

Exhibit C

ECF # 3278

ORIGINAL ¹

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
In the Matter of:

ENRON CORP., ET AL.,

Case No.

01-16034

Debtor.
-----x

April 11, 2002

2:00 p.m.

United States Custom House

One Bowling Green

New York, New York

B E F O R E:

HON. ARTHUR J. GONZALEZ, U.S. BANKRUPTCY JUDGE

Ruling in reference to: One, the schedules; two, exclusivity; and three, the D&O insurance issue

Reported by:

Linda D. Noto, RPR, CSR

FILED
U.S. BANKRUPTCY COURT
2002 APR 16 P 2:22
S.D. OF N.Y.

ENRON CORP., ET AL.,

A p p e a r a n c e s:

WEIL, GOTSHAL & MANGES, LLP
Attorneys for Debtors
767 Fifth Avenue
New York, New York 10153-0119

BY: MARTIN J. BIENENSTOCK, ESQ.
- and -
RICHARD L. LEVINE, ESQ.
- and -
HANS S. HWANG, ESQ.

WEIL, GOTSHAL & MANGES, LLP
Attorneys for Debtors
1501 K Street, N.W., Suite 100
Washington, D.C. 20005

BY: DAVID R. BERZ, ESQ.

WEIL, GOTSHAL & MANGES, LLP
Attorneys for Debtors
700 Louisiana, Suite 1600
Houston, Texas 77002

BY: STEPHEN T. LODEN, ESQ.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TEXAS

JOHN CORNYN

Post Office Box 12548

Austin, Texas 78711-2548

BY: JEFF BOYD, DEPUTY ATTORNEY
GENERAL FOR LITIGATION

- and -

HAL F. MORRIS, ASSISTANT ATTORNEY

GENERAL - SENIOR ATTORNEY

BANKRUPTCY & COLLECTIONS DIVISION

ENRON CORP., ET AL.,

A p p e a r a n c e s: (Continued)

THOMPSON & KNIGHT LLP

Attorneys for Dunhill Group
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201

BY: DAVID M. BENNETT, ESQ.

CARRINGTON COLEMAN SLOMAN & BLUMENTHAL L.L.P.

Attorneys for Kenneth Lay
200 Crescent Court, Suite 1500
Dallas, Texas 75201-1848

BY: RUSSELL F. NELMS, ESQ.

CADWALADER, WICKERSHAM & TAFT

Attorneys for PG&E
100 Maiden Lane
New York, New York 10038

BY: EDWARD A. SMITH, ESQ.

ENRON CORP., ET AL.,

A p p e a r a n c e s : (Continued)

CLIFFORD CHANCE ROGERS & WELLS LLP

Attorneys for PE&E, GTN

200 Park Avenue

New York, New York 10166-0153

BY: WENDY ROSENTHAL, ESQ.

REED SMITH LLP

Attorneys for The Wiser Oil Company

375 Park Avenue, 17th Floor

New York, New York 10152

BY: DEBORAH A. REPEROWITZ, ESQ.

McCLAIN & SIEGEL, P.C.

Attorneys for The Employment

Related Issues Committee

909 Fannin, Suite 4050

Houston, Texas 77010

BY: DAVID McCLAIN, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s: (Continued)

KRONISH LIEB WEINER & HELLMAN, LLP
Attorneys for The Employee
Related Issues Committee
1114 Avenue of the Americas
New York, New York 10036-7798

BY: RONALD R. SUSSMAN, ESQ.

BARRY A. BROWN, ESQ.
Attorney for Upstream Energy Services
as agent for the gas producers
The Arena Tower, Suite 1100
7322 Southwest Freeway
Houston, Texas 77074

ARTER & HADDEN, LLP
Attorneys for AEGIS Insurance
101 West Broad Street, Suite 2100
Columbus, Ohio 43215-3422

BY: DAN A. BAILEY, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s : (Continued)

PHILLIPS NIZER, LLP
Attorneys for AEGIS
600 Old Country Road
Garden City, New York 11530-2011
BY: LOUIS A. SCARCELLA, ESQ.

TOGUT, SEGAL & SEGAL LLP
Attorneys for Enron et al
One Penn Plaza
New York, New York 10119
BY: FRANK A. OSWALD, ESQ.
-and-
SCOTT RATNER, ESQ.

NICKENS, LAWLESS & FLACK, L.L.P.
Attorneys for Officers Regarding
Insurance Carriers
1000 Louisiana Street, Suite 5360
Houston, Texas 77002
BY: JACK C. NICKENS, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s : (Continued)

KASOWITZ, BENSON, TORRES & FRIEDMAN, LLP
Attorneys for Appaloosa Management L.P.,
Oaktree Capital Management, LLC,
Angelo Gordon & Co., L.P.,
Elliott Associates, L.P.
1633 Broadway
New York, New York 10019-6799

BY: RICHARD F. CASHER, ESQ.

