

ENRON FILES PLAN TO EXIT BANKRUPTCY

Most Creditors Back Blueprint, CEO Says

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Enron Corp., which claimed to be the seventh-largest U.S. company with \$100 billion in annual revenue before its collapse in 2001, now has only \$12 billion in assets to distribute to more than 20,000 creditors, the company said yesterday.

Stephen F. Cooper, the Houston company's interim chief executive, said the long-awaited bankruptcy reorganization plan filed yesterday has the backing of nearly 80 percent of Enron's creditors.

Cooper said he hoped the plan would be approved by creditors by the end of this year. But even with that approval, the disputes almost certainly would continue over claims against Enron, whose bankruptcy is the largest in history based on the failed company's debt.

Creditors are seeking to recover more than \$200 billion, but Cooper said only \$67 billion of that amount is justified.

The amount of assets available to creditors would grow if Enron's present management succeeds with what it calls a "mega-claim" against leading banks and financial institutions that helped the company create complex deals that, according to critics, helped it hide debt and inflate cash flow.

Two federal judges handling Enron cases have ordered attorneys for Enron, its banks, shareholders and creditors to try to work out a settlement of all claims in a meshing of civil court cases.

The reorganization plan proposes to give creditors cash -- although in most cases only a fraction of what they are owed -- for 70 percent of their claims. For the rest, creditors would receive stock in several new, independent companies that Enron proposes to create to manage its pipeline network and overseas operations.

Creditors would receive 5 to 100 percent of what they are owed. The largest group of creditors would receive 14.4 cents on each dollar of debt.

Enron shareholders, whose investments in Enron were worth as much as \$60 billion in 2000, have been virtually wiped out and would receive nothing under the bankruptcy reorganization plan.

When Enron filed for bankruptcy protection in December 2001, it listed nearly \$50 billion in assets and \$31.2 billion in liabilities for itself and 13 subsidiaries. Some of the assets have already been paid to the companies that traded energy contracts with Enron.

And some of the assets on Enron's books "were never there in the first place," said Martin J. Bienenstock, Enron's lead attorney in the bankruptcy case.

Cooper said he did not know how much of Enron's assets listed at the end of 2001 had been exaggerated by accounting errors or distortions. The company's sudden death spiral followed admissions that it had overstated profits and stockholders' equity by more than \$1 billion.

"We did not have the resources to chase all those rabbits down," Cooper said, referring to Enron's missing assets.

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Cooper's plan represents a negotiated compromise to conflicting claims by different groups of creditors. The creditors of Enron North America (ENA), its energy trading division, claimed rights to cash raised by closing out energy contracts.

Cooper's plan would pay part of the trading unit's claims directly, and lump the rest of its claims together with those of the parent company. The Enron North America creditors would get 18.3 cents on the dollar of their debts.

Cooper called it a "a middle of a road solution" to resolve as many issues as possible "in one fell swoop." But an attorney for some bondholders said the plan was not acceptable.

"Based on a preliminary review, this is a plan [we] intend to oppose very vigorously," said attorney Isaac M. Pachulski of Stutman Treister & Glatt in Los Angeles, who represents the Baupost Group and Racepoint Partners, which together own or manage more than \$1 billion in Enron bonds and debt.

"It was not a plan that was negotiated with us and not one we agreed to," he said in an interview, saying it is "too far in favor" of the Enron North America creditors, which include Enron's lead banks.

Enron's attorney Bienenstock replied, "I'm still hopeful we'll talk Baupost into supporting the plan. We don't blame them for wanting more, but they have an uphill battle to show we did it the wrong way."

Approval of the plan requires a favorable vote by majority in each class of creditors. But U.S. Bankruptcy Judge Arthur J. Gonzalez can pressure holdouts to accept the majority view, called a "cram down" solution to an impasse, said attorney Aaron R. Cahn, with Carter Ledyard & Milburn in New York, who represents energy companies in the bankruptcy case.

"I would think this probably can be resolved and probably will be," said Craig Litherland, an attorney with Gilbert Heintz & Randolph in the District.