

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

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

TO THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE

Stephen Forbes Cooper, LLC ("SFC, LLC"), for its reply to the objections (collectively, the "Objections") to the Motion of SFC, LLC for Entry of an Order Authorizing and Approving the Payment of Success Fee, dated September 2, 2004, (the "Motion"), states as follows:

BACKGROUND

1. In the Motion, SFC, LLC identified the basis for the Success Fee, including the expertise, dedication and leadership of Stephen F. Cooper ("Mr. Cooper") and SFC, LLC, the extraordinary results achieved, the comparable fees in light of results achieved, the value maximization, the distribution of value, the preservation of jobs and the diligent progress and efforts of Mr. Cooper and SFC, LLC. Among other things, the Motion identified over \$6.2 billion of added value and \$1.4 billion of cost savings. Since the filing of the Motion, an additional \$2.0 billion of added value has been achieved by SFC, LLC in connection with the efforts set forth below.

2. This reply (the “Reply”) sets forth the recent events and results achieved in the fourteen (14) months since the Motion was filed, and replies to the Objections interposed thereto.

RECENT EFFORTS AND RESULTS

3. SFC, LLC has continued its diligent efforts since the Motion was filed and these efforts have continued to yield results which maximize value for the Debtor’s estate. These efforts include:

- a) Development and execution of a litigation strategy with respect to the mega claims (“Mega Claims”) which has led to settlements with five of the ten Mega Claim defendants. Such announced settlements, some of which are pending Bankruptcy Court approval, achieve a combination of cash and subordination of otherwise valid claims yielding over \$1.5 billion of value for creditors.
- b) Leading a process to realize for creditors the value of Portland General Electric (“PGE”). Such efforts included designing, coordinating and implementing a sales process and determining, after a successful sale process was not approved by the OPUC, that a spin-off would be the optimal path for achieving the highest value for PGE. SFC, LLC further executed the numerous regulatory and operational steps necessary to distribute the PGE stock pursuant to the Plan.
- c) Continuing to manage the resolution of the Wholesale/Retail trading book. Net proceeds are now \$4.9 billion as compared with \$4.6 billion when the Motion was filed, an increase of \$300 million.
- d) Formation and stabilization of Prisma Energy, allowing it to operate on a stand-alone basis. This included resolution of disputes with joint venture partners which will unlock over \$400 million of trapped value.
- e) Resolution and estimation of thousands of contingent and/or unliquidated claims pursuant to a methodology approved by the Court. This will permit accelerated distributions to creditors.

- f) Resolution of extensive, complex litigation, including:
- i. efficient and cost-effective resolution of the Tittle and PBGC matters, resulting in the elimination of 3,000 claims, thereby facilitating more meaningful distribution to creditors in April 2006;
 - ii. settlement of \$30 billion of claims filed by parties in California in connection with the alleged market manipulation litigation;
 - iii. settlement of 610 of more than 1,000 avoidance actions which resulted in the Enron estate recovering over \$175 million in cash and waived claim value, and \$2.5 million of value recovered from defaulted defendants; and
 - iv. conclusion of the majority of multiple investigations by federal, state, local and foreign governmental and regulatory agencies. In response to the requests, more than 560 million pages (5.6 terabytes) have been produced over the past twelve months.

g) Numerous other activities which have resulted in the efficient administration of the estate, including:

- i. Service as a Board Director or Officer of 180 different Enron entities;
- ii. Review and approval of more than 500 significant transactions;
- iii. Cost effective wind-down of staffing while maintaining an effective workforce; and
- iv. Refining and maintaining the financial model used to calculate actual distributions.

4. As a direct result of SFC, LLC's management of these estates, since the inception of SFC, LLC's retention to date, Mr. Cooper and SFC, LLC have been responsible for delivering value in excess of \$8.2 billion. These accomplishments would not have been achieved without the diligent efforts and unique leadership of Mr. Cooper and SFC, LLC.

5. From the effective date of the retention of SFC, LLC in this case through September, 30, 2005, SFC, LLC has received \$107 million in professional fees for services provided.

THE OBJECTIONS TO THE MOTION¹

Certain Enron Corp. Creditors²

6. Certain Enron Corp. Creditors identified on the signature page therein (collectively, the “Objectors”) filed an objection to the Motion. The Objectors argue that much of the credit for the sale of CrossCountry Energy (“CCE”) goes to the CCE employees who worked to grow the business, while still responding to the numerous requests in face of their personal financial losses. Certainly, the efforts of all employees, including the CCE employees, improved the value of the CCE transaction. However, respectfully, it was the efforts of SFC, LLC in assembling the transaction and for negotiating and determining the sale price which delivered the real value to this transaction, and as to which SFC, LLC deserves credit and an enhancement. As set forth in the Motion, through SFC, LLC’s expertise, experience, persistence and dedication, it was able to maximize value, distribute value and preserve jobs. Without the efforts of SFC, LLC, none of the results achieved, including the successful sale of CCE, would have been possible. The CCE employees’ work has been, and should be, commended.

¹ By agreement with SFC, LLC, the United States Trustee’s deadline to interpose an objection to certain issues raised in connection with the Motion has been extended.

² The signature page of this objection identifies the following movants: Christine Patrick Billings, Thomas E. White, Peggy Sue Menchaca, William Rome, James S. Prentice, Dorothy McCoppin, Frazier King, Elaine Thomas, James R. Zurak, Theodore Bland, Cynthia Ceresckey, John Walt, Janel Guerro, Leon Ullrich, Michael B. Rosen, Pamela A. Rosen, Anne Jolibois, Ruthann Frausto, Charles Frausto, Jr., Susan Sciullo Bailey, Janet Butler, Edward J. Billings, Maxine Smith, Terri Bachank, Eduardo Sera, Jayne E. Peterson, Herbert E. Peterson, Marjorie Wright, Raymond Bradsby.