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

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In re	:	Chapter 11
ENRON CORP., et al.,	:	Case No. 01-16034 (AJG)
Debtors.	:	Jointly Administered
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NOTICE OF MOTION OF ENRON CORP., ET AL. FOR ORDER, PURSUANT TO SECTIONS 105(a), 363(b) AND 502(c) OF THE BANKRUPTCY CODE AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 3018, 7042, AND 9019, (1) ESTABLISHING PROCEDURES TO ESTIMATE DISPUTED, UNLIQUIDATED, OR CONTINGENT CLAIMS, (2) ESTABLISHING PROCEDURES TO ESTIMATE COUNTERCLAIMS, (3) ESTABLISHING PROCEDURES TO COMPROMISE CLAIMS AND COUNTERCLAIMS AND (4) FIXING NOTICE PROCEDURES AND APPROVING FORM AND MANNER OF NOTICE

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST THE ABOVE-CAPTIONED DEBTORS AND DEBTORS IN POSSESSION:

PLEASE TAKE NOTICE that on August 28, 2003, Enron Corp. ("Enron") and its affiliated debtor entities, as debtors and debtors in possession (collectively, the "Debtors"), filed a motion seeking entry of an order, pursuant to sections 105(a), 363(c), and 502(c) of the Bankruptcy Code and Rules 3018, 7042, and 9019 of the Federal Rules of Bankruptcy Procedures establishing (1) procedures to estimate disputed, unliquidated, or contingent claims, (2) procedures to estimate counterclaims, (3) procedures to compromise claims and counterclaims, and (4) fixing notice procedures and approving form and manner of notice (the "Motion").

PLEASE TAKE FURTHER NOTICE that:

A hearing will be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, in Room 523 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, on **September 25 2003, at 10:00 a.m.** (the "Hearing") to consider the entry of an order (the "Order") on the Motion.

Pursuant to the Motion, the Debtors propose that the estimation and settlement of certain claims filed against the Debtors (the "Claims") and certain claims of the Debtors against creditors (the "Counterclaims") and, if necessary, the prosecution and resolution of the Claims or Counterclaims, as the case may be, be conducted in accordance with the following procedures:

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- CAF _____
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- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
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- OTH None

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- **Debtors' Objection and Notice to Claimants**

Notice Package. The Debtors may object to Claims for the purposes of estimation (the "Estimation Objection")¹ and serve upon the respective Claimants, or their attorneys, if known, with a copy to the Creditors' Committee, (i) a notice of hearing for the Estimation Objection (the "Estimation Notice"), (ii) a copy of the relevant Estimation Objection, (iii) a form, substantially in the form annexed to the Motion as Exhibit "A", to be completed and verified by each Claimant and setting forth the elements and evidence to support such Claimant's Claim (the "Statement of Claim") and (iv) a copy of the Claims Procedures Order, substantially in the form annexed to the Motion as Exhibit "B", which Claims Procedure Order shall constitute the Court's Rule 16 Scheduling Order in the event the Debtors file a Counterclaim (collectively, the "Notice Package").

Service Upon Claimants. Service of the Notice Package shall be effectuated (a) in accordance with Bankruptcy Rules 2002 and 7004, Federal Rule of Civil Procedure 4 and this Court's Second Amended Case Management Order Establishing, Among Other Things, Noticing Electronic Procedures, Hearing Dates, Independent Website and Alternative Methods of Participation at Hearings, dated December 17, 2002 (the "Case Management Order"), (b) to the extent an attorney for a Claimant is unknown, by first class mail, postage prepaid, upon the signatory on the Claimant's proof of claim or other representative identified in the proof of claim and any attachment thereto, or (c) by first class mail, postage prepaid, on any attorney who has entered a notice of appearance and appeared on the Claimant's behalf in the Debtors' chapter 11 cases.

