

## ENRON FILES PLAN TO PAY CREDITORS, EXIT BANKRUPTCY

**Jeff St. Onge in Washington and Jim Polson in Princeton, New Jersey**

**Bloomberg News; The Charlotte Observer**

July 10, 2003

Enron Corp., the No. 7 U.S. company by revenue before collapsing in a record bankruptcy, plans to pay most creditors less than one-fifth of the estimated \$67 billion they're owed as the corporation tries to exit court protection.

Citigroup Inc., J.P. Morgan Chase & Co. and other unsecured creditors would get cash, potential proceeds from fraud lawsuits and shares of Enron's remaining businesses, the Houston energy company said in a filing. Holders of Enron's common stock, which peaked at \$90 in 2000, would get nothing.

The Chapter 11 reorganization plan, filed in U.S. Bankruptcy Court in New York, calls for giving creditors one new company that would own Enron's North American natural-gas pipelines and another owning the company's international assets. Enron may sell Portland General Electric, Oregon's largest utility, or distribute shares of the unit to creditors.

"It's unusual in a bankruptcy of this magnitude to have recovery by creditors so low," said Craig Litherland, a lawyer who has represented Dow Corning Corp. in a bankruptcy that began in 1995. "Clearly, as Enron's energy-trading business failed, it lost tremendous value, and there's a school of thought that fraud played a part."

Three Enron units account for three-fourths of the claims against the company. Creditors of the parent company would get an estimated 14.4 cents on the dollar, Enron North America creditors 18.3 cents and Enron Power Marketing Inc. creditors 21.3 cents, according to the filing.

"If you sold your bonds in Enron Corp. right after it defaulted in November 2001, you would be much better off," said Praveen Varma, a senior analyst at Moody's Investors Service.

### Litigation Trust

The plan also would create a trust through which creditors would receive any proceeds from lawsuits against former Enron officers and others who may have defrauded investors.

The company's collapse erased \$68 billion in market value, wiped out 5,600 jobs, led to the demise of Arthur Andersen LLP and left a record amount of bankruptcy debt. Former chief executives Kenneth Lay and Jeffrey Skilling quit and are subjects of a government probe of the company. U.S. prosecutors have charged former Chief Financial Officer Andrew Fastow with fraud.

Enron's collapse decimated pensions of about 28,000 employees, retirees and other beneficiaries, the U.S. Labor Department said in a lawsuit filed last month against the company and 21 former officers. Enron retirement funds dwindled to \$10 million from a value of \$2.1 billion at the beginning of 2001, the department said.

### Employees' Committee

"I can't imagine a plan of this magnitude satisfying everybody," said Richard Rathvon, co-chairman of a committee representing current and former Enron employees. The panel will demand changes should the reorganization plan fail to treat employees "fairly and with the same rights as other unsecured creditors," he said.

# ENRON FILES PLAN TO PAY CREDITORS, EXIT BANKRUPTCY

(CONTINUED)

Credit Lyonnais SA, a member of the Enron creditors' committee, won't comment on the filing, spokeswoman Mary Guzman said. Attorneys for the University of California, which is leading shareholder suits against Enron, haven't seen the filing, university spokesman Trey Davis said.

Enron filed for bankruptcy in December 2001, weeks after the company wrote off \$1 billion in failed investments and admitted to hiding \$1.2 billion in losses in partnerships that enriched Fastow and other executives.

Citigroup and J.P. Morgan are Enron's largest creditors and provided the company with a \$250 million bankruptcy credit line. Citigroup has filed more than \$4.7 billion in claims, and J.P. Morgan is owed at least \$1.9 billion, court papers show.

## Bank Claims

The banks may lose some or all of their claims if it's proved that they knowingly aided fraud at Enron, bankruptcy lawyers say.

Enron has about \$12 billion in assets, acting Chief Executive Stephen Cooper said in a conference call with reporters. The company faces 22,000 claims totaling \$310 billion. Cooper estimated that eliminating duplicate claims leaves Enron's actual liabilities at \$67 billion.

"This is a jigsaw puzzle with a number of missing pieces," said Robert McCullough, an energy consultant in Portland, Oregon, who has reviewed some of Enron's assets and today's 750-page filing. "An impartial review would question whether this document would meet a careful accounting review."

A detailed description of the plan must be submitted to creditors for a vote before the proposal can go to U.S. Bankruptcy Judge Arthur Gonzalez for final approval.

The plan must be approved by a majority of creditors, representing two-thirds of the dollar amount in each of the more than 350 groupings, for the plan to be approved. Gonzalez is scheduled to review the plan in the fall, Enron said.

## 'A Good Day'

"This is a good day in what has been a very complicated process," Cooper said in a statement. "Having reached agreement with a broad base of our economic stakeholders, we can expedite this process and hopefully avoid lengthy bankruptcy maneuvering."

Enron plans to pay in full lawyers, accountants and investment bankers, according to the court filing. Those professional fees stand at \$454 million, according to the Texas Attorney General's Office.

Under the plan, Enron would create CrossCountry Energy Corp., which would hold stakes in 9,900 miles (15,929 kilometers) of North American natural-gas gas pipelines. Overseas assets would go into a separate company.

Enron owns Transwestern Pipeline Co., a 2,600-mile system, and has a half stake with El Paso Corp. in the 5,000-mile Florida Gas Transmission system.

Enron and 13 of its units listed combined assets of \$49.8 billion and debts of \$31.2 billion when they sought bankruptcy protection. More than 150 Enron units have filed for bankruptcy since December 2001, some as recently as last month.

## Asset Sales

The company has raised \$3.2 billion from asset sales and \$2.5 billion from liquidating contracts for supplying natural gas, power and other commodities, according to the filing. The company expects to recoup another \$1.9 billion from its trading portfolio.

## ENRON FILES PLAN TO PAY CREDITORS, EXIT BANKRUPTCY

(CONTINUED)

Once the world's largest energy trader, Enron sold its trading operations in January 2002 to a unit of UBS AG for a share of future profits. UBS, unable to make a profit, shuttered the operation months later.

The electricity and natural-gas trading business that Enron helped create evaporated in the wake of the company's bankruptcy, amid tightened credit and government investigations of questionable accounting, bogus trades and market manipulation. The Financial Accounting Standards Board repealed a practice that Enron exploited to generate \$101 billion in sales in 2000.

In July 2002, eight months after Enron's bankruptcy, WorldCom Inc. filed the largest bankruptcy in history, eclipsing Enron's in terms of assets by more than \$40 billion. Enron's case remains the largest in terms of debt.