

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS

United States Courts
Southern District of Texas
FILED

AUG 11 2005

HOUSTON DIVISION

Michael N. Milby, Clerk of Court

UNITED STATES OF AMERICA	\$	CASE NO. CR-H-05-286
	\$	
VERSUS	\$	HOUSTON, TEXAS
	\$	JULY 14, 2005
CHRISTOPHER CALGER	\$	10:35 A.M. TO 11:12 A.M.

REARRAIGNMENT

BEFORE THE HONORABLE LYNN N. HUGHES
UNITED STATES DISTRICT JUDGE

APPEARANCES:

FOR THE PLAINTIFF:	SEE NEXT PAGE
FOR THE DEFENDANT:	SEE NEXT PAGE
CASE MANAGER:	DAWNA KELLY
COURT RECORDER:	CARMEN PEEBLES

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FOR THE DEFENDANT:

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NEW YORK, NEW YORK 10004

1 **THE COURT:** Thank you. Be seated.

2 *United States of America versus Christopher*
3 *Calger.* Is that how you pronounce it?

4 **THE DEFENDANT:** Yes, sir.

5 **THE COURT:** All right. Come up.

6 Raise your right hand, please, sir.

7 **(The Defendant is sworn)**

8 **THE COURT:** What's your name, please, sir.

9 **THE DEFENDANT:** Christopher Calger.

10 **THE COURT:** How old are you?

11 **THE DEFENDANT:** Thirty-nine.

12 **THE COURT:** How much education do you have?

13 **THE DEFENDANT:** I received a Masters degree.

14 **THE COURT:** In what?

15 **THE DEFENDANT:** In business.

16 **THE COURT:** Of what country are a citizen?

17 **THE DEFENDANT:** United States.

18 **THE COURT:** Are you under the care of a physician or
19 a psychologist?

20 **THE DEFENDANT:** I'm not.

21 **THE COURT:** Using drugs or alcohol?

22 **THE DEFENDANT:** No.

23 **THE COURT:** Are you okay this morning?

24 **THE DEFENDANT:** Okay.

25 **THE COURT:** Have you had a chance to discuss this

1 case with your lawyer, -- Pileggi?

2 MS. PILEGGI: That's correct, Your Honor. Thank you.

3 THE DEFENDANT: Yes, I have.

4 THE COURT: Are you happy with the work that she has
5 done for you?

6 THE DEFENDANT: Yes.

7 THE COURT: Have you read this information that
8 charges you?

9 THE DEFENDANT: I have.

10 THE COURT: Do you think you understand it well
11 enough that I can skip reading it to you now?

12 THE DEFENDANT: Yes, I do.

13 THE COURT: Has he waived the indictment?

14 MS. LACEWELL: Yes, Your Honor, he waived the
15 indictment before Magistrate Stacy, and she also read almost
16 verbatim the information to him.

17 THE COURT: Did you discuss the waiver of indictment
18 and what grand juries do and don't do and --

19 THE DEFENDANT: Yes, I did.

20 THE COURT: -- then what they are? Because, what
21 you're proposing here is to give up the grand jury and the
22 little jury.

23 THE DEFENDANT: Right. I discussed it extensively
24 with counsel.

25 THE COURT: All right. How do you plead to the count

1 in the information?

2 **MS. PILEGGI:** The defendant is prepared to enter a
3 guilty plea, Your Honor.

4 **THE COURT:** Is that right?

5 **THE DEFENDANT:** Correct, I plead guilty.

6 **THE COURT:** Mr. Calger, do you understand that under
7 the Constitution, you have right to a trial by a jury, the
8 little one. At that trial, you will be considered innocent.
9 You would remain innocent unless the Government proved its
10 charges beyond a reasonable doubt. The Government would have
11 to prove that you're guilty by bringing witnesses into court to
12 testify in front of you about what you did. Your lawyer could
13 object to the Government's evidence. Your lawyer could ask
14 questions of the Government's witnesses for your side of the
15 story. And she could bring in other witnesses for your side of
16 the story, if there are any.