¹ Contemporaneously with the filing of the Motion, the Debtors filed a Motion For Order, Pursuant to Sections 105(a), 502, 1125 and 1126 of The Bankruptcy Code and Rules 3003, 3017 and 3018 of The Federal Rules of Bankruptcy Procedures in Connection with the Plan Process and Temporary Allowance of Claims Procedures Related Thereto (the "Temporary Allowance Motion"). The Temporary Allowance Motion proposes certain guidelines and procedures for temporarily allowing claims for voting purposes only in connection with soliciting votes on the Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Code (as may be amended, the "Plan"). Under certain circumstances as set forth in the Temporary Allowance Motion, creditors must follow the procedures ordered by the Bankruptcy Court in connection with the Temporary Allowance Motion in order to have their claim temporarily allowed for purposes of voting on the Plan. These circumstances include, but are not limited to, if a creditor's claim is the subject of a pending objection. The Temporary Allowance Motion is on file with the Court and may be examined by interested parties by accessing the Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court or the independent website www.elaw4enron.com established by the Case Management Order for posting of documents in the Debtors' cases.

Estimation Notice. The Estimation Notice shall (i) provide the Claimant one hundred thirty-five (135) days notice of the hearing on the Estimation Objection (the “Estimation Hearing”) and (ii) direct the Claimant to complete and return the executed Statement of Claim within thirty (30) days after the date of the Estimation Notice.

- **Claimant’s Response - Statement of Claim**

Statement of Claim. Within thirty (30) days of the service date of the Estimation Notice, the Claimant shall complete, execute, and serve upon the Debtors, attorneys for the Debtors and attorneys for the Creditors’ Committee (collectively, the “Estate Parties”), the Statement of Claim setting forth a detailed explanation, and, if appropriate, categorization by amount of such Claimant’s Claim, not to exceed five (5) pages in length (including the Statement of Claim form), exclusive of documentary and statutory exhibits, including, without limitation, the elements and evidence in support of the Claim. Any Statement of Claim that fails to specify an amount greater than \$0.00 shall be deemed to be \$0.00 for allowance and distribution purposes. The Claimant’s timely filed proof of claim form and all of the documents attached thereto shall remain part of the record for estimation purposes and should not be included in or attached to the Statement of Claim.

Default, Grace Period and Discharge. The Claimant shall serve the Statement of Claim upon the Estate Parties in accordance with the terms of the Estimation Notice and the Case Management Order. If a Claimant fails to return timely a completed and executed Statement of Claim, so as to be received on or before the thirtieth (30th) day following the date of the Estimation Notice, and receives a grace period notice from the Debtors and does not complete and return the Statement of Claim so as to be received by the Estate Parties on or prior to the fifteenth (15th) day following the date of such grace period notice, such Claimant’s Claim shall be deemed forever discharged, disallowed, waived and expunged against the Debtors and the Debtors’ chapter 11 estates and the Bankruptcy Court shall enter an appropriate order in connection therewith.

- **Debtors’ Reply - Statement of Position**

Statement of Position. In the event that a Claimant timely serves a Statement of Claim, on or before the later to occur of (a) thirty (30) days following the Debtors’ receipt of a Statement of Claim and (b) forty-five (45) days following the service of the Estimation Notice, the Debtors shall respond to the respective Statement of

Claim by completing, executing, and serving upon the relevant Claimant, with a copy to the attorneys for the Creditors' Committee, a statement (the "Statement of Position") outlining the Debtors' arguments and defenses with respect to the Claim and the elements and evidence set forth in the Statement of Claim; provided, however, that, in the event that the Debtors maintain a Counterclaim with respect to a particular Claim and Claimant, the Debtors may also set forth in the Statement of Position the elements and verified statement of evidence supporting such Counterclaim. The Debtors' Statement of Position shall not exceed five (5) pages in length, exclusive of documentary and statutory exhibits; provided, however, that such length shall be enlarged to ten (10) pages in the event that a Counterclaim is submitted by the Debtors in the Statement of Position.

Claimant's Response to Counterclaim. In the event that the Debtors assert a Counterclaim, within twenty (20) days thereof, the Claimant shall respond to such Counterclaim by completing, executing and serving upon the Estate Parties a Statement of Position outlining the Claimant's argument and defenses with respect to the Counterclaims. The Claimant's Statement of Position shall not exceed five (5) pages in length, exclusive of documentary and statutory exhibits.

Settlement Offer. At any time after receipt of a Statement of Claim, the Debtors (or the Claimant, if a Counterclaim is submitted) may offer, in writing (with a copy to the Creditors' Committee), to settle a particular Claim or Counterclaim, as the case may be (the "Settlement Offer"). Subject to the procedures set forth herein, the Debtors may make a Settlement Offer to any Claimant who timely submits a completed and signed Statement of Claim which fulfills the requirements set forth above. Each Settlement Offer shall constitute statements made for settlement purposes only and, pursuant to Rule 408 of the Federal Rules of Evidence, shall be inadmissible in any proceeding with respect to the Claim or a Counterclaim.

