

ENRON FEE COMMITTEE  
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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**ENRON CORP., *et al.*,**

**Debtors.**

**Chapter 11 Case**

**No. 01-16034 (AJG)**

**Jointly Administered**

**FINAL REPORT OF THE ENRON FEE COMMITTEE**

**MEMBERS**

Jerry Patchan, Chairman  
Walter Theus, United States Trustee Representative  
Wade Cline, Debtors' Representative

**PROFESSIONAL STAFF**

Si Hopkins, Chief Applications Analyst  
Howard Klein, Accounting and Financial Applications Analyst  
Dave Hathaway, Assistant Applications Analyst  
Mary Jansing, Assistant Applications Analyst  
Jan Ostrovsky, Assistant Applications Analyst

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

This is the Final Report of the Enron Fee Committee. It is intended to provide information on how the Fee Committee reviewed Applications for Interim and Final Compensation filed in this case and to aid the Court in deciding how much weight should be accorded to the Fee Committee's recommendations.

**FEE COMMITTEE FORMATION AND MEMBERSHIP**

The Fee Committee was established by an Order of the Court entered on April 26, 2002 ("the Fee Committee Order"<sup>1</sup>). The Fee Committee Order provided that the Fee Committee was to consist of one member appointed by the Debtors, one member appointed by the Official Committee of

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<sup>1</sup>Order Supplementing Administrative Order Dated January 17, 2002 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals by Establishing Fee Committee, Directing Preparation of Professional Budgets and Formatting for Presentation of Billing Statements, Docket No. 3395.

Unsecured Creditors, one member appointed by the Official Employment Related Issues Committee, one member appointed by the Office of the United States Trustee, and a Chairman appointed by the Court. The Fee Committee Order appointed Jerry Patchan as Chairman of the Fee Committee and appointed Si Hopkins as Applications Analyst for the Fee Committee.

After the magnitude of the work became clear to the Fee Committee, it secured from the Court the appointment to the Staff of Howard Klein as Accounting and Financial Applications Analyst,<sup>2</sup> and the appointment of Legal Cost Control, Inc., as Automated Applications Analyst<sup>3</sup> on June 5, 2002. Later the Committee secured from the Court additional appointments to the Staff of Mary Jansing as Assistant Applications Analyst on September 30, 2002<sup>4</sup>; and of Jan Ostrovsky and David B. Hathaway as additional Assistant Applications Analysts on January 24, 2003.<sup>5</sup> With the increase in Staff, Si Hopkins assumed the role of Chief Applications Analyst.

The member of the Fee Committee appointed by the Debtors (most notably Wade Cline) and the member appointed by the Office of the United States Trustee (Walt Theus) participated actively on the Fee Committee. The member appointed by the Creditors' Committee participated very little. The member appointed by the Employee Committee participated almost not at all. The Official Committees were unable to find members who were willing and able to devote the amount of time

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<sup>2</sup>Order Authorizing the Enron Fee and Expense Review Committee To Employ Howard L. Klein as Accounting and Financial Fee and Expense Analyst, Docket No. 4267.

<sup>3</sup>Order Authorizing the Enron Fee and Expense Review Committee To Employ Legal Cost Control as Automated Fee and Expense Analyst, Docket No. 4268.

<sup>4</sup>Order Authorizing the Enron Fee Committee To Employ Mary Jansing as Assistant Applications Analyst, Docket No. 6792.

<sup>5</sup>Order Authorizing the Enron Fee Committee To Employ Jan Ostrovsky and David B. Hathaway as Assistant Applications Analysts, Docket No. 8919.

that Fee Committee work demanded; as a result there were vacancies in the positions to be filled by the Official Committees throughout much of the case.<sup>6</sup>

### **FEE COMMITTEE PROCEDURE**

The guiding principle of the Fee Committee has been that the foundation of due process is an effective opportunity to be heard.

One of the first acts of the Fee Committee was to adopt a set of written Procedures and a set of written Budget Procedures, so that the professionals whose compensation was in issue would understand the fee review process. The Fee Committee held meetings with the Billing Professionals to obtain their comments and advice on a draft of the Procedures and Budget Procedures. The Fee Committee made significant modifications in response to their comments.

The Procedures and Budget Procedures were combined into a booklet titled Compiled Procedures, which was distributed to the Billing Professionals. A copy is attached as Exhibit A, *infra*. Some of the provisions, especially those that refer to the members of the Fee Committee, have become obsolete; but the Fee Committee has never issued an amendment, because the process has continued to run smoothly and there have been more pressing matters to attend to.

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<sup>6</sup>Milbank was unable to obtain adequate Creditors' Committee participation in the fee review process. The Creditors' Committee established its own subcommittee on fees; but that subcommittee became moribund after the Fee Committee was appointed. The Creditors' Committee appointed a member to represent it on the Fee Committee. That member participated in some of the early in-person Fee Committee organizational meetings and meetings with Billing Professionals. He appeared by telephone at some of the meetings of the Fee Committee during the sessions held in November 2002 and in January 2003. By the time of the next session of the Fee Committee in March 2003 a different member of the Creditors' Committee had been assigned to represent it. That member resigned prior to the next session and, despite several requests by the Chairman of the Fee Committee, there was no member of the Creditors' Committee appointed to serve as its representative. As a result, the Fee Committee had no input from the Creditors' Committee on issues raised by the Fee Committee about the work of professionals retained by the Creditors' Committee.

The review of a Fee Application was done as follows: A member of the Professional Staff of the Fee Committee reviewed the Application and prepared a Preliminary Advisory Report and Summary on it.<sup>7</sup> Every Preliminary Advisory Report was reviewed and edited thoroughly by the Chief Applications Analyst and was reviewed and approved for distribution by the Chairman. The Preliminary Advisory Report was sent to the Applicant, but it was not filed or otherwise published. The Applicant was given the opportunity, after reviewing the Preliminary Advisory Report, to make a written response<sup>8</sup> or an oral response or both to any or all of the issues raised in it.<sup>9</sup> An oral response could be made either in an in-person meeting or by telephone. Initially most were in person; but later almost all were by telephone. After the response was complete, the Committee decided what recommendation to make on each issue raised in the Preliminary Advisory Report.

The Staff Member who reviewed the Application then turned the Preliminary Advisory Report into the Advisory Report. The Preliminary Advisory Report was designed to be as much like the Advisory Report as possible to minimize the editing that was necessary to do this. The draft was reviewed and edited by the Chief Applications Analyst and was reviewed and approved by the Chairman. It was then distributed to the other members of the Fee Committee for review and comment. Once it was satisfactory to all, it was finalized for distribution to the Billing Professionals and for filing. As a matter of practice the Fee Committee distributed all Advisory Reports from each of its sessions simultaneously. It then filed them with the Court and prepared binders for the Court, for

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<sup>7</sup>Once or twice two members divided the work on a very large Fee Application.

<sup>8</sup>The Procedures refer to the response as an “Input to the Committee”; but the term “response” is more commonly used both by Applicants and by the Fee Committee.

<sup>9</sup>The Procedures permit making either type of response without the other; but in practice the Committee discouraged making an oral response without also making a written response, because a written response helped to focus the oral response.

Debtors' counsel, for Creditors' Committee counsel, and for Employee Committee counsel prior to the Fee Hearing conducted by the Court.

Initially the Fee Committee reviewed one Application at a time. As the Staff became more experienced, the Fee Committee started to review two or three Applications at a time. It proved to be much more efficient to do so for three reasons: First, each Applicant is different. It takes a while to become familiar with the identities of the timekeepers and projects and with the manner in which the Applicant records time. The work is easier and faster once the Staff Member has acquired that familiarity. Second, reviewing two or three Applications at a time gives the reviewer a longer time frame in which to judge each matter. And third, preparing a single Preliminary Advisory Report for two or three Applications reduces drafting time, review time, and meeting time. It is easier for both the Fee Committee and the Applicant.

### **REVIEW OF INTERIM FEE REQUESTS**

The initial review of fees was conducted by one or more of the five members of the Professional Staff of the Fee Committee. Each of the five is qualified by education and experience to understand the services that are provided in a large chapter 11 case and to make judgments about the reasonableness of the requested compensation. There is obviously no single figure that represents *the* reasonable fee for a given Billing Professional. The objective of the Professional Staff and the Fee Committee was to recommend a figure that is within the range of the reasonable.

At the beginning of the case the review of the fee portion of an Application was done as follows: One of the members of the Professional Staff read a hard copy of the time descriptions. Legal Cost Control prepared a computer analysis of those descriptions. The Staff Member who read

the descriptions used the reading, notes that he or she made during the reading, and the Legal Cost Control computer analysis to prepare the Preliminary Advisory Report.

After one round of reviewing Applications in this manner, the Professional Staff decided that the computer analysis report would be a more effective review implement if it was prepared by the member of the Professional Staff who reviewed the Application. As a result the Chairman and Professional Staff modified the review process. Since that time the coding that is the basis of the computer analysis report has been done by the member of the Professional Staff who reviewed the Application. The coding is done during the review and is in essence a means of taking notes on the computer. The Professional Staff has prepared the computer analysis reports both by using the proprietary Legal Cost Control computer program and by using the generic Microsoft Excel program.

Computer analysis reports are widely misunderstood. Many believe that they are created by a computer program that reads the time entries and puts numerical or alpha-numerical codes on them based on some set of key words or phrases. They are not. They are created by a human being exercising reasoned judgment to determine whether each time entry should be coded in some way for examination and how it should be coded. When the computer analysis reports were created by Legal Cost Control, it was a person employed by Legal Cost Control who reviewed and coded the time entries. Since the Committee modified the process, it has been a member of the Professional Staff. In all cases, however, it has been a live reasoning human being, not a computer program.

The Staff Members doing the coding had certain standard categories that were based on past experience. That list grew and it shrank as experience with the process shaped it. And in addition to a standard list, the reviewing Staff Member read the Application intelligently and made judgments



as to potential problem areas. The coding was totally flexible. The reviewing Staff Member assigned a unique code to each potential issue and used it as a means to organize all the time entries that were material to that potential issue. The computer has a marvelous capacity to manipulate data. But it does so only at the command of a human. The reviewing Staff Member did the thinking and reasoning to see the issues and to tell the computer to find the relevant data. The reviewing Staff Member made the judgments and wrote the Preliminary Advisory Report.

There are several types of issues that the Fee Committee dealt with. The first and most basic category was finding and correcting any errors, such as times that did not add up or work that was inadvertently charged to the wrong client or an amount of time that did not appear to match the amount of work recorded. The Committee did this review even handedly: it corrected both errors in the Billing Professional's favor and errors in Enron's favor.

Another category of issues revolves around the various formal bankruptcy requirements, such as the United States Trustee Guidelines and General Order M-151 of this Court. The Committee applied and enforced those requirements in order to obtain Applications that were understandable and reviewable. The Billing Professionals responded well to the Fee Committee: the Applications in this case have become clear and precise. The Committee also enforced these formal requirements to achieve the accuracy that is demanded of bankruptcy timekeeping, such as by requiring every timekeeper to record time in precise tenth-of-an-hour increments, and not in large round approximations.

A third category is issues that are common to all or most professionals in a bankruptcy case, such as time spent checking and disclosing "connections" and time spent preparing Fee Applications.

We put these issues out for comment to all professionals in the case and attempted to adopt sensible solutions that would apply equally to all.

And finally, transcending all categories, are issues of reasonableness. Sometimes reasonableness came wrapped in one of the “standard” issues. More often it was unique to the circumstances of a particular applicant.

