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## **FORMER ENRON VICE PRESIDENT CHRISTOPHER CALGER PLEADS GUILTY TO CONSPIRACY AND AGREES TO COOPERATE**

WASHINGTON, D.C. – Christopher Calger, a former Enron vice president, has pleaded guilty to a charge of conspiracy to commit wire fraud, Acting Assistant Attorney General John Richter of the Criminal Division, Enron Task Force Director Andrew Weissmann, and Assistant Director Chris Swecker of the FBI announced today.

Calger, 39, of Westport, Connecticut, entered the guilty plea today before Judge Lynn Hughes at the U.S. District Court in Houston. As part of his plea, Calger has agreed to cooperate fully and truthfully with the Enron Task Force's ongoing criminal investigation into the collapse of Enron. Calger pleaded guilty to one count of conspiracy to commit wire fraud and faces a maximum sentence of five years in prison and a fine of \$250,000 or twice the loss incurred.

The information and plea documents signed by Calger state that he was a vice president in charge of the West Power Origination group of Enron North America (ENA). In that capacity, he supervised employees who negotiated the sale of an ENA project known as Coyote Springs II (CS2) to a subsidiary of Avista Corp. The CS2 project consisted of an equity interest in a power plant, a construction contract to build the plant, and a turbine to be placed in the plant. Calger admitted that he and others engaged in a scheme to recognize earnings prematurely and improperly. Specifically, Enron's auditors would not allow Enron to recognize immediate gain on the turbine sale unless that sale occurred at least two weeks before the equity sale in the plant (the "equity interest") and the signing of the construction contract. The reason for the two-week separation was to demonstrate that the turbine sale was independent from the equity sale and the construction contract.

However, Avista was concerned that it would buy the turbine and then would not be able to buy the equity interest two weeks later. Enron therefore arranged for LJM2, a company managed by Enron Chief Financial Officer Andrew Fastow, to provide a "put" option to Avista for the turbine. Under the put agreement, Avista would have the right to require LJM2 to buy the turbine if Enron did not sell the equity interest to Avista two weeks after the turbine sale from Enron to Avista.

Calger admitted that Enron, and not Avista, paid for the put by reducing the purchase price of the turbine that Enron sold Avista by the amount of the purchase price of the put, meaning that Avista was not paying any more than it would have if the deal had been consummated without the put. Calger also admitted that LJM2 orally agreed to refund approximately \$3.1 million of the \$3.54 million put payment to ENA if, as expected, the put agreement expired unexercised at the end of the 14-day put period. ENA also agreed that if Avista exercised the put, ENA would buy the turbine back from LJM2.

So as to avoid detection of the scheme, Calger admitted that ENA improperly hid LJM2's participation in this transaction, and the oral agreements referenced above, from Enron's outside auditor. Before the turbine sale closed, Calger admitted that he received a draft legal risk memorandum for the CS2 project, prepared by an internal Enron lawyer assigned to the deal. The legal risk memorandum spelled out LJM2's participation in the transaction, including the understanding that LJM2 would refund most of the put payment to ENA through other deals on a later date. The legal risk memorandum also stated in substance that this understanding between ENA and LJM2 could not be documented due to accounting concerns and was not reflected in the deal approval sheet for the turbine sale. Despite keeping this information from outside review, Calger admitted that Enron's internal lawyers and accountants agreed that the sale would go forward.

The put agreement between LJM2 and Avista expired unexercised and therefore, in accordance with the oral understanding, LJM2 owed \$3.1 million to ENA for the put refund. Calger further admitted that Enron's Chief Accounting Officer agreed to "credit" ENA for this figure, since LJM2 had promised to make it up to Enron in future transactions.

Enron, at one time the seventh-ranked company in the United States with stock trading as high as \$80 per share in August 1999, filed for bankruptcy protection on Dec. 2, 2001 and its stock became virtually worthless.

The investigation into Enron's collapse is being conducted by the Enron Task Force, a team of federal prosecutors within the Justice Department's Criminal Division, and agents from the FBI and the Internal Revenue Service Criminal Investigations Division. The Enron Task Force also has coordinated with the Securities and Exchange Commission. The Enron Task Force is part of the President's Corporate Fraud Task Force, created in July 2002 to investigate allegations of fraud and corruption at U.S. corporations.

To date, 34 defendants have been charged in connection with the work of the Enron Task Force, including 25 former Enron executives. With the plea today, 16 defendants have so far been convicted. The Enron Task Force has obtained more than \$163 million in forfeiture for restitution to victims.

The Enron Task Force investigation is continuing.

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