Justice Department finds billing irregularities by former interim Enron CEO

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WASHINGTON – The turnaround expert who led Enron Corp. through its bankruptcy engaged in unacceptable billing practices and has agreed to cut in half the $25 million he has been seeking as a “success fee,” the Justice Department said Monday.

The department's U.S. Trustee Program, which monitors the administration of bankruptcy cases, said it uncovered the billing problems after Stephen Forbes Cooper LLC and its principal, Stephen Cooper, asked the U.S. Bankruptcy Court in New York for $25 million as the fee for guiding the one-time energy giant, decimated by scandal, through its Chapter 11 case.

The firm denied any billing irregularities, but agreed to reduce its request to $12.5 million after the trustee's office shared the results of its investigation with the bankruptcy court, according to papers filed with the bankruptcy court. The court agreement did not spell out the billing issues.

U.S. Bankruptcy Judge Arthur Gonzalez will determine the size of the success fee.

The firm is part of Kroll Zolfo Cooper LLC, of which Cooper is chairman.

“While most, including Enron's creditor committee, supported the amount of the proposed fee, others objected,” Kroll Zolfo Cooper said in a statement Monday. “Recognizing that a prolonged disagreement would not benefit Enron's creditors or employees, and in the interest of moving forward, we have agreed to resolve our differences, reduce the requested amount and move on.”

Cooper and his firm already have been paid $107 million for their work. Enron hired Cooper in January 2002.

Enron had gone bankrupt a month earlier, following revelations of fraudulent accounting, hidden debt and inflated profits. Enron founder Kenneth Lay and former Enron Chief Executive Jeffrey Skilling are on trial in Houston on fraud and conspiracy charges.

Cooper's firm claimed credit for holding off on selling assets immediately at fire-sale prices, eventually gaining $12.8 billion to distribute to creditors rather than half that. It also said it shaved $1.2 billion off professional fees for lawyers, accountants, consultants and others by wrapping up the bankruptcy in three years.

Since then, Cooper has been hired to try to save troubled Krispy Kreme Doughnuts Inc. The company is facing federal investigations into its finances, as well as lawsuits by franchisees and workers who claim to have lost everything since its stock plunged in May 2004.