The Professional Staff raised these issues in the Preliminary Advisory Reports and assembled the relevant time entries in Computer Analysis Reports. The Fee Committee explored the issues with the Billing Professional and made a recommendation only after considering all relevant data that was available. Sometimes the Professional Staff raised an issue even though it was reasonably certain what the answer would be, simply to put the issue on the table and let the Billing Professional explain. More often the Professional Staff raised an issue, not knowing whether there was an answer or what it might be. Sometimes the Billing Professional provided an adequate answer and the Fee Committee so reported in the Advisory Report; sometimes the answer was not adequate and an adjustment was recommended.

The net result was that each Application was reviewed by an experienced bankruptcy professional; the issues were raised in writing and provided to the Billing Professional for comment; the Billing Professional was heard both in writing and orally; and a formal written recommendation was made on every issue that was raised.

The Committee is filing separate Issue Advisory Reports explaining its recommendations on six fee issues that were common to multiple firms: (1) Billing and Fee Application Preparation Time; (2) Retention Time; (3) Time Recorded by Contract Professionals; (4) Time Recorded in Large

Increments; (5) Time Recorded by Summer Associates; and (6) Time Recorded by Managing Clerks.

### **REVIEW OF INTERIM EXPENSE REIMBURSEMENT REQUESTS**

The objective of the Fee Committee in reviewing expenses was to provide the Court with adequate assurance that the expenses requested by each Billing Professional were compensable under the various bankruptcy guidelines, were limited to the Billing Professional's out-of-pocket cost, and were supported by invoices and other appropriate documentation as required by the United States Trustee Guidelines and General Order M-151.

The initial review of expenses was done by the Committee's Accounting and Financial Applications Analyst, Howard Klein. Mr. Klein is a CPA, a Certified Insolvency and Reorganization Accountant, and a Certified Fraud Examiner. Mr. Klein requested that each Billing Professional provide documentation for a test sample of its expenses. He selected the test samples to include all significant categories of expenses and to include large expenses and expenses that appeared from their amounts or descriptions to be questionable. After a particular Billing Professional had satisfied the Fee Committee that it maintained proper supporting documentation for its expenses, Mr. Klein reduced the size of the test samples and concentrated on questionable items. Many of the Billing Professionals improved the descriptions of their expenses so markedly during the course of this case that Mr. Klein was able to judge their validity and reasonableness without requesting detailed support for more than a few questionable items.

In virtually all cases the Billing Professionals corrected problems after they had been identified by the Committee. Some Billing Professionals reviewed expense requests that they had

already filed and revised them before the Committee reviewed them. Other Billing Professionals reviewed categories of expenses and reported to the Committee the amounts of adjustments that should be made by applying the criteria that the Committee had used in a previous Advisory Report. Many Billing Professionals improved their expense reporting markedly during the course of the case. The Committee's review of the expenses and verification of them with supporting receipts provides a high degree of assurance of the appropriateness, amount, and validity of the expenses that the Committee has recommended for payment.

The Committee is filing a separate Issue Advisory Report explaining its recommendations on issues that were common to multiple firms regarding Reimbursement of Expenses and the Expense Standards that the Committee established.

### **ADVISORY REPORTS ON INTERIM APPLICATIONS**

The Fee Committee filed with the Court 181 Advisory Reports. Of these 181 Advisory Reports, 165 covered both fees and expenses and 16 covered only expenses of Billing Professionals that were retained on the basis of a prescribed fee pursuant to section 328(a) of the Bankruptcy Code, 11 U.S.C. § 328(a).

### **REVIEW OF FINAL COMPENSATION REQUESTS**

The Fee Committee reviewed final compensation requests of 54 Billing Professionals. The Fee Committee made a final compensation review of every Billing Professional including those that did not file an Application that was formally captioned "Final."<sup>10</sup> The final compensation review was

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<sup>10</sup>The final compensation review was limited to expenses for Billing Professionals that were retained on the basis of a prescribed fee pursuant to section 328(a) of the Bankruptcy Code, 11 U.S.C. § 328(a).

conducted pursuant to written Final Compensation Review Procedures that were adopted by the Fee Committee and distributed to all Billing Professionals. A copy is attached as Exhibit B, *infra*.

The Fee Committee conducted its review of final compensation somewhat differently than its review of interim compensation. Because the issues had already been focused by the Fee Committee's Advisory Reports on interim compensation requests and by the Final Fee Application filed by the Billing Professional, the Fee Committee did not prepare a Preliminary Advisory Report. The Fee Committee offered each Billing Professional an opportunity for a meeting on final compensation either in person or by telephone at the Billing Professional's option. If the Fee Committee had issues that it wished to discuss, it required a meeting. The meeting was based on the Billing Professional's Final Fee Application and the Advisory Reports. The Fee Committee sometimes invited other persons to attend the meeting to provide additional input on the reasonableness of the requested compensation. When it did, it informed the Billing Professional in advance and provided an opportunity to question and respond to the additional input. The Fee Committee's objective was to obtain as much information as possible to inform its judgment as to what would constitute reasonable compensation.

The Fee Committee has prepared and filed with the Court a Final Compensation Advisory Report for each Billing Professional. Each Final Compensation Advisory Report is bound in a package that includes all the Advisory Reports on that Billing Professional's requests for interim compensation, the Summaries of those Advisory Reports on interim compensation, and a Composite Summary showing all amounts requested as interim compensation and all interim adjustments recommended by the Fee Committee.

## THE AMOUNTS OF FEES AND EXPENSES REVIEWED

The objective of the Fee Committee in reviewing fees and expenses was to give the Court a recommendation as to amounts of fees and expenses that would constitute reasonable compensation for the services rendered by each Billing Professional that was reviewed.

The Fee Committee reviewed the interim fee requests of 53 firms that filed 243 Applications requesting a total of \$646,278,301.62 in fees. The Committee recommended final compensation totaling \$624,320,069.34, a reduction of \$21,958,232.28.<sup>11</sup> This figure is significantly less than the total effect of the Committee's fee recommendations because, after the Committee had once made a recommendation on an issue, many Billing Professionals complied voluntarily with that recommendation and did not request compensation that they otherwise would have.

The total fees requested by each Billing Professional, fees recommended by the Fee Committee for each Billing Professional, and reduction for each Billing Professional are detailed in Exhibit C, *infra* at C-1. The amounts requested listed on Exhibit C are the totals requested in Interim Fee Applications with two exceptions: the amount requested by Weil Gotshal is increased by \$2,007,737.15 that was requested in its Final Fee Application and the amount requested by Milbank is increased by \$483,802.55 that was requested during the final fee review process.

From September 1, 2002, through July 15, 2004, which was the Third through Eighth Fee Periods, Enron maintained a set of uniform work codes for all Billing Professionals. The uniform

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<sup>11</sup>The figures do not include fees of firms retained pursuant to section 328(a) of the Bankruptcy Code, 11 U.S.C. § 328(a), whose fees the Committee did not review.

work codes were based on the work codes that had been used by Weil Gotshal for the first two Fee Periods. One or more Billing Professionals billed time in each of 783 different uniform work codes.

The Committee reviewed 56 firms that filed 259 Applications requesting a total of \$68,494,016.43 in expenses. The Committee tested \$29,821,022.04 of expenses by requesting that Billing Professionals provide supporting receipts for a total of 7,086 expense items. The Committee recommended adjustments to expenses on the basis that an expense was not reimbursable under the guidelines or was billed at an amount in excess of cost or was not supported by adequate documentation or was in excess of a reasonable amount. The Committee recommended final reimbursement of expenses totaling \$65,279,989.85, a reduction of \$3,214,026.58. This figure is significantly less than the total effect of the Committee's expense recommendations because, after the Committee had once made a recommendation on an issue, many Billing Professionals complied voluntarily with that recommendation and did not request reimbursement for expenses that they otherwise would have.

### **SUGGESTED RULE AND GUIDELINE CHANGES**

The Fee Committee has filed a separate Compendium of Suggestions for Changes to Local Rules. The Compendium memorializes some suggestions for future revisions of rules and guidelines. It is not intended to impact the Fee Applications in this case other than as specifically set out in Advisory Reports on particular Fee Applications.

### **BUDGETING**

Budgeting met with limited success in this case. Paragraph 8 of the Fee Committee Order required the Fee Committee to establish Budget Procedures and provided a general outline of what the Budget Procedures should cover. The Fee Committee adopted Budget Procedures after receiving

considerable comment and advice from the Billing Professionals. The Committee's Budget Procedures are included in its Compiled Procedures that are attached as Exhibit A, *infra*.

The Fee Committee has come to realize and understand that there are various kinds of budgets that serve different purposes. The Fee Committee established a requirement that whenever possible each Billing Professional prepare a Project Budget estimating the cost of an entire project.<sup>12</sup> A project budget gives the client the opportunity to examine the anticipated cost of the project and to decide whether the potential benefit of the project is worth that cost. The Project Budget provides the Billing Professional with a standard against which to measure its progress throughout the execution of the project. And the Project Budget allows the client, the Fee Committee, and the Court to compare the actual cost of the project with the projected cost.

The Fee Committee included provisions in its Budget Procedures that were intended to advance each of these goals. Section 3.08 of the Budget Procedures requires that the client approve the Budget before it is submitted to the Fee Committee. Section 6.02 of the Budget Procedures provides that the Budget should be prepared by a senior person in the Billing Professional's organization and should be provided to the professionals working on the matter with instructions to be guided by it, to monitor costs as they are incurred, and to report any serious variance either over or under the Budget. Section 3.11 provides that Budgets are to be as accurate as possible and are not to be inflated to permit every project to be reported as under budget. Section 5.02 reinforces this provision by requiring the Billing Professional to explain any variance of the actual amount billed

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<sup>12</sup>The Fee Committee's Budget Procedures made exceptions in two situations: time-dependent projects and projects that could not be budgeted meaningfully. Section 4.03 of the Budget Procedures provides that a time-dependent project—one in which the work expected to be done during a given time period can be budgeted but the total cost is dependent on how long the chapter 11 case lasts—may be budgeted on the basis of the cost per the given time period. Section 4.04 provides that a project that cannot be budgeted meaningfully may be budgeted by so stating.



from the budgeted amount of more than 10%, regardless of whether it is a variance of more than 10% over budget or a variance of more than 10% under budget. The Fee Committee attempted to reinforce this point even further by giving credit only for completing a project within 10% of budget.

Almost before budgeting had begun it was impacted adversely by an unfortunate confusion. Kroll Zolfo Cooper established its own budgeting requirements that were different from those of the Fee Committee. Kroll Zolfo Cooper required monthly budgets to be submitted to Enron with the budget projections divided into six general categories. The Kroll Zolfo Cooper budgets were used to project the Debtors' cash requirements, to reduce expenses by causing professionals to reduce the amount of work they projected doing,<sup>13</sup> and to allocate professional fees to different areas of operations. Many of the Billing Professionals believed that the Kroll Zolfo Cooper budgeting requirements had replaced those of the Fee Committee and submitted Kroll Zolfo Cooper type budgets instead of Project Budgets to the Fee Committee.

The Fee Committee was too busy establishing a process for reviewing Fee Applications and trying to catch up on the backlog of Fee Applications to be able to review Budgets as they were submitted. By the time that the Fee Committee realized that many of the budgets were not in the proper form, it was too late to remedy the situation effectively. In fact, some Billing Professionals had failed to submit budgets at all either because they had overlooked the requirement or because their budgets were being held up awaiting approval by their clients. The Fee Committee also failed to realize that this problem existed until too late because of its lack of time to monitor the budget submission requirement.

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<sup>13</sup>This method of reducing expenses is not always effective. It may result in the work taking longer to complete, rather than in the work costing less.

