both good news and bad news - with the company.

62. To proactively manage the work force through a staged contraction, SFC, LLC conducted an analysis to outline evolving estate needs and match these with the employee skill sets and institutional knowledge required to most effectively maximize value.

63. Upon identifying the overall estate needs, SFC, LLC developed a program to communicate to individual employees where they fit within the plan. This program outlined 1) the business objective 2) what an individual's specific role and responsibilities would be and 3) the timing and anticipated tenure of the position.

64. An essential component of the plan was building the financial incentives program for employees needed to accomplish priority business objectives. As part of its initial steps to stabilize the organization, SFC, LLC immediately created a KERP to retain employees critical to identifying and preserving estate value. This program provided financial incentives and security to key employees and was regularly updated to match evolving business requirements.

65. In addition, SFC, LLC established a liquidation incentive program (“LIP”) for employees involved in the wind-down of certain operations, primarily the Wholesale Retail and Trading Operation and the Non-Core Asset disposition activities. This program provided a financial reward to numerous employees upon completing key business objectives, effectively aligning employee efforts with estate needs and providing something of a “soft landing” and meaningful financial benefit to employees.

66. Additionally, SFC, LLC maintained ongoing human resources programs such as performance reviews, bonuses and promotions, all closely aligned with achieving overall business objectives.

67. Part of the employee communication program was helping people understand their specific role in the Enron restructuring, e.g., whether it was a short-term or long term role; whether it was with an operating business or with one that was to be disposed of, etc. For individuals who would not have an ongoing role after a certain point in time, wherever possible, SFC, LLC established a practice to provide adequate notice -- often up to 90 days – to ease and assist their transitions.

68. Out of the 28,000 positions at Enron in February 2002, a total of 22,000 remain in ongoing entities. Divestitures account for more than 12,000 employees; and nearly 10,000 remain with Cross Country, Prisma, PGE or the estate. Approximately 3,000 employees left voluntarily; and 4,000 were involuntary terminated. Attached hereto as Exhibit A is a chart describing the headcount reduction.

69. By resisting the pressure to immediately liquidate, and by instead insisting on a more measured, thoughtful approach, Cooper and SFC, LLC were able to preserve jobs for 22,000 and ease the transition of thousands of others.

SUMMARY

70. Through June, 30, 2004, SFC, LLC has received \$63.4 million in professional fees for services provided. During this time period, Cooper and SFC, LLC have not only accomplished a highly successful chapter 11, but also smoothly managed a number of internal and external crises. For instance, Cooper worked out agreements with the Rainbow Coalition, the Texas Attorney General and others. Cooper and SFC, LLC provided day-to-day management, budgeting, personnel evaluations and similar activities attendant to Cooper's roles as Acting Chief Executive Officer and President.

71. Cooper and SFC, LLC's leadership of the Enron Chapter 11 has produced extraordinary results for the estate. By relentlessly focusing participants on the overall objectives of producing value, achieving results and optimizing resources, SFC, LLC has managed to accomplish this chapter 11 in just over two years. This has been made possible by the strategy Cooper and SFC, LLC conceived, the priorities established, the processes created and the consensus negotiated. The \$6.2 billion of value produced is the direct result of Cooper and SFC, LLC's unique expertise and their commitment to take on the most complex bankruptcy in history.

REQUEST FOR AUTHORITY TO PAY THE SUCCESS FEE

72. By this Motion for Success Fee, SFC, LLC requests that the Court approve the payment of the Success Fee to SFC, LLC pursuant to Section 503 (b) of the Bankruptcy Code and the SFC, LLC Order. Under Section 503 (b) of the Bankruptcy Code, a party seeking administrative expense treatment “must demonstrate that (1) his claim arose from a transaction with or on account of consideration furnished to the debtor-in-possession, and (2) the transaction or consideration directly benefited the debtor-in-possession.” In re Patient Media, Inc., 221 B.R. 97, 101 (Bankr. S.D.N.Y. 1998). The priority is “to encourage third-parties to supply the debtor-in-possession with goods and services with the goal of achieving a reorganization to benefit all creditors.” In re Enron Corp., 279 B.R. 695, (Bankr. S.D.N.Y. 2002).

73. This standard is plainly met here. As described above, the concept of a Success Fee was included in the Agreement, which was approved by the Court after notice and hearing. For all of the reasons set forth herein, the Success Fee should be approved.

NOTICE

74. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion for Success Fee has been given to: (a) the U.S. Trustee; (b) counsel to the Official Committee of Unsecured Creditors; (c) the SEC; and (d) parties that have filed requests for notices in these cases. In light of the nature of the relief herein, the Debtors submit that no other or further notice is required.

NO PRIOR REQUEST

75. No prior request for the relief sought in this Motion for Success Fee has been made to this or any other court.

COMPENSATION SOUGHT

76. In view of the assistance provided, which precluded other employment, the results achieved and the value added, SFC, LLC requests that it be awarded and shall have earned, at this time, the Success Fee in the amount of \$25 million dollars, payable on the later of i) entry of an order approving the Success Fee and ii) the following payment schedule:

- 25% or \$6.25 million on the Plan Effective Date (as defined in the Plan);
- 25% or \$6.25 million on the date on which the Disbursing Agent makes the Initial Distribution of Cash (as defined in the Plan);
- 25% or \$6.25 million at the time that the cumulative total amount of \$1 billion in value has been distributed to Unsecured Creditors; and
- 25% or \$6.25 million at the time that a cumulative total amount of \$2 billion in the aggregate in value has been distributed to Unsecured Creditors.

77. After negotiations with the Creditors' Committee, SFC, LLC has agreed to accept payment in accordance with the aforementioned payment schedule. The payment schedule will continue to incentivize SFC, LLC to perform services and resolve claims in a way that insures that recoveries get into the hands of creditors as quickly as possible.

WHEREFORE, SFC, LLC respectfully requests that it be granted a Success Fee of \$25 million dollars in recognition of the extraordinary contribution that Cooper and SFC, LLC made to the Enron case.

Dated: September 2, 2004
New York, NY

/s/ Scott W. Winn
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