Claimant's Acceptance of Settlement Offer. Each Claimant shall be required to accept or reject the Settlement Offer or submit in writing (with a copy to the Creditors' Committee), a counter-offer (a "Counteroffer") within ten (10) days after its mailing by the Debtors or the Claimant, as the case may be.

Acceptance or Rejection of Counteroffer. If a Counteroffer is tendered, the Debtors or Claimant shall be required to accept or reject the Counteroffer, in writing (with a copy to the Creditors' Committee) within ten (10) days of the service of the Counteroffer.

Creditors' Committee Involvement. The Debtors shall consult with, and provide periodic updates to, the Creditors' Committee on the number, size and nature of the Claims and on the Debtors' general plans to resolve the Claims. In the event that (1) a settlement provides for allowance of a Claim in an amount greater than One Hundred Million Dollars (\$100,000,000.00), (2) a settlement constitutes twenty percent (20%) or more of the estimated total allowed Claims against a particular Debtor and more than One Million Dollars (\$1,000,000.00), (3) a settlement (i) provides for allowance of a Claim in an amount greater than Twenty Million Dollars (\$20,000,000.00) and (ii) constitutes more than one hundred five percent (105%) of the amount reflected on the Debtors' books and records or (4) a settlement provides for allowance of a Claim of an employee or insider in an amount greater than One Hundred Thousand Dollars (\$100,000.00), then the Debtors shall obtain the consent of the Creditors' Committee prior to the acceptance or rejection of any such Settlement Offer or Counteroffer, and prior to filing any settlement stipulation (as defined below) in respect of such Settlement Offer or Counteroffer; provided, however, that in the case of De Minimis Settlements (as defined below), prior approval of the Creditors' Committee shall not be required and the procedures set forth below shall govern.

- **No Settlement Reached**

Deemed Submission to Court. If (1) a Claimant who has completed and signed a Statement of Claim rejects a Settlement Offer and refuses to make a Counteroffer, or (2) the Debtors reject a Claimant's Counteroffer, the Debtors shall compile and file with the Bankruptcy Court the Claimant's proof of claim, the Notice Package, the Estimation Objection, the Statement of Claim, and the Statement of Position (collectively, the "Claim File") for purposes of a hearing on estimation of the Claim pursuant to Estimation the Objection and in accordance with the Claims Procedures Order.

Extension of Settlement Period. Upon mutual written consent, the parties may exchange additional settlement offers following rejection of a Settlement Offer or a Counteroffer, as the case may be.

- **Estimation Hearing**

Hearing. An Estimation Hearing shall be held on the first omnibus hearing day ten (10) days after submission of the Claim File.

Oral Argument. Subject to the Bankruptcy Court's discretion to increase or decrease the hearing time, each party shall have fifteen (15) minutes to explain its position to the Bankruptcy Court.

Evidentiary and Legal Record. The evidentiary and legal record shall be confined to the Claim File; provided, however, that the Bankruptcy Court may allow or require additions to the record when necessary or appropriate.

Resolution. Upon the Bankruptcy Court's review of the evidentiary submissions and oral argument at the Estimation Hearing, the Bankruptcy Court shall estimate the relevant Claims and Counterclaims for all purposes. In accordance with section 502(d) of the Bankruptcy Code, to the extent that the Bankruptcy Court allows a Claim and grants a Debtors' Counterclaim, the Claimant shall not receive any distribution on account of such Claim until the Claimant with respect thereto has fully paid the appropriate Debtor on account of the corresponding Counterclaim.