Despite the problems budgeting did produce benefits. The Kroll Zolfo Cooper budgeting appears to have controlled and reduced professional fees in the case. The Fee Committee budgeting appears to have been used effectively by some firms to monitor and manage their performance and costs.<sup>14</sup> Considering the size and complexity of this case and the rarity of budgeting in bankruptcy cases, these are notable achievements.

The biggest problem with budgeting was that even when it was done perfectly, it had too little impact on the fee review process. Some firms did a fine job of preparing careful, thoughtful, and reasonably accurate budgets. The Fee Committee attempted to “reward” their performance when they were on budget by not recommending adjustments to fees that it considered to be discretionary, as opposed to mandatory. But there were too few discretionary adjustments to provide a reasonable “reward” for good budgeting. This was especially true because Billing Professionals that did their budgeting well tended also to do their work well, to keep their time well, and to prepare their Fee Applications well.

Despite its shortcomings, the budgeting experiment in this case will not be a failure if lessons are learned from it and applied in the future.

The first lesson that the Fee Committee sees is that it is too much to expect that budgeting would be a complete success the first time out or that it would be completely successful in a case as

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<sup>14</sup>The clearest evidence of this that the Fee Committee found was evidence of the contrary provided by an instance in which one of the Billing Professionals did not use its Budget to monitor performance and costs. The Fee Committee asked that Billing Professional to provide a copy of its Budget, which had not been sent to the Fee Committee as required by the Budget Procedures. The Billing Professional responded initially that it had not prepared a Budget. Only when told by a Member of the Fee Committee Professional Staff that its time records showed considerable time billed for preparing a budget did the Billing Professional discover that it had prepared a budget. Obviously that Billing Professional was not using its Budget to monitor performance and costs. The Fee Committee found that the result was that the staffing of some of the work done by that Billing Professional had been completely out of control and seriously excessive.

complex as Enron. It takes time and practice for professionals to get used to budgeting and to learn to do it well.

The second lesson that the Fee Committee sees is that budgeting must have an ultimate long term goal and must be designed to reach that goal. Budgeting can be an effective means of imposing work and billing discipline and cutting the cost of chapter 11 reorganizations. A goal for budgeting should be determined at the outset; the budgeting requirements should be designed to attain that goal; and performance should be measured by the degree to which it has been attained at the end of a particular chapter 11 case.

Budgeting can also be an effective means of measuring performance either instead of or in addition to reviewing time descriptions. But to be effective there should be incentives and disincentives commensurate with the costs involved in compliance and the benefits to be achieved.

### CONCLUSION

The Fee Committee submits this Final Report with the hope that a general outline of its work will be of assistance to the Court both for purposes of the Final Fee Hearing and in future cases. The specifics of the Fee Committee's work are set out in its separate Advisory Reports, Final Advisory Reports, and Issue Advisory Reports.

Respectfully submitted,

THE CHAIRMAN AND PROFESSIONAL STAFF  
OF THE ENRON FEE COMMITTEE

Jerry Patchan

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# **EXHIBIT A—COMPILED PROCEDURES OF THE FEE COMMITTEE IN THE ENRON CASE**

The Compiled Procedures of the Fee Committee in the Enron Case follow as Exhibit A with their original pagination retained so that tables and references will remain accurate.

# Compiled Procedures of the Fee Committee in the Enron Case

## MEMBERS

Jerry Patchan, Chairman  
Mary Tom, United States Trustee Representative  
Wade Cline, Debtors' Representative  
Steve Wimpenny, Creditors' Committee Representative  
Mike Moran, Employee Committee Representative

## PROFESSIONAL STAFF

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1. Procedures of the Fee Committee in the Enron Case
2. Budget Procedures of the Fee Committee in the Enron Case

# Procedures

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## SECTION 1: DEFINITIONS

The following Definitions apply to the provisions of the Procedures:

**1.01. Acting Chairman** means a Member designated by the Chairman to preside at a particular Meeting, but only as to that Meeting.

**1.02. Advisory Report** means an Advisory Report of the Committee on an Application.

**1.03. Applicant** means the person or entity whose fees or expenses are the subject of an Application and includes any representative of that person or entity.

**1.04. Application** means an application filed by a Professional pursuant to paragraph 2.i. of the January 17 Order or the request for expenses in any other application filed pursuant to paragraph 2.i. of the January 17 Order or a statement of expenses submitted pursuant to paragraph 2.m. of the January 17 Order.

**1.05. Application Package** means an Application together with all related Professional Budgets, Notices of Objection to Fee Statement, Statements of Withdrawal of Objection, and Comments to the Committee.

**1.06. April 26 Order** means the Order Supplementing Administrative Order Dated January 17, 2002 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals by Establishing Fee Committee, Directing Preparation of Professional Budgets and Formatting for Presentation of Billing Statements, which was entered by the Bankruptcy Court on April 26, 2002.

**1.07. Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of New York presiding over the Enron Case.

**1.08. Budget Procedures** means the Budget Procedures of the Committee.

**1.09. Chairman** means the Chairman of the Committee appointed by the Bankruptcy Court.

**1.10. Comment to the Committee** means a comment on a Monthly Statement or Application submitted to the Committee in accordance with the Procedures.

**1.11. Committee** means the Fee Committee appointed by the Bankruptcy Court in the Enron Case.

**1.12. Confidential Treatment** means treatment of any designated material as confidential pursuant to Section 9 of the Procedures.

**1.13. Debtors** means Enron Corp. and those of its affiliated entities that are the debtors in the Enron Case.

**1.14. Enron Case** means the jointly administered Chapter 11 cases of the Debtors No. 01-16034 (AJG).

**1.15. Final Application** means a final application filed by a Professional pursuant to paragraph 2.i. of the January 17 Order or the request for expenses in any other final application filed pursuant to paragraph 2.i. of the January 17 Order or a final statement of expenses submitted pursuant to paragraph 2.m. of the January 17 Order.

**1.16. He** is gender neutral and means he, she or it depending on whether the reference is to a male, to a female or to an entity that is not a natural person.

**1.17. Input to the Committee** means a written or oral submission to the Committee regarding a Preliminary Advisory Report.

**1.18. Invitee** means a person invited by the Chairman to attend a Meeting.

**1.19. January 17 Order** means the Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, which was entered by the Bankruptcy Court on January 17, 2002.

**1.20. Meeting** means a meeting of the Committee held on the call of the Chairman.

**1.21. Member** means a Member of the Committee appointed by the Bankruptcy Court, including the Chairman.

**1.22. Monthly Statement** means a monthly statement filed by a Professional pursuant to paragraph 2.a. of the January 17 Order or the request for expenses in any other monthly statement filed pursuant to paragraph 2.a. of the January 17 Order.

**1.23. Notice of Objection to Fee Statement** means a Notice of Objection to Fee Statement served pursuant to paragraph 2.c. of the January 17 Order.

**1.24. Preliminary Advisory Report** means a Preliminary Advisory Report on an Application prepared by the Chairman or Professional Staff Member designated to have primary responsibility for reviewing the Application Package.

**1.25. Procedures** means these Procedures of the Committee.

**1.26. Professional** means a professional retained on a basis other than a fixed fee who is subject to the January 17 Order.

**1.27. Professional Budget** means a Professional Budget submitted by a Professional pursuant to the Budget Procedures.

**1.28. Professional Budget Comparison Procedures** means procedures for reviewing professional fees and expenses solely or primarily by comparison of Applications that are filed with Professional Budgets that are developed and submitted by Professionals before the services are performed.

**1.29. Professional Staff** means the Professional Staff of the Committee employed pursuant to Orders of the Bankruptcy Court.

**1.30. Professional Staff Member** means a member of the Professional Staff.

**1.31. Statement of Withdrawal of Objection** means a statement of withdrawal of objection served pursuant to paragraph 2.f. of the January 17 Order.

## **SECTION 2: THE PROCEDURES**

**2.01. Adoption.** The Procedures were adopted by the Committee at their Meeting held on June 27, 2002. The Procedures may be modified by the Committee at any time without prior notice to or input from any person. A copy of the Procedures has been sent to each Professional whose fees and expenses are now subject to the January 17 Order. If the Procedures are modified by the Committee in the future, the modified Procedures will be sent to each Professional whose fees and expenses are then subject to the January 17 Order promptly after the adoption of the modification.

**2.02. Enforcement.** The Procedures are intended to guide and explain the operation of the Committee. The Committee may enforce (or not enforce) the Procedures to the extent that it determines to be appropriate; but the Procedures do not create any right in any person other than the

Committee. The Committee will not enforce the Procedures to the detriment of any person without first advising that person of its intention and giving that person an opportunity to conform to the Procedures insofar as time permits.

**2.03. Compliance.** The Procedures are intended to resolve conflicts not to exacerbate them. All persons involved should follow the Procedures with a spirit of cooperation and a desire to have fee and expense issues resolved fairly and promptly.

### **SECTION 3: GOVERNANCE OF THE COMMITTEE**

**3.01. Presiding Officer at Meetings.** The Chairman will preside at all Meetings at which he is present. If the Chairman cannot attend any Meeting, he will designate one of the other Members to preside as Acting Chairman. The Chairman may make a general designation of one of the other Members to preside as Acting Chairman whenever the Chairman is not present at any Meeting.

**3.02. Decision of Issues.** The Chairman will have the authority to decide any issue that is not covered by the Procedures. If time permits, the Chairman will consult with the other Members and the Professional Staff Members before deciding any issue. An Acting Chairman will not have this authority except to the extent necessary to preside at the Meeting for which he is designated as Acting Chairman.

### **SECTION 4: MEETINGS**

**4.01. Call of Meetings.** The Chairman will have the authority to call a Meeting at any time. Ordinarily, the Chairman will give the Members, the Professional Staff Members, and any other persons affected at least 72 hours notice of a Meeting; but he is not required to do so.

**4.02. Notice of Meetings.** Notice of a Meeting and its location may be oral or written and will be in whatever form the Chairman considers sufficient under the circumstances.

**4.03. Attendance at Meetings.** Meetings will be attended by Members and by those Professional Staff Members requested to attend by the Chairman. The Chairman may invite any other person to attend a meeting as an Invitee.

**4.04. Location of Meetings.** Meetings may be held at any location in the United States designated by the Chairman. The Chairman will attempt to designate locations on the basis of convenience to Members, Professional Staff Members, and Invitees; but he is not required to do so.

**4.05. Telephonic Meetings.** Meetings may be held by conference telephone whenever the business of the Committee expected to be conducted is such that the Chairman believes that a telephonic Meeting would be adequate and appropriate. The telephone conference charges for a telephonic Meeting may be paid directly by Enron.

**4.06. Agendas for Meetings.** The Chairman will attempt to create and to distribute in advance an agenda for each Meeting; but he is not required to do so. If he does not distribute an agenda, he will inform the Members, the Professional Staff Members, and Invitees of the purpose of the Meeting when he invites them to attend.

**4.07. Minutes of Meetings.** A Professional Staff Member designated by the Chairman will keep minutes of Meetings. If no Professional Staff Member attends a Meeting, the Chairman will designate a Member or other appropriate person to keep the minutes. The minutes will record what matters were considered by the Committee and what actions were taken, but will not record the substance of discussions. The minutes need not be approved by the Committee.



**4.08. Authority of Presiding Officer.** The Chairman or Acting Chairman presiding at a Meeting will have the authority to control the Meeting. He will attempt to afford full opportunity for discussion of each issue that is raised; but he will limit discussion to the extent he believes necessary to permit the Committee to perform its functions.

#### SECTION 5: REVIEW OF APPLICATIONS

**5.01. Persons Performing the Review.** The Chairman will designate himself, one or more Professional Staff Members, or himself and one or more Professional Staff Members to review each Application Package. The Chairman will designate one of the reviewing persons to have the primary responsibility for reviewing each Application Package. Any of the reviewing persons may contact the Applicant informally with any question about the Application. Any Member may review any portion of any Application Package and any Monthly Statement; but no Member (other than the Chairman if he designates himself to do the review) will be required to do so. No Professional Staff Member will review any Application Package or Monthly Statement unless designated or requested by the Chairman to do so.