GOLUB & GOLUB, LLP
Attorneys for Rio Piedras
225 Broadway, Suite 1515
New York, New York 10007

BY: CHRISTOPHER P. BRUNDAGE, ESQ.
- and -
FRANK JAKLITSCH, ESQ.

MILBANK, TWEED, HADLEY & MCCLOY LLP
Attorneys for Official Comm. of the
Unsecured Creditors Committee
1 Chase Manhattan Plaza
New York, New York 10005-1413

BY: LUC A. DESPINS, ESQ.
- and -
MATTHEW BARR, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s : (Continued)

DALTON GOTTO SAMSON & KILGARD
Attorneys for Tittle
Suite 900, National Bank Plaza
3101 N. Central Avenue
Phoenix, Arizona 85012

BY: GARY A. GOTTO, ESQ.

ENTWISTLE & CAPPUCCI LLP
Attorneys for Florida State Board
of Administration
200 Park Avenue
New York, New York 10171-1499

BY: ANDREW J. ENTWISTLE, ESQ.

GIBBS & BRUNS, L.L.P.
Attorneys for Enron Outside Directors
1100 Louisiana, Suite 5300
Houston, Texas 77002

BY: ROBERT MADDEN, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s: (Continued)

GENOVESE JOBLOVE & BATTISTA, P.A.
Attorneys for Class Claimants
in Houston Action
Bank of America Tower
100 Southeast Second Street, 36th Floor
Miami, Florida 33131
BY: CRAIG P. RIEDERS, ESQ.
- and -
JOHN GENOVESE, ESQ.

TONKON TORP LLP
Attorneys for Ken L. Harrison
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
BY: ZACHARY W.L. WRIGHT, ESQ.

SHEARMAN & STERLING
Attorneys for Citigroup
599 Lexington Avenue
New York, New York 10022-6069
BY: FREDRIC SOSNICK, ESQ.

ENRON CORP., ET AL.,
A p p e a r a n c e s : (Continued)

DAVIS POLK & WARDWELL

Attorneys for JP Morgan Chase Bank
450 Lexington Avenue
New York, New York 10017

BY: MARSHALL SCOTT HUEBNER, ESQ.

ROPES & GRAY

Attorneys for Present and Former
Outside Directors
One International Place
Boston, Massachusetts 02110-2624

BY: WILLIAM F. MCCARTHY, ESQ.

APPEARING TELEPHONICALLY

NEBENZAHL KOHN DAVIS & LEFF LLP

ALBERT DAVIES, ESQ.

MERTON RANDEL DAVIES, ESQ.

WOLLMUTH, MAHER & DEUTSCH LLP

KIRSTIN PETERSON, ESQ.

VORYS, SATER, SEYMOUR & PEASE

JONATHAN AIREY, ESQ.

WEIL, GOTSHAL & MANGES LLP

MARGARITA COALE, ESQ.

ROPES, GRAY

GREG KADEN, ESQ.

1 ENRON CORP., ET AL.,

2 THE COURT: Please be seated.

3 All right. My recollection, if I
4 left something out I'll have to go back in and get
5 some more papers, but my recollection is that
6 there are three decisions I have to read into the
7 record: One, the schedules; two, exclusivity; and
8 three, the D&O insurance issue.

9 Was there anything else that I
10 reserved on this morning?

11 All right. I'll deal first with
12 exclusivity and then I'll read a decision with
13 respect to the D&O. And when I deal with
14 exclusivity, I'll deal as well with the schedules.

15 Cause exists to extend the Debtors
16 exclusive periods as to all the Debtors.

17 With respect to ENA, the Court will
18 do the following: One, extend ENA's exclusive
19 period to August 31st, 2002; two, sua sponte
20 expand the ENA Examiner's role to that of the
21 facilitator of a plan in the ENA case and direct
22 him to file a report regarding the status of those
23 efforts including a recommendation as to any
24 further extension of ENA's exclusivity; three,
25 such report shall be filed on or before July 26,

1 ENRON CORP., ET AL.,

2 2002.

3 With respect to the other Enron
4 Debtors, the exclusive period is extended as
5 requested by the Debtor and the Committee for the
6 six-month period sought.

7 With respect to the schedules, the
8 Court grants the Debtors' request for the
9 additional 60 days and the related relief sought.
10 And the Debtor is to serve an order with respect
11 to both of those issues, and obviously settle it
12 upon the ENA Examiner with respect to the
13 exclusivity issue.

14 Regarding the AEGIS motion and the
15 outside directors. Concerning the motions filed
16 by AEGIS and the outside directors to lift the
17 automatic stay to allow AEGIS to pay amounts under
18 the AEGIS D&O Policy and the AEGIS Fiduciary and
19 Employee Benefit Liability Policy, first, as set
20 forth by the Movants, their motion to lift the
21 stay is the procedurally correct method to have
22 this matter presented to the Court.