- **Entry of Settlement Stipulation**

De Minimis Settlements. If the Debtors and a Claimant agree to a compromise and settlement of a Claim and, in connection therewith, an allowed claim equal to or less than Twenty Million Dollars (\$20,000,000.00), where such settlement amount constitutes less than twenty percent (20%) of the estimated total allowed claims for the relevant Debtor, the Debtors shall file with the Clerk of the Bankruptcy Court and send to BSI, as Claims Agent, a stipulation setting forth such agreed upon amount (a "De Minimis Stipulation"). The De Minimis Stipulation shall become effective and binding upon all parties-in-interest upon its filing with the Clerk and shall not require the endorsement or approval of the Bankruptcy Court; provided, however, that, prior to the effective date of any joint chapter 11 plan for the Debtors, any De Minimis Stipulation shall be served upon attorneys for the Creditors' Committee ten (10) days prior to the submission to the Clerk of the Bankruptcy Court; and, provided further, that, in the event that the Creditors' Committee serves a written objection on the Debtors prior to the expiration of such ten-day period, the Debtors shall have the option of (y) withdrawing such De Minimis Stipulation and (z) treating such De Minimis Stipulation as a Settlement Stipulation, as defined below; and, provided, further, that, under no circumstances shall a De Minimis Stipulation provide for payment other than in accordance with the terms and conditions of a plan confirmed in the Debtors' chapter 11 cases in accordance with section 1129 of the Bankruptcy Code.

Court-Approved Settlements. If the Debtors and a Claimant agree to a compromise and settlement of a Claim and, in connection therewith, an allowed claim in excess of Twenty Million Dollars (\$20,000,000.00), the Debtors shall seek Bankruptcy Court approval of such compromise and settlement and corresponding stipulation and order (the "Settlement Stipulation") in accordance with the terms and conditions of the Case Management Order on ten (10) days' notice upon the Office of the United States Trustee and the Creditors' Committee. If no objections to the Settlement Stipulation are timely filed, the Debtors shall submit an order approving the Settlement Stipulation without further notice or hearing. If an objection is timely interposed, the matter will be scheduled for hearing at the next omnibus hearing date; provided, however, that, under no circumstances, shall a Settlement Stipulation provide for payment other than in accordance with a confirmed plan in the Debtors' chapter 11 cases. If the Bankruptcy Court does not approve the Stipulation Settlement, the Debtors, at their discretion, may elect to negotiate further with the Claimant or may deem settlement negotiations terminated and seek to estimate the Claim pursuant to the Estimation Procedures Order.

If the relief requested in the Motion is approved, then the forgoing procedures will be binding on all creditors.

If you have any question as to how your claim is docketed by BSI, you may access publicly available information via the internet by accessing BSI's website at <http://www.bsillc.com>. BSI will continue to update the database available on its website through October 1, 2003.

The Motion is on file with the Court and may be examined by interested parties by accessing the Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court or the independent website www.elaw4enron.com established by the Case Management Order for posting of documents in the Debtors' cases.

All responses or objections to the Motion, if any, must be in writing, shall conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers), and shall be served in accordance with General Order M-242 upon (1) the Debtors, 1400 Smith Street, Houston, Texas 77002-7361, Attention: General Counsel; (2) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attention: Martin J. Bienenstock, Esq. and Brian S. Rosen, Esq. (Facsimile: 212-310-8007), counsel to the Debtors; (3) Togut, Segal & Segal LLP, One Penn Plaza, New York, New York 10119, Attention:

Albert Togut, Esq. (Facsimile: 212-967-4258), co-counsel to the Debtors; (4) Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, New York 10005, Attention: Luc Despins, Esq. (Facsimile: 212-530-5219), counsel to the Creditors' Committee; (5) Kronish Lieb Wiener & Hellman L.L.P., 1114 Avenue of the Americas, New York, New York 10036-7798, Attention: James A. Beldner, Esq. (Facsimile: 212-479-6275), counsel to the Employee Related Issues Committee; (6) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attention: Mary Elizabeth Tom, Esq.; (7) Davis, Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attention: Donald S. Bernstein, Esq. (Facsimile: 212-450-3800), counsel to JP Morgan Chase Bank, as Agent; (8) Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, Attention: Fredric Sosnick, Esq. (Facsimile: 212-848-7179), counsel to Citicorp, as Agent; (9) Squire, Sanders & Dempsey, L.L.P., 312 Walnut Street, Suite 3500, Cincinnati, OH 45202, Attention: Stephen D. Lerner, Esq. (Facsimile: 513-361-1201), co-counsel to the Creditors' Committee; (10) counsel to any other committee appointed in the Debtors' chapter 11 cases; and (11) any person, or counsel if retained, appointed pursuant to 28 U.S.C. § 1104, in each case so as to be actually received by no later than 4:00 p.m. (New York City Time) on September 22, 2003.

DATED: August 28, 2003
New York, New York