**5.02. Review of Monthly Statements.** In order to expedite review, the Chairman or a designated Professional Staff Member may (but is not required to) review the Monthly Statements filed by an Applicant before an Application is filed. If a review of Monthly Statements is conducted and discloses any problems, the Chairman or designated Professional Staff Member will inform the Applicant in question informally of the problems and will provide an opportunity to discuss them either with the Chairman and Staff Member or with the Committee either by telephone or in person at the time of a Meeting.

**5.03. Use of Automated Analysis.** The Chairman may request that Legal Cost Control perform a computer analysis of all or any part of any Application or Monthly Statement. Legal Cost Control will make the reports generated by the computer analysis available to the Applicant as soon as they have been prepared. The Applicant may contact Legal Cost Control or any of the persons reviewing the Application informally about the reports generated by the computer analysis. All or any part of any report generated by the computer analysis may be made a part of a Preliminary Advisory Report or Advisory Report.

**5.04. Use of Sampling Procedures.** The review of an Application Package may be limited to a sampling procedure if the Chairman, the person or persons doing the review, and the United States Trustee Representative determine jointly that such a review would be sufficient. The scope of review will be expanded if the results of the sampling procedures indicate that it should be.

**5.05. Disclosure of Use of Sampling Procedures.** If sampling procedures are used in reviewing an Application Package, the Preliminary Advisory Report and the Advisory Report will so state.

**5.06. Confidentiality of Sampling Procedures.** The sampling procedures used will be put into writing and preserved. For sampling procedures to be effective and adequate, however, it may be necessary that they not be disclosed to Applicants. Accordingly, the Committee may determine that any sampling procedures that are used should be disclosed only to the Chairman, the Professional Staff, the United States Trustee Representative, and the Bankruptcy Court until after the Committee's review of all Final Applications in the Enron Case is complete.

**5.07. Review by Enron Personnel.** The Chairman may request that an Application of a Professional that performs services in a specialized area be reviewed by the Enron employee to whom that Professional reports. The Committee may use the report of that Enron employee in its Preliminary Advisory Report and its Advisory Report in whatever manner it determines to be appropriate.

**5.08. Professional Budget Comparison Procedures.** The ultimate objective of the Committee is to develop effective Professional Budget Comparison Procedures. Because the achievement of this objective requires flexibility, the Committee will not attempt at this time to formalize Professional Budget Comparison Procedures. The Committee will, however, begin employing Professional Budget Comparison Procedures on a trial basis as soon as it is practicable to do so.

**5.09. Submission of Comments to the Committee.** Any person, including the Bankruptcy Court, may submit to the Committee a Comment to the Committee on any Application or Monthly Statement. Each Comment to the Committee must also be provided to the Applicant unless Confidential Treatment is granted. A Comment to the Committee may be submitted even if no Notice of Objection to Fee Statement is served. The Committee will consider favorable, as well as unfavorable, Comments to the Committee. The Committee may choose either to consider or to disregard any Comment to the Committee that does not identify the person who submitted it.

**5.10. Content of Comments to the Committee.** A Comment to the Committee should be concise. No legal argument is required unless there is some legal authority directly on point that the

person submitting the Comment wants the Committee to consider. A copy of any such legal authority must be attached to the Comment to the Committee.

**5.11. Time for Submission of Comments to the Committee.** A Comment to the Committee may be submitted to the Committee at any time; but review of an Application will not be delayed to wait for a Comment to the Committee. Anyone who wants to submit a Comment to the Committee should understand that a Comment to the Committee will be most useful and most effective if it is received before review begins.

## **SECTION 6: PRELIMINARY ADVISORY REPORT**

**6.01. Preparation of Draft Preliminary Advisory Report.** The Chairman or Professional Staff Member designated to have the primary responsibility for reviewing an Application Package will prepare a draft Preliminary Advisory Report on the Application. The draft Preliminary Advisory Report will be provided to all Members promptly after it is prepared without waiting for the completion of other draft Preliminary Advisory Reports.

**6.02. Content of Draft Preliminary Advisory Report.** A draft Preliminary Advisory Report will be as concise as possible. It will explain any problems with the Application and will include references to any particular portions of the Application Package where the problem appears. It may include all or any part of any report generated by a computer analysis made by Legal Cost Control. Copies of the draft Preliminary Advisory Report that are distributed to Members will be prepared in such a way as to protect any Confidential Treatment given to any material either under the Procedures or under the Budget Procedures.

**6.03. Committee Consideration of Draft Preliminary Advisory Report.** The Members will review the draft Preliminary Advisory Report promptly. The Chairman will schedule Meetings to consider draft Preliminary Advisory Reports whenever there is a sufficient volume to warrant it without awaiting the completion of a draft Preliminary Advisory Report on every Application Package then under review.

**6.04. Decision on Draft Preliminary Advisory Report.** The Committee will attempt to reach a consensus on what changes, if any, should be made to the draft Preliminary Advisory Report before it is distributed. In the absence of consensus, the Chairman will make the determination and the Preliminary Advisory Report will so state.

**6.05. Preparation of Preliminary Advisory Report.** After the Meeting the person who prepared the draft Preliminary Advisory Report will make any changes that the Committee directs. As soon as those changes are made, the person who prepared the Preliminary Advisory Report will send it to the Applicant and to each Member. At the Applicant's option, the Preliminary Advisory Report may be provided to the Applicant through a secure web connection of Legal Cost Control. The Preliminary Advisory Report will be sent to the Applicant no less than thirty-five (35) calendar days before the scheduled date of the hearing on the Application.

## **SECTION 7: INPUT TO THE COMMITTEE**

**7.01. Input to the Committee by the Applicant.** Within five (5) calendar days after the Preliminary Advisory Report is sent to the Applicant, the Applicant shall contact the Chairman and inform the Chairman of any portions of the Preliminary Advisory Report that should not be provided to others, whether the Applicant wants to provide Input to the Committee on the Application, and

whether any Input to the Committee provided by the Applicant will be written, oral or a combination of the two. The Applicant and the Chairman will agree on a schedule for the submission of the Input to the Committee including the time and location for any necessary Meeting. The contact with the Chairman is intended to be informal and may be made by telephone.

**7.02. Distribution of Preliminary Advisory Report.** Promptly after the contact from the Applicant, the person who prepared the Preliminary Advisory Report will prepare a copy with any portions designated by the Applicant eliminated and will send that copy to each person who served a Notice of Objection to Fee Statement or a Comment to the Committee.

**7.03. Input to the Committee by Others.** If the Applicant informs the Chairman that he wants to provide Input to the Committee, any person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee may also submit Input to the Committee, but only in the same form (written, oral or a combination of the two) that was chosen by the Applicant.

**7.04. Submission of Inputs to the Committee.** Within the time agreed by the Applicant and the Chairman, the Applicant must submit to the Committee any written Input to the Committee and must provide a copy thereof to each person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee. Each such person will have five (5) calendar days after receiving it to submit to the Committee any permitted written Input to the Committee responding thereto and to provide a copy thereof to the Applicant and to each other person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee. Any portion of the Applicant's Input to the Committee that must be eliminated to protect any Confidential Treatment of any material either under the Procedures or under the Budget Procedures will be omitted from

copies provided to Members and to persons who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee to the extent necessary to protect the Confidential Treatment.

**7.05. Content of Inputs to the Committee.** The purpose of an Input to the Committee is to attempt to resolve issues raised by the Committee to the satisfaction of the Committee before the Committee files its Advisory Report with the Bankruptcy Court. An Input to the Committee may take whatever form the person submitting it thinks appropriate to achieve this objective, such as an Applicant offering to withdraw some part of the requested time or expenses or explaining the matter further, or a person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee suggesting to the Applicant some adjustment that would resolve the Objection or Comment to the satisfaction of the person making it.

**7.06. Oral Inputs to the Committee.** If the Applicant asks to make an oral Input to the Committee, the Applicant and each person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee will be invited to attend a Meeting at which the Inputs to the Committee will be considered. An oral Input to the Committee will take the form of a discussion rather than an oral argument. The Invitees may if they wish make brief statements, but they should be prepared primarily to discuss the issues with the Committee and to try to resolve them to the Committee's satisfaction.

**7.07. Effect of Inputs to the Committee on the Decision of the Committee.** The Committee will make its own decisions as to whether issues raised in the Preliminary Advisory Report are resolved to its satisfaction regardless of any agreement or disagreement among the

Applicant and persons who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee.

### **SECTION 8: ADVISORY REPORT**

**8.01. Advisory Report in the Absence of Inputs to the Committee.** If the Applicant chooses not to provide Input to the Committee, the person who prepared the Preliminary Advisory Report will supplement it to state that the Applicant chose not to provide Input to the Committee. As so supplemented the Preliminary Advisory Report will become the Advisory Report without further action by the Committee.

**8.02. Decision of the Committee Following Inputs to the Committee.** Following the receipt of all Inputs to the Committee on each Preliminary Advisory Report, the Committee will decide how the Advisory Report should treat each issue that was raised in the Preliminary Advisory Report. The Committee will attempt to reach a consensus on how each issue will be treated in the Advisory Report. In the absence of consensus, the Chairman will make the determination and the Advisory Report will so state.

**8.03. Preparation and Consideration of Draft Advisory Report.** The person who prepared the Preliminary Advisory Report will make any changes that the Committee directs and will distribute a draft Advisory Report to the Members. The draft Advisory Report will include a description of the response of the Applicant to each issue raised in the Preliminary Advisory Report and the extent, if any, to which that response satisfied the Committee. The Chairman will call a Meeting promptly to make any changes to the draft Advisory Report and to approve it.



**8.04. Preparation of Advisory Report.** The person who prepared the draft Advisory Report will make any changes directed by the Committee and any changes agreed to with the Applicant as to the manner in which the Applicant's Professional Budgets are referenced in and appended to the Advisory Report.

**8.05. Preparation and Filing of Advisory Report.** The person who prepared the draft Advisory Report will file and serve the Advisory Report no less than fifteen (15) calendar days before the scheduled date of the hearing on the Application. The person who reviewed the Application Package will send the Advisory Report to the Applicant, to each Member, and to each person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee, and will serve it on each of the following:

K. Wade Cline, Esq.  
Managing Director and Assistant General Counsel  
Enron Corp.  
EB50M04  
1400 Smith Street  
Houston TX 77002

Brian S. Rosen, Esq.  
Weil Gotshal & Manges LLP  
767 Fifth Avenue  
New York NY 10153

Luc A. Despins, Esq.  
Milbank, Tweed, Hadley & McCloy LLP  
One Chase Manhattan Plaza  
New York NY 10005

James A. Beldner, Esq.  
Kronish Lieb Weiner & Hellman LLP  
1114 Avenue of the Americas  
New York NY 10036-7798

**8.06. Effect of Advisory Report.** As provided in the April 26 Order, the Advisory Report is advisory only. The Bankruptcy Court will be free to agree or to disagree with anything in the Advisory Report and will in no way be bound by the Committee's satisfaction or lack of satisfaction with the resolution of any issue. Nor will the right of the Debtors, the Official Creditors' Committee, the Official Employee Committee, the United States Trustee or any other party in interest to object to, to support, or to comment on any Application or any Advisory Report be affected in any way by the participation of its representative in the conclusions of the Advisory Report or by the recommendations of the Advisory Report. The purpose of the Advisory Report is to simplify the Bankruptcy Court's consideration of Applications, not to transfer to the Committee the authority to approve fees and expenses.