23 Therefore, currently at issue is
24 the payment of the defense costs incurred by the
25 officers and directors.

1 ENRON CORP., ET AL.,
2 The D&O Policy provides for
3 coverage of the directors and officers,
4 indemnification coverage for the Debtor, and
5 entity coverage for the Debtor.

6 Pursuant to the terms of the D&O
7 Policy, the directors have a right to advancement
8 of defense costs under a priority of payments
9 endorsement.

10 The Debtors' entity coverage and
11 its indemnification coverage are expressly
12 subordinated to the rights of the directors and
13 officers under the AEGIS D&O policy.

14 As the Debtors' property rights are
15 defined by state law, it is that law that governs
16 the contractual obligation; thus, any directors
17 and officers currently due defense costs covered
18 by the policy must be paid from the proceeds of
19 the policy first. The Debtors are then entitled
20 to have their own claims for defense costs paid.

21 The Debtors note the importance of
22 providing the officers and directors with this
23 type of coverage. The Debtors assert that the
24 Debtor, itself, is entitled to currently-due
25 defense costs and will seek payment once the

1 ENRON CORP., ET AL.,
2 directors and officers receive payments for the
3 amounts currently due them.

4 With respect to the payment of
5 officers and directors' defense costs, to the
6 extent that any such payments would negatively
7 impact the Debtors' interest in the proceeds of
8 the D&O policy, that result is dictated by the
9 negotiated terms of the policy.

10 As certain officers and directors
11 may have present rights to payment of defense
12 costs, the fact that certain parties may in the
13 future assert claims and potentially become
14 entitled to payment from the insurance policies
15 does not preclude those who are currently entitled
16 to payment from receiving it.

17 In any case, the parties are bound
18 by the contractual provisions of the policy. The
19 Debtors' interest in the policy is limited by its
20 contractual provisions including a priority
21 advancement and payment obligations contained in
22 those policies. The Court cannot rewrite the
23 provisions of the contract.

24 The Objectants acknowledge the
25 terms of the contract. Some of the Objectants

1 ENRON CORP., ET AL.,
2 argue that because AEGIS and the outside directors
3 are seeking to invoke this Court's jurisdiction
4 concerning the lifting of the stay, that gives
5 this Court leeway to set conditions upon which the
6 stay would be lifted. However, in this case, any
7 such action would result in changing the terms of
8 the contract.

9 The Court finds that, while
10 exercising jurisdiction concerning the issue of
11 lifting the stay, it should not exercise
12 jurisdiction over the terms of the contract and
13 will not interfere with those terms.

14 Under the AEGIS Fiduciary Policy,
15 the coverage afforded the relevant Debtors is
16 co-extensive with the coverage afforded the
17 individual insureds. However, that policy
18 provides a special \$10 million fund earmarked for
19 defense costs.

20 Payment from that fund will protect
21 the coverage that is available for payment of
22 settlements and judgements. Moreover, payment
23 from the special funds requires written approval
24 from the Debtor. These two aspects protect the
25 Debtors' interest.

1 ENRON CORP., ET AL.,

2 In addition, the Debtors have
3 referenced the estates' interest in having
4 individual defendants vigorously defend themselves
5 in light of the potential for vicarious liability.

6 The Debtors also have asserted that
7 the payment of the individual claimants' defense
8 cost from the special \$10 million fund should not
9 limit the availability of proceeds that may be
10 required by the Debtor.

11 Based upon the pleadings filed and
12 the record of this hearing, the Court finds that
13 because of the entity coverage, the stay is
14 implicated. However, the Debtors' interest appear
15 minimal.

16 Moreover, the Debtors' interest
17 should not be expanded by this Court. They should
18 receive no greater protection than their contract
19 rights afford them.

20 The Court finds cause to lift the
21 stay and grant the motion to permit the parties to
22 exercise their contractual rights under the D&O
23 Policy.

24 In addition, the Court grants the
25 motion to lift the automatic stay to the extent

1 ENRON CORP., ET AL.,
2 that the individual insureds and the Debtors may
3 exercise their contractual rights against the
4 \$10 million special fund portion of the Fiduciary
5 Policy.

6 The Movants shall settle an order
7 upon the appropriate parties.

8 We will begin again, I think, at
9 2:30. Thank you.

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11 (Time noted: 2:05 p.m.)

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C E R T I F I C A T E

STATE OF NEW YORK)

)SS.:

COUNTY OF NEW YORK)

I, LINDA D. NOTO, a Certified
Shorthand Reporter, Registered
Professional Reporter and Notary Public
within and for the State of New York, do
hereby certify:

I reported the proceedings in the
within entitled matter, and that the
within transcript is a true record of
such proceedings.

I further certify that I am not
related, by blood or marriage, to any of
the parties in this matter and that I am
in no way interested in the outcome of
this matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this 11th day of April, 2002.



LINDA D. NOTO, C.S.R., R.P.R.

License Number XI 01887 - N.J.

License Number 001002 - N.Y.