#### **SECTION 9: RETENTION OF RECORDS**

**9.01. Documents Not Made Public.** The Committee will make provision for the preservation and retention of the minutes of Meetings and of all draft Preliminary Advisory Reports, Preliminary Advisory Reports, draft Advisory Reports, Advisory Reports, Comments to the Committee, and written Inputs to the Committee that are not filed with the Court or otherwise made public. The Committee may also, in its sole discretion, make provision for the preservation and retention of other Committee documents.

**9.02. Documents Made Public.** The Committee may determine not to preserve and retain draft Preliminary Advisory Reports, Preliminary Advisory Reports, draft Advisory Reports, Advisory Reports, Comments to the Committee, and written Inputs to the Committee that are filed with the Court or otherwise made public.

**9.03. Drafts and Work Papers.** Because of the volume of material that is likely to be generated and the lack of storage space, the Committee will make no effort to preserve and retain drafts and work papers other than the final forms of minutes of Meetings, draft Preliminary Advisory Reports, Preliminary Advisory Reports, draft Advisory Reports, Advisory Reports, Comments to the Committee, and written Inputs to the Committee. Drafts and work papers will be disposed of routinely by Members and Professional Staff Members whenever in their sole discretion they are no longer necessary or useful to the work of the Committee.

#### **SECTION 10: CONFIDENTIAL TREATMENT**

**10.01. Confidential Treatment of a Monthly Statement or Application.** A person who desires Confidential Treatment for the submission to the Committee of all or any part of a Monthly Statement or Application shall provide an unredacted copy of the Monthly Statement or Application to each Member and Professional Staff Member who is permitted to see the material that has been redacted and a redacted copy of the Monthly Statement or Application to each Member and Professional Staff Member who is not permitted to see the material that has been redacted. Copies may be submitted that have been redacted in different ways if Confidential Treatment of different material is desired as to different Members or Professional Staff Members. A redacted copy may be submitted to every Member and Professional Staff Member if no Member or Professional Staff Member is permitted to see all the material in the Monthly Statement or Application. Each unredacted copy shall have a legend added on the first page (and other pages at the Applicant's option) stating: "This unredacted copy is to be shown only to [listing the Members and Professional Staff Members who are permitted to see it]." Each redacted copy shall have a legend added on the first page (and other pages at the Applicant's option) stating: "This redacted copy is to be shown only to

[listing the Members and Professional Staff Members who are permitted to see it].” Copies that have been redacted in the same manner as the copy that is filed shall be marked “As filed.” One copy that is the same as the filed copy shall also be submitted to John Marquess of Legal Cost Control marked “As filed.” Any Monthly Statement or Application submitted in accordance with this Section 10.01 shall automatically be given Confidential Treatment as to all material not in the “As filed” copy.

**10.02. Request for Confidential Treatment.** A person who desires to obtain Confidential Treatment for any submission to the Committee other than a Monthly Statement or Application shall provide a copy of the proposed submission (if written) or state the substance of the submission (if oral) to the Chairman together with a request that the proposed submission be given Confidential Treatment and a statement of the reason therefor. The Chairman will decide promptly whether to give the submission or any portion of it Confidential Treatment and will inform the person proposing to make the submission of his decision. In making a decision, the Chairman may consult with the Professional Staff Members and the United States Trustee Representative unless reasonably requested not to.

**10.03. Denial of Confidential Treatment.** If the Chairman decides not to give the proposed submission Confidential Treatment, the person proposing to make the submission may inform the Chairman within five calendar days that he chooses not to make the submission. If the person proposing to make the submission chooses not to make it, the Chairman will return any written proposed submission, and the Chairman, the Professional Staff Members, and the United States Trustee Representative will keep all information concerning the proposed submission confidential. If the person proposing to make the submission chooses to make it, he shall submit it to the Committee in the manner provided in the Procedures without Confidential Treatment.

**10.04. Allowance of Confidential Treatment.** If the Chairman decides to give a submission Confidential Treatment, that submission will be provided by the person submitting it only to the Chairman, the United States Trustee Representative, any other Member as to whom it is not sensitive, and the Professional Staff. Unless doing so would defeat the purpose of Confidential Treatment, the other Members and each person who submitted any item included in the Application Package will be informed that there was a submission that was given Confidential Treatment and the Preliminary Advisory Report and the Advisory Report will so state.

**10.05. Use of Material Given Confidential Treatment.** Neither the Preliminary Advisory Report nor the Advisory Report will state anything that would compromise the confidentiality of any material given Confidential Treatment.

**10.06. Limitation of Extent of Confidential Treatment.** Confidential Treatment will be limited to the greatest extent possible consistent with the reason for the confidentiality. For example, if the substance of the submission is sensitive but the identity of the person submitting it is not, the identity of the person submitting it will be disclosed. Conversely, if the identity of the person making the submission is the only thing that is sensitive and the substance of the submission would not reveal that identity, the substance of the submission will be disclosed.

**10.07. Termination of Need for Confidential Treatment.** If Confidential Treatment is given to a submission and the person making the submission becomes aware that the need for Confidential Treatment has ceased, the person making the submission shall notify the Chairman promptly and shall provide the submission promptly to the other Members. If the Committee believes that the need for Confidential Treatment has ceased as to a submission that has been given

Confidential Treatment, the Chairman will inform the person making the submission that the Committee believes that the need for Confidential Treatment has ceased. The person making the submission shall provide it promptly to each Member who did not receive it and to each person who served a Notice of Objection to Fee Statement or submitted a Comment to the Committee unless he disagrees with the Committee's position. If he disagrees with the Committee's position, he shall submit the issue promptly to the Bankruptcy Court for determination.

**10.08. Review of Decision on Request for Confidential Treatment.** Any person aggrieved by a decision of the Chairman either to give or not to give Confidential Treatment may seek review of that decision by the Bankruptcy Court.

#### **SECTION 11: SUBMISSION TO THE COMMITTEE**

**11.01. Manner of Making a Submission to the Committee.** A submission to the Committee (including a submission of a Monthly Statement or Application) shall be made by sending either by United States Mail or by some other reliable means copies of those items, in those formats, and to those persons specified in subsections 11.02 through 11.10. In order to avoid delays in mail delivery, Monthly Statements and Applications must be sent to the Automated Applications Analyst by overnight courier.

**11.02. Copy to the Chairman.** A hard copy only of each item submitted other than Monthly Statements shall be sent, with a direction to any courier service to leave the package inside the door to the garage if no one is home, to the following:

Joseph Patchan, Committee Chairman  
14800 County Line Road  
Hunting Valley, Ohio 44022  
(440) 247-5158

**11.03. Copy to the United States Trustee Representative.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Monthly Statement or Application submitted shall be sent to the following:

Mary Elizabeth Tom, Esq., United States Trustee Representative  
Office of the United States Trustee  
21<sup>st</sup> Floor  
33 Whitehall Street  
New York NY 10004  
(212) 510-0500

It is intended by this provision that two copies of Monthly Statements and Applications shall go to the Office of the United States Trustee—one that is transmitted to the United States Trustee pursuant to the Bankruptcy Rules plus one that is submitted to the Committee pursuant to this provision of the Procedures.

**11.04. Copy to the Enron Representative.** A hard copy only of each item submitted other than Monthly Statements and Applications shall be sent to the following:

K. Wade Cline, Esq., Debtors' Representative  
Managing Director and Assistant General Counsel  
Enron Corp.  
EB50M04  
1400 Smith Street  
Houston TX 77002  
(713) 345-4226

Short documents may be sent by e-mail to [Wade.Cline@enron.com](mailto:Wade.Cline@enron.com).

**11.05. Copy to the Creditors' Committee Representative.** A hard copy only of each item submitted other than Monthly Statements and Applications shall be sent to the following:

Mr. Steven C. Wimpenny, Creditors' Committee Representative  
Group Senior Vice President  
Financial Restructuring and Recovery Department  
ABN AMRO Bank N.V.  
Park Avenue Plaza  
55 East 52<sup>nd</sup> Street  
New York NY 10055  
(212) 409-6804

Short documents may be sent by e-mail to [steven.wimpenny@abnamro.com](mailto:steven.wimpenny@abnamro.com).

**11.06. Copy to the Employee Committee Representative.** A hard copy only of each item submitted other than Monthly Statements and Applications shall be sent, with a direction to any courier service to leave the package on the porch if no one is home, to the following:

Michael Moran, Esq., Employee Committee Representative  
174 Wedgewood Drive West  
Montgomery TX 77356  
(936) 597-7002

**11.07. Copy to the Chief Applications Analyst.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Monthly Statement or Application submitted (not an attachment to an e-mail) shall be sent, with a direction to any courier service to leave the package on the front porch if no one is home, to the following:

John Silas Hopkins, III, Applications Analyst  
376 Martin Meadow Pond Road  
Lancaster, New Hampshire 03584-3218  
(603) 837-2173

**11.08. Copy to the Automated Applications Analyst.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Monthly Statement or Application submitted (preferably in one of four formats—PDF, Microsoft Word, WordPerfect, or Lotus Notes) shall be sent to the following:



John J. Marquess, Automated Applications Analyst  
Legal Cost Control  
255 Kings Highway East  
Haddonfield, New Jersey 08033  
(856) 216-0800

**11.09. Copy to the Accounting and Financial Applications Analyst.** A hard copy of each item submitted by an accountant or a financial or restructuring advisor together with a disk or diskette containing a copy of any Monthly Statement or Application submitted (preferably in Microsoft Excel format) shall be sent to the following:

Howard L. Klein, Accounting and Financial Applications Analyst  
25550 Chagrin Boulevard, Suite 204  
Beachwood, Ohio 44122  
(216) 831-7600, Extension 14

**11.10. Explanation of Differences Between Monthly Statements and the Application.** If an Applicant intends to revise the time descriptions in a Monthly Statement before including them in an Application, the Applicant shall so state on the copy of the Monthly Statement submitted to the Automated Applications Analyst. A copy of the Monthly Statement in the form that will be included in the Application shall be submitted to the Automated Applications Analyst in the manner prescribed by Section 11.08 as soon as it is prepared. If the time sheets attached to an Application are different from those that were attached to the Monthly Statements for the period covered by the Application, the Applicant shall submit to the Automated Applications Analyst with the Application an explanation of the differences in sufficient detail to make it possible to correct data that has already been entered onto the computer from the Monthly Statements. The Automated Applications Analyst will grant an Applicant a waiver of this provision by telephone to whatever extent the data has not already been entered onto the computer from the Monthly Statements.

# Budget Procedures

of the

# Fee Committee

in the Enron Case

## MEMBERS

Jerry Patchan, Chairman  
Mary Tom, United States Trustee Representative  
Wade Cline, Debtors' Representative  
Steve Wimpenny, Creditors' Committee Representative  
Mike Moran, Employee Committee Representative

## PROFESSIONAL STAFF

Si Hopkins, Chief Applications Analyst  
John Marquess, Automated Applications Analyst  
Howard Klein, Accounting and Financial Applications Analyst

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## SECTION 1: DEFINITIONS

The following Definitions apply to the provisions of the Budget Procedures:

**1.01. Advisory Report** means an Advisory Report of the Committee that is filed with the Bankruptcy Court pursuant to the Procedures.

**1.02. Applicant** means the person or entity whose fees or expenses are the subject of a Fee Application and includes any representative of that person or entity.

**1.03. Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of New York presiding over the Enron Case.

**1.04. Billing Professional** means a professional retained on some basis other than a fixed fee who is subject to the January 17 Order.

**1.05. Budget Procedures** means these Budget Procedures of the Committee.

**1.06. Chairman** means the Chairman of the Committee appointed by the Bankruptcy Court.

**1.07. Committee** means the Fee Committee appointed by the Bankruptcy Court in the Enron Case.

**1.08. Confidential Treatment** means treatment of any Professional Budget or portion thereof as confidential pursuant to Section 7 of the Budget Procedures.

**1.09. Debtors** means Enron Corp. and those of its affiliated entities that are the debtors in the Enron Case.

**1.10. Enron Allocation Code** means a code established by the Debtors for allocation of services among the various Debtors and non-debtor Enron entities.

**1.11. Enron Case** means the jointly administered Chapter 11 cases of the Debtors No. 01-16034 (AJG).

**1.12. Enron Case Projection** means a projection of the work that a Billing Professional believes that he will perform through the date of confirmation of a plan of reorganization for the Debtors.

**1.13. Fee Application** means an application filed by a Billing Professional pursuant to paragraph 2.i. of the January 17 Order.

**1.14. He** is gender neutral and means he, she or it depending on whether the reference is to a male, to a female or to an entity that is not a natural person.

**1.15. January 17 Order** means the Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, which was entered by the United States Bankruptcy Court for the Southern District of New York on January 17, 2002.

**1.16. Meeting** means a meeting of the Committee held on the call of the Chairman.

**1.17. Member** means a Member of the Committee appointed by the Bankruptcy Court.

**1.18. Monthly Statement** means a monthly statement filed by a Billing Professional pursuant to paragraph 2.a. of the January 17 Order.

**1.19. Preliminary Advisory Report** means a Preliminary Advisory Report on an Application that is prepared pursuant to the Procedures.

**1.20. Procedures** means the Procedures of the Committee.

**1.21. Professional Budget** means a Professional Budget submitted by a Billing Professional pursuant to the Budget Procedures.

**1.22. Professional Budget Comparison** means a comparison by an Applicant of the fees and expenses requested by the Applicant with the Applicant's Professional Budgets for the period covered by the Fee Application.

**1.23. Professional Budget Comparison Procedures** means procedures for reviewing professional fees and expenses solely or primarily by comparison of Fee Applications that are filed with Professional Budgets that are developed and submitted by Billing Professionals before the services are performed.

**1.24. Professional Staff** means the Professional Staff of the Committee appointed by the Bankruptcy Court.

**1.25. Project** means a definable project or matter for which a Billing Professional expects to request a significant amount of fees.

**1.26. Project Budget** means a budget for a single Project.

**1.27. Work Code** means a code established by the Debtors for allocation of services among different projects.

## **SECTION 2: THE BUDGET PROCEDURES**

**2.01. Adoption.** The Budget Procedures were adopted by the Committee at their Meeting held on June 27, 2002. The Budget Procedures may be modified by the Committee at any time without prior notice to or input from any person. A copy of the Budget Procedures has been sent to

each professional whose fees and expenses are now subject to the January 17 Order. If the Budget Procedures are modified by the Committee in the future, the modified Budget Procedures will be sent to each professional whose fees and expenses are then subject to the January 17 Order promptly after the adoption of the modification.

### **SECTION 3: SUBMISSION OF PROFESSIONAL BUDGETS**

**3.01. Format and Purpose.** Each Billing Professional shall prepare Professional Budgets and submit them to the Committee. A Billing Professional's Professional Budgets shall be Project Budgets prepared and submitted as described in Section 4 of the Budget Procedures. The purpose of the Professional Budgets is to provide a benchmark against which the Committee and the Bankruptcy Court can evaluate the fees and expenses of the Billing Professional.

**3.02. Assumptions Underlying a Professional Budget.** Professional Budgets shall be based on assumptions that the Billing Professional believes to be as reasonable as possible given the complexity and uncertainty of the Enron Case. Each Professional Budget shall state the underlying assumptions on which it is based sufficiently to permit the Applicant and the Committee to compare the events that actually occur with the assumptions on which the Professional Budget was based.

**3.03. Detail Underlying a Professional Budget.** Each Billing Professional shall retain the detail underlying his Professional Budgets so that it will be available if needed by the Billing Professional and the Committee to facilitate the application of Professional Budget Comparison Procedures. Each Billing Professional may (but is not required to) submit one copy of this detail to the Automated Applications Analyst. This provision does not require any Billing Professional to create any detail that does not otherwise exist.



**3.04. Work Codes.** After appropriate consultation with the Billing Professionals, the Debtors will establish uniform Work Codes, including a separate Work Code for preparation of Professional Budgets. New Work Codes may be added from time to time as the circumstances of the Enron Case warrant. Each Professional Budget shall be divided by or referenced to the appropriate uniform Work Codes. Each Fee Application shall classify services by the same Work Codes that were used in the Professional Budget.

**3.05. Enron Allocation Codes.** After appropriate consultation with the Billing Professionals, the Debtors will establish uniform Enron Allocation Codes. New Enron Allocation Codes may be added from time to time as the circumstances of the Enron Case warrant. Professional Budgets shall not be divided by or based on the Enron Allocation Codes. The Enron Allocation Codes will be included in Fee Applications for the use of the Debtors, but the Committee will not use the Enron Allocation Codes in its review of Fee Applications.

**3.06. Enron Case Projections.** Each Professional Budget shall include a general description of the work that the Billing Professional believes will be necessary through the date of confirmation of a plan of reorganization for the Debtors and of the assumptions on which this general description is based. The content of the Enron Case Projection and the ability of the Billing Professional to project through confirmation of a plan will vary with the role of the Billing Professional in the Enron Case. The intended functions of the Enron Case Projection are to cause the Billing Professionals to consider their ultimate objectives for the Enron Case as they prepare their Professional Budgets and to permit the Committee to evaluate the Fee Applications of the Billing Professionals in the context of the progress of the Enron Case.

**3.07. Expense Budgets.** Expense budgets are not required.

**3.08. Approval of Professional Budget by Client Before Submission.** Each Billing Professional shall review each Professional Budget with his client before submitting it to the Committee and shall obtain his client's approval of the Professional Budget. Each Professional Budget shall contain an affirmative representation that it has been reviewed with and approved by the client. If a Billing Professional is unable to obtain the approval of his client, he shall submit an unapproved Professional Budget that states that it is unapproved and states the reason therefor.

**3.09. Submission of a Revised Professional Budget.** If a Billing Professional believes that his current Professional Budget has become materially inaccurate, he may submit a revised Professional Budget at any time. If he does so, the Committee will consider the revised Professional Budget in applying any Professional Budget Comparison Procedures and may also consider the original Professional Budget. The revised Professional Budget shall describe and explain the inaccuracy that led to its submission. The revised Professional Budget must be reviewed with and approved by the client and must contain a representation to that effect in the same manner as the original Professional Budget. If a Billing Professional is unable to obtain the approval of his client, he shall submit an unapproved revised Professional Budget that states that it is unapproved and states the reason therefor.

**3.10. Committee Review of Professional Budgets.** The Committee will review Professional Budgets, if at all, only to assure that there is no unnecessary duplication of tasks between Billing Professionals. In the event that the Committee believes that there is unnecessary duplication, it will contact the affected Billing Professionals informally for an explanation or adjustment.

**3.11. Objective of Budgeting.** The ultimate objective of the Committee is to develop effective Professional Budget Comparison Procedures. Billing Professionals should prepare their Professional Budgets with this objective in mind. The budgeting process should be an integral element of planning the case and should not take on an independent life of its own. The Committee understands that large chapter 11 cases are inherently unpredictable and that there will inevitably be discrepancies between Professional Budgets and Fee Applications. Professional Budgets will be most useful, however, if they represent an attempt to predict fees as accurately as possible. Billing Professionals should not inflate their Professional Budgets; there is no bonus for bringing in a Project under budget. Professionals should rest assured that the Committee will take into account the uncertainties of chapter 11 cases in comparing Fee Applications with Professional Budgets and will apply different review methods whenever Professional Budget Comparison Procedures are not feasible.

#### **SECTION 4: PROJECT BUDGETS**

**4.01. Format of a Project Budget.** A Project Budget shall consist of a budget for a single Project. A Project will ordinarily correspond with a single Work Code. The Project Budget shall include the name of the Project, a description of the services on the Project that the Billing Professional expects to perform throughout the life of the Project, the Work Code for the Project, any assumptions underlying the Project Budget in accordance with Section 3.02, the projected end date of the Project, and a list of timekeepers or classes of timekeepers for the Project, including the following: (a) the timekeeper name, if determined; (b) the timekeeper class (Partner, Associate, Paralegal, etc.); (c) the projected timekeeper hours for the Project; (d) the timekeeper hourly rates; (e) the projected timekeeper total fees for the Project (projected timekeeper hours multiplied by

hourly rates); and (f) the total of the projected fees for the Project. The Project Budget will extend for the life of the Project without regard to Billing Periods. A separate Project Budget will be submitted for each Project.

**4.02. Budgeting a Range of Figures.** A budgeted amount may be a range of figures instead of a single figure, but the range should be kept narrow. A single figure will be treated the same as a range of figures because the Committee will view a single figure as plus or minus a certain amount.

**4.03. Budgeting a Time-Dependent Project.** A Project that involves a predictable amount of work during a recurring measurable time period (such as weekly committee meetings) should be budgeted in terms of projected hours and fees for the time period (such as 20 hours and \$8,500 per week).

**4.04. Projects That Cannot Be Budgeted Meaningfully.** For each Project that a Billing Professional believes cannot be budgeted meaningfully the Project Budget shall consist of a statement to that effect.

**4.05. Time for Submission.** A Project Budget for each existing Project shall be submitted to the Committee on or before August 1, 2002, and may cover only work to be performed after that date. Each subsequent Project Budget shall be submitted to the Committee as soon as possible after the start of the Project that it covers.

## SECTION 5: FEE APPLICATIONS

**5.01. Projects To Coincide with Projects in Professional Budget.** In order to facilitate the application of Professional Budget Comparison Procedures, each Fee Application shall be divided into the same Projects as the Billing Professional's Professional Budget with any unbudgeted Projects divided out separately.

**5.02. Submission of Professional Budget Comparison.** Each Fee Application should include, either in the Fee Application itself or in a separate document, a Professional Budget Comparison comparing the actual fees with the budgeted fees. The reason that each material unbudgeted Project was not budgeted should be explained; each variance of the amount billed for a Project from the amount budgeted of ten percent (10%) or more, whether over or under budget, should be explained; and each material variance of the services performed on a Project from the services budgeted to be performed, whether over or under budget, should be explained. If a Project covered by the Fee Application had not been completed as of the closing date for the Fee Application, the Fee Application shall give an estimate of the percentage of completion as of that date. Comparisons of the budgeted and actual experience levels, time, fees, and services and estimates of percentage of completion may be presented in whatever form the Billing Professional believes to be most useful and effective.

**5.03. Approval of Professional Budget Comparison by Client.** Each Billing Professional shall review the Professional Budget Comparison with his client. Given the time pressures of meeting deadlines for filing Fee Applications, this review may be done after the Fee Application is filed. Each Billing Professional shall submit either in the Professional Budget Comparison or in a

separate document an affirmative representation that the Professional Budget Comparison has been reviewed with and approved by the client. If a Billing Professional is unable to obtain the approval of his client, he shall submit a statement that the Professional Budget Comparison has not been approved that explains the reason therefor.

**5.04. Review by Committee.** In reviewing Fee Applications, the Committee will compare actual services performed and fees and expenses requested with the Professional Budget. The Committee will also begin employing Professional Budget Comparison Procedures on a trial basis as soon as it is practicable to do so. In order to retain flexibility in developing effective Professional Budget Comparison Procedures, the Committee will not attempt at this time to formalize them either in the Budget Procedures or in the Procedures.

## **SECTION 6: COMPENSABILITY AND IMPORTANCE**

**6.01. Compensability of Preparation of Professional Budgets.** The Bankruptcy Court has expressed the belief that the preparation of Professional Budgets can be an effective means of controlling and reviewing compensation in the Enron Case and has ordered their preparation pursuant to procedures adopted by the Committee. The Committee is therefore of the view that preparation of Professional Budgets is compensable as a necessary service in the Enron Case subject to the same rules as any other compensable service, including that the time spent must be reasonable.

**6.02. Importance of Professional Budgets.** In order to have the effect intended by the Bankruptcy Court Professional Budgets must be prepared by a professional of significant authority in his organization. For that reason, Professional Budgets should be prepared either by the person in the firm in charge of the Enron Case or by some other senior person designated by the person in

charge who has knowledge, experience, and authority adequate to provide the Professional Budgets with the importance to which they are entitled. The Professional Budgets should be provided to the professionals working on the Enron Case. Those professionals should be instructed to be guided by the Professional Budgets in budgeting the time that they bill to the Enron Case and promptly to report any material variance between the budgeted work and the work actually being performed, whether over or under budget.

#### **SECTION 7: CONFIDENTIAL TREATMENT OF PROFESSIONAL BUDGETS**

**7.01. Designation of Professional Budget for Confidential Treatment.** A Billing Professional submitting a Professional Budget may designate all or any portion of it for Confidential Treatment. The Billing Professional shall provide any portion of the Professional Budget designated for Confidential Treatment only to the Chairman, the United States Trustee Representative, the Professional Staff, and those Members who would not compromise the Confidential Treatment. The Billing Professional shall submit any portion of the Professional Budget not designated for Confidential Treatment to the Committee.

**7.02. Termination of Need for Confidential Treatment.** If a Billing Professional has designated all or any portion of a Professional Budget for Confidential Treatment and the Billing Professional becomes aware that the need for Confidential Treatment has ceased, the Billing Professional shall notify the Chairman promptly and shall provide the Professional Budget promptly to the other Members. If matter in a Professional Budget that has been designated for Confidential Treatment is disclosed in a Monthly Statement or Fee Application that is filed without confidentiality, the Chairman may inform the Billing Professional that he considers the need for

Confidential Treatment to have ceased. The Billing Professional shall provide the Professional Budget or relevant part of it promptly to the other Members unless he disagrees with the Chairman's position. If the Billing Professional and the Chairman do not reach agreement on the need for continued Confidential Treatment, the Billing Professional shall submit the issue promptly to the Bankruptcy Court for determination.

**7.03. Reference to Professional Budgets in Advisory Reports.** The Committee will make reference to Professional Budgets in its Advisory Reports. It will attempt to do so in such a way as to minimize impact on the Confidential Treatment of the Professional Budget. Each Fee Application shall include a statement of what portions, if any, of the Billing Professional's relevant Professional Budgets may be filed with the Bankruptcy Court. To the extent relevant, the Committee may append those portions to the Advisory Report so that they may be considered by the Bankruptcy Court. Applicants will have an opportunity to review in advance with the Committee the manner in which their Professional Budgets are referenced and appended as part of the review of Preliminary Advisory Reports pursuant to the Procedures.

#### **SECTION 8: SUBMISSION TO THE COMMITTEE**

**8.01. Manner of Making a Submission to the Committee.** A submission to the Committee shall be made by sending either by United States Mail or by some other reliable means copies of those items, in those formats, and to those persons specified in subsections 8.02 through 8.09.

**8.02. Copy to the Chairman.** A hard copy only of each item submitted shall be sent with a direction to any courier service to leave the package inside the door to the garage if no one is home to the following:



Joseph Patchan, Committee Chairman  
14800 County Line Road  
Hunting Valley, Ohio 44022  
(440) 247-5158

**8.03. Copy to the United States Trustee Representative.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Professional Budget submitted shall be sent to the following:

Mary Elizabeth Tom, Esq., United States Trustee Representative  
Office of the United States Trustee  
21<sup>st</sup> Floor  
33 Whitehall Street  
New York NY 10004  
(212) 510-0500

**8.04. Copy to the Enron Representative.** A hard copy only of each item submitted shall be sent to the following:

K. Wade Cline, Esq., Debtors' Representative  
Managing Director and Assistant General Counsel  
Enron Corp.  
EB50M04  
1400 Smith Street  
Houston TX 77002  
(713) 345-4226

Short documents may be sent by e-mail to [Wade.Cline@enron.com](mailto:Wade.Cline@enron.com).

**8.05. Copy to the Creditors' Committee Representative.** A hard copy only of each item submitted shall be sent to the following:

Mr. Steven C. Wimpenny, Creditors' Committee Representative  
Group Senior Vice President  
Financial Restructuring and Recovery Department  
ABN AMRO Bank N.V.  
Park Avenue Plaza  
55 East 52<sup>nd</sup> Street  
New York NY 10055  
(212) 409-6804

Short documents may be sent by e-mail to [steven.wimpenny@abnamro.com](mailto:steven.wimpenny@abnamro.com).

**8.06. Copy to the Employee Committee Representative.** A hard copy only of each item submitted shall be sent with a direction to any courier service to leave the package on the porch if no one is home to the following:

Michael Moran, Esq., Employee Committee Representative  
174 Wedgewood Drive West  
Montgomery TX 77356  
(936) 597-7002

**8.07. Copy to the Chief Applications Analyst.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Professional Budget submitted (not an attachment to an e-mail) shall be sent with a direction to any courier service to leave the package on the front porch if no one is home to the following:

John Silas Hopkins, III, Applications Analyst  
376 Martin Meadow Pond Road  
Lancaster, New Hampshire 03584-3218  
(603) 837-2173

**8.08. Copy to the Automated Applications Analyst.** A hard copy of each item submitted together with a disk or diskette containing a copy of any Professional Budget submitted (preferably in one of four formats—PDF, Microsoft Word, WordPerfect, or Lotus Notes) shall be sent to the following:

John J. Marquess, Automated Applications Analyst  
Legal Cost Control  
255 Kings Highway East  
Haddonfield, New Jersey 08033  
(856) 216-0800

**8.09. Copy to the Accounting and Financial Applications Analyst.** A hard copy of each item submitted by an accountant or a financial or restructuring advisor together with a disk or

diskette containing a copy of any Professional Budget submitted (preferably in Microsoft Excel format) shall be sent to the following:

Howard L. Klein, Accounting and Financial Applications Analyst  
25550 Chagrin Boulevard, Suite 204  
Beachwood, Ohio 44122  
(216) 831-7600, Extension 14

## **EXHIBIT B—FINAL COMPENSATION PROCEDURES OF THE FEE COMMITTEE IN THE ENRON CASE**

The Final Compensation Procedures of the Fee Committee in the Enron Case follow as Exhibit A with their original pagination retained so that tables and references will remain accurate.

# Final Compensation Procedures of the Fee Committee in the Enron Case

## MEMBERS

Jerry Patchan, Chairman  
Walter Theus, United States Trustee Representative  
Wade Cline, Debtors' Representative

## PROFESSIONAL STAFF

Si Hopkins, Chief Applications Analyst  
John Marquess, Automated Applications Analyst  
Howard Klein, Accounting and Financial Applications Analyst  
Dave Hathaway, Assistant Applications Analyst  
Mary Jansing, Assistant Applications Analyst  
Jan Ostrovsky, Assistant Applications Analyst

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## SECTION 1: DEFINITIONS

The following Definitions apply to the provisions of the Final Compensation Procedures:

**1.01. Advisory Report** means an Advisory Report of the Committee on an Application.

**1.02. Applicant** means the person or entity whose fees or expenses are the subject of an Application and includes any representative of that person or entity.

**1.03. Application** means an application filed by a Professional pursuant to paragraph 2.i. of the January 17 Order or the request for expenses in any other application filed pursuant to paragraph 2.i. of the January 17 Order.

**1.04. April 26 Order** means the Order Supplementing Administrative Order Dated January 17, 2002 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals by Establishing Fee Committee, Directing Preparation of Professional Budgets and Formatting for Presentation of Billing Statements, which was entered by the Bankruptcy Court on April 26, 2002.

**1.05. Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of New York presiding over the Enron Case.

**1.06. Chairman** means the Chairman of the Committee appointed by the Bankruptcy Court.

**1.07. Committee** means the Fee Committee appointed by the Bankruptcy Court in the Enron Case.

**1.08. Debtors** means Enron Corp. and those of its affiliated entities that are the debtors in the Enron Case.

**1.09. Enron Case** means the jointly administered Chapter 11 cases of the Debtors No. 01-16034 (AJG).

**1.10. Final Applicant** means a Professional that is required by the Bankruptcy Court to file a Final Compensation Application.

**1.11. Final Compensation Advisory Report** means an Advisory Report filed by the Committee pursuant to Section 2 of the Final Compensation Procedures.

**1.12. Final Compensation Application** means an Application filed by a Professional pursuant to Section 2 of the Final Compensation Procedures.

**1.13. Final Compensation Procedures** means these Final Compensation Procedures of the Fee Committee in the Enron Case.

**1.14. Final Fee Hearing** means the hearing conducted by the Bankruptcy Court on a Final Compensation Application.

**1.15. He** is gender neutral and means he, she or it depending on whether the reference is to a male, to a female or to an entity that is not a natural person.

**1.16. January 17 Order** means the Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, which was entered by the Bankruptcy Court on January 17, 2002.

**1.17. Meeting** means a meeting of the Committee held on the call of the Chairman.

**1.18. Preliminary Advisory Report** means a Preliminary Advisory Report on an Application prepared by the Chairman or by a Professional Staff Member designated by the Chairman.

**1.19. Procedures** means the Procedures of the Fee Committee in the Enron Case as in effect at the relevant time.

**1.20. Professional** means an Applicant retained on a basis other than a fixed fee who is subject to the January 17 Order.



**1.21. Professional Staff** means the Professional Staff of the Committee employed pursuant to Orders of the Bankruptcy Court.

**1.22. Professional Staff Member** means a member of the Professional Staff.

## **SECTION 2: FINAL COMPENSATION REVIEW**

**2.01. Meeting on Final Compensation Application.** The Committee will conduct a Meeting with each Final Applicant on his Final Compensation Application. The Meeting will be conducted on the basis of the Final Compensation Application. The Committee will not prepare a Preliminary Advisory Report; but the Committee will inform the Final Applicant before the Meeting of any issue of concern to the Committee that the Committee would like the Final Applicant to address at the Meeting. The Final Applicant may be heard in person or by telephone at a time and place to be arranged by the Final Applicant with the Chairman. The Final Applicant shall have the opportunity to provide to the Committee written and oral input. Any entity that has filed an Objection to the Final Compensation Application shall have the right to appear and provide written and oral input at the Meeting. The Committee may also request and receive written and oral input from any other entity. Before the Meeting the Committee will inform the Final Applicant and all others who are invited to attend the Meeting of the identities of all persons that the Committee expects to attend. The Final Applicant shall have the opportunity to make an argument to the Committee in the nature of an oral argument. Any entity that has filed an Objection to the Final Compensation Application shall also have the opportunity to make an argument to the Committee in the nature of an oral argument. The Committee may permit any other entity to make an argument to the Committee in the nature of an oral argument. The Final Applicant shall have the opportunity to respond to the argument of any other entity.

**2.02. Fee Committee Factors for Assessing Final Compensation Applications.** The Fee Committee will consider the following factors in assessing Final Compensation Applications to the extent that they are applicable to a particular Final Applicant:

1. The Final Applicant's role, objectives, and accomplishments in the Enron Case;
2. The time billed for the services and the billing rates;
3. Steps taken by the Final Applicant to manage and control, and to inform his client of, the quality and cost of his services, including budgeting and discussion of budgets with his professional and other personnel and with his client;
4. Coordination of the Final Applicant's services with those of other professionals in the Enron Case to limit or prevent duplication of work being done;
5. The outcomes and results of matters handled by the Final Applicant;
6. The anticipated benefit of the Final Applicant's services to the estate or other entity represented by the Final Applicant, including specific results achieved by the Final Applicant either solely or in cooperation with other professionals;
7. The intricacy of the matters, issues, and questions addressed;
8. The opposition encountered and the problems that arose;
9. Any amounts by which the fees of the Final Applicant have been reduced voluntarily prior to their submission to or review by the Committee identified by work code or, if none, by description;
10. Any amounts by which the fees of the Final Applicant have been reduced at the recommendation of the Committee identified by work code or, if none, by description;
11. Any amounts by which the expenses of the Final Applicant have been reduced voluntarily prior to their submission to or review by the Committee identified by expense category;
12. Any amounts by which the expenses of the Final Applicant have been reduced at the recommendation of the Committee identified by expense category;
13. Any other matters that the Fee Committee believes should be considered by the Bankruptcy Court in its final determination of compensation and expense reimbursement for the Final Applicant.

**2.03. Final Compensation Advisory Report.** The Committee will file a Final Compensation Advisory Report for each Final Applicant. The Final Compensation Advisory Report will make a

recommendation to the Bankruptcy Court as to final compensation for the services performed during the period from December 2, 2001, through July 15, 2004, by the Final Applicant. The Final Compensation Advisory Report will include a recommendation as to the amount that would constitute reasonable compensation and a statement of the reasons for the recommendation and the facts on which the recommendation is based. The recommended amount may be more or less than, or equal to, the total of recommended interim compensation for that Final Applicant. The Final Compensation Advisory Report will also state the cumulative amount of each category of expense requested by the Final Applicant, the cumulative adjustment recommended by the Committee, and the basis for the adjustment. The Final Compensation Advisory Report may recommend adjustments to the expenses requested by the Final Applicant in addition to or different from those that were recommended in Advisory Reports.

**2.04. Effect of Final Compensation Advisory Report.** The Final Compensation Advisory Report is advisory only. The Bankruptcy Court will be free to agree or to disagree with anything in the Final Compensation Advisory Report and will in no way be bound by the Committee's recommendation on any issue. Nor will the right of the Debtors, the Official Creditors' Committee, the United States Trustee or any other party in interest to object to, to support, or to comment on any Application or Final Compensation Application or any Advisory Report or Final Compensation Advisory Report be affected in any way by the participation of its representative in the conclusions of the Final Compensation Advisory Report or by the recommendations of the Final Compensation Advisory Report. The purpose of the Final Compensation Advisory Report is to aid the Bankruptcy Court's consideration and determination of reasonable compensation for all the services rendered and expenses incurred by each Final Applicant in the Enron case during the period from December 2,

2001, through July 15, 2004, not to transfer to the Committee the authority to approve fees and expenses.

**2.05. Applicability of the Procedures.** To the extent that any matter is not covered by the Final Compensation Procedures and to the extent appropriate and not inconsistent with the provisions of the Final Application Procedures, the provisions of the Procedures shall apply.

**EXHIBIT C—SUMMARY OF FEES REQUESTED AND FEES  
RECOMMENDED BY THE FEE COMMITTEE**

Professional Firm	A Total Fees Requested Per Fee Applications	B Fees Recommended by Fee Committee	C Reduction
Alston & Bird	72,597,680.43	71,066,038.04	1,531,642.39
Andrews & Kurth	19,793,101.20	19,302,376.07	490,725.13
Baker & Hostetler	69,766.00	37,920.87	31,845.13
Neal Batson	1,810,821.25	1,809,810.25	1,011.00
Professor Benston	420,907.50	411,034.00	9,873.50
Cadwalader	23,444,408.65	22,419,360.46	1,025,048.19
Charles River Associates	3,345,195.75	3,286,419.93	58,775.82
Cloyes Partners	71,372.50	36,090.00	35,282.50
Collier Shannon Scott	6,237.50	710.00	5,527.50
Connell Foley	663,688.10	610,483.92	53,204.18
Crossroads LLC	51,721.00	48,287.25	3,433.75
Dyer Ellis/Blank Rome	2,107,775.35	1,875,369.61	232,405.74
Ernst & Young Corporate Finance	9,304,204.25	8,411,313.18	892,891.07
Ernst & Young LLP	35,625,602.75	32,427,243.65	3,198,359.10
Fergus	1,445,795.25	1,444,426.00	1,369.25
FTI	30,438,118.53	28,656,301.27	1,781,817.26
Gardere Wynne	24,320.50	19,579.50	4,741.00
Goldin	11,808,977.25	11,396,685.06	412,292.19
Goodin MacBride	209,377.50	194,137.27	15,240.23
Hanson Bridgett	6,808.00	6,808.00	0.00
Professor Hartgraves	401,610.00	401,340.00	270.00
Hattery Law Offices	730,601.50	723,481.00	7,120.50
Hilder & Associates	279,475.00	257,938.05	21,536.95
InteCap	12,972,345.50	12,529,782.92	442,562.58
Kaye Scholer	5,636,830.81	5,305,513.41	331,317.40
Kronish Lieb	3,298,662.30	3,167,578.74	131,083.56
LeBoeuf Lamb	32,574,611.50	31,790,962.44	783,649.06

Professional Firm	A Total Fees Requested Per Fee Applications	B Fees Recommended by Fee Committee	C Reduction
Manatt	289,274.50	250,200.99	39,073.51
McClain	359,100.50	295,187.12	63,913.38
McKool Smith	19,965,298.00	19,304,635.46	660,662.54
Mercer Human Resources Consulting, Inc.	700,540.00	700,540.00	0.00
Milbank	58,990,719.33	58,272,502.11	718,217.22
Miller Thomson	84,372.10	83,247.60	1,124.50
Nathan Associates	59,830.00	56,505.00	3,325.00
Nixon Peabody	41,613.50	31,890.52	9,722.98
Patch Inc.	429,822.50	429,822.50	0.00
Plante & Moran	6,290,549.99	6,185,693.99	104,856.00
PricewaterhouseCoopers	5,322,904.82	4,369,395.97	953,508.85
Quinn Emanuel	222,669.50	172,605.26	50,064.24
Skadden Arps	37,215,228.00	35,941,482.70	1,273,745.30
Squire Sanders	44,277,626.83	41,372,248.93	2,905,377.90
Susman Godfrey	943,335.25	901,064.99	42,270.26
Swidler Berlin	17,382,237.30	16,624,654.46	757,582.84
Thelen Reid & Priest	4,786,261.50	4,697,753.15	88,508.35
Togut	15,673,482.50	15,415,419.57	258,062.93
Tonkon Torp	807,208.00	791,575.96	15,632.04
Triad Communication	923,993.25	883,497.78	40,495.47
URS	692,758.28	730,681.49	(37,923.21)
Venable LLP	7,240,550.75	7,190,273.45	50,277.30
Waldron & Schneider, LLP	25,598.50	25,598.50	0.00
Waldron, Robbye	68,168.75	57,857.50	10,311.25
Weil Gotshal	150,385,942.35	147,997,328.89	2,388,613.46
Wilmer Cutler	3,959,199.75	3,901,414.56	57,785.19
<b>Totals</b>	<b>646,278,301.62</b>	<b>624,320,069.34</b>	<b>21,958,232.28</b>

**EXHIBIT D—SUMMARY OF EXPENSES REQUESTED AND  
EXPENSES RECOMMENDED BY THE FEE COMMITTEE**

Professional Firm	A Total Expenses Requested Per Fee Applications	B Expenses Recommended by Fee Committee	C Reduction
Alston & Bird	14,892,702.17	14,577,275.89	315,426.28
Andrews & Kurth	1,057,489.06	949,215.20	108,273.86
Baker & Hostetler	1,630.38	1,281.48	348.90
Neal Batson	10,325.95	10,325.95	0.00
Professor Benston	1,502.00	1,502.00	0.00
Blackstone	2,022,407.01	1,833,686.08	188,720.93
Cadwalader	2,476,563.77	2,379,743.69	96,820.08
Charles River Associates	285,642.49	68,526.64	217,115.85
Cloyes Partners	2,702.80	2,584.89	117.91
Collier Shannon Scott	17.49	17.49	0.00
Connell Foley	24,444.61	14,903.84	9,540.77
Crossroads LLC	0.00	0.00	0.00
Dyer Ellis/Blank Rome	117,181.10	107,978.70	9,202.40
Ernst & Young Corporate Finance	763,601.00	758,499.06	5,101.94
Ernst & Young LLP	1,896,501.00	1,857,640.52	38,860.48
Fergus	128,567.51	125,778.01	2,789.50
FTI	2,726,353.27	2,575,577.23	150,776.04
Gardere Wynne	302.48	302.48	0.00
Goldin	1,649,746.60	1,516,761.27	132,985.33
Goodin MacBride	19,249.61	18,239.61	1,010.00
Hanson Bridgett	55.67	55.67	0.00
Professor Hartgraves	88.00	88.00	0.00
Hattery Law Offices	54,109.91	53,369.01	740.90
Hilder & Associates	15,921.00	15,020.10	900.90
Houlihan Lokey	574,857.29	524,327.30	50,529.99
InteCap	425,242.46	421,601.84	3,640.62
Kaye Scholer	273,521.37	261,862.11	11,659.26
Kronish Lieb	145,775.11	130,055.91	15,719.20
LeBoeuf Lamb	1,128,302.07	1,077,382.86	50,919.21

Professional Firm	A Total Expenses Requested Per Fee Applications	B Expenses Recommended by Fee Committee	C Reduction
Manatt	13,998.64	10,667.17	3,331.47
McClain	20,564.74	18,805.83	1,758.91
McKool Smith	1,401,453.32	1,332,180.21	69,273.11
Mercer Human Resources Consulting, Inc.	0.00		0.00
Milbank	3,966,405.86	3,616,420.95	349,984.91
Miller Thomson	8,001.20	7,955.45	45.75
Nathan Associates	2,247.39	323.57	1,923.82
Nixon Peabody	8,970.48	6,758.10	2,212.38
Patch Inc.	104,444.14	104,444.14	0.00
Plante & Moran	481,289.72	476,834.20	4,455.52
PricewaterhouseCoopers	277,034.46	181,997.13	95,037.33
Quinn Emanuel	43,747.28	27,158.94	16,588.34
Relational Advisors (Batchelder)	858,459.90	826,526.32	31,933.58
Skadden Arps	2,007,245.00	1,940,555.51	66,689.49
Squire Sanders	13,816,086.69	13,755,347.19	60,739.50
Susman Godfrey	547,207.11	539,094.05	8,113.06
Swidler Berlin	1,377,409.47	1,224,981.67	152,427.80
Thelen Reid & Priest	315,940.54	291,570.92	24,369.62
Togut	889,025.34	751,550.85	137,474.49
Tonkon Torp	11,906.33	12,043.89	(137.56)
Triad Communication	103,218.73	102,110.62	1,108.11
URS	211,238.93	168,173.36	43,065.57
Venable LLP	399,776.94	393,115.38	6,661.56
Waldron & Schneider, LLP	1,194.15	481.82	712.33
Waldron, Robbye	1,284.28	1,284.28	0.00
Weil Gotshal	10,224,867.78	9,573,428.49	651,439.29
Wilmer Cutler	706,194.83	632,576.98	73,617.85
<b>Totals</b>	<b>68,494,016.43</b>	<b>65,279,989.85</b>	<b>3,214,026.58</b>