17 At the trial, you could testify if you wanted
18 to. If you chose not to testify, no one could use it against
19 you that you did not testify, and no one could make you
20 testify.

21 If you plead guilty, there'll be no jury, no
22 exhibits, no witnesses, no trial, and you'll have to testify
23 against yourself, because I'm going to ask you about what you
24 did to make sure you really did what the Government has charged
25 you with.

1 Have you discussed these rights, and do you
2 still want to plead guilty?

3 **THE DEFENDANT:** I have discussed them, and I still
4 want to plead guilty.

5 **THE COURT:** You're charged in Count One with
6 conspiring to commit mail fraud.

7 **MS. LACEWELL:** Excuse me, wire fraud, Your Honor.

8 **THE COURT:** What difference does that make?

9 **MS. LACEWELL:** It's a different statute, Your Honor,
10 Use of wires instead of use of the mails.

11 **THE COURT:** Wire fraud. The elements of that are
12 that someone, some two people, at least, got together and came
13 up with a plan to commit a crime. And at least one of those
14 folks did something to carry out the plan rather than just
15 talking about it. That you found out about the plan or were
16 originator. If you weren't originator, you knew the illegal
17 purpose and you joined in to help accomplish the illegal
18 purpose, not by accident or mistake. And the plan included
19 using interstate instrumentalities of wire communication for
20 the purpose of cheating somebody out of a bunch of money. Any
21 question about the elements?

22 **THE DEFENDANT:** No.

23 **THE COURT:** The penalty is up to five years in prison
24 and up to a quarter of a million dollar fine or twice the loss,
25 three years of supervised release, and most ridiculous of all,

1 a hundred dollar tax. Any question about the punishment?

2 **THE DEFENDANT:** No.

3 **THE COURT:** And I can tell you a quarter of million
4 dollars is. I cannot tell you what the Government thinks the
5 amount of the loss is. But I need to tell you that the
6 Government frequently thinks the amount of the loss is
7 everything that ever happened bad to anybody that had anything
8 to do with Enron. I'm not going, probably, to be the one to
9 sentence you. It can be anything from the direct loss,
10 occasioned by exactly what you did. The reasonably direct loss
11 from this particular conspiracy are all related conduct. And I
12 have no what position they'll take, but so your fine could
13 range from up to a quarter of a million dollars up to 60/70
14 billion.

15 And this supervised release business is sort of
16 like being on probation. And so for three years you would be
17 reporting to a Probation Officer. If you didn't do what she
18 said, I could send you to prison for three more years. So,
19 essentially, by pleading guilty, you're giving me reasonably
20 absolute control of your life for 11 years. The five years
21 then three years, because if on the last day of the three
22 years, you messed up, I could then ruin your life for three
23 more years.

24 Has anybody threatened or forced you to plead
25 guilty?

1 **THE DEFENDANT:** No.

2 **THE COURT:** Now --

3 **(Government attorney whispers to Defense Attorney)**

4 **(Pause)**

5 **THE COURT:** All right, I understand you made a deal
6 with the Government. And that deal is if you plead guilty to
7 this information, it won't prosecute you for any other crimes.

8 **(Pause)**

9 **THE COURT:** I'm not sure about paragraph 13.

10 **MS. LACEWELL:** Yes, Your Honor, the breach paragraph?

11 **THE COURT:** Right.

12 **MS. LACEWELL:** I think that paragraph is just meant
13 to spell out the consequences should the defendant breach the
14 agreement.

15 **THE COURT:** Well, I know, but if the Government
16 decides it wants to rescind the deal because of his breach,
17 shouldn't the entire contract be rescinded?

18 **MS. LACEWELL:** If that's the bargain between the
19 parties, Your Honor, that the Government would have the
20 discretion -- Well, not that the Government could unilaterally
21 decide to rescind, but should the defendant breach, the
22 Government could in its discretion decide to tear up the
23 agreement, that's right.

24 **THE COURT:** No, this paragraph, as I read it this
25 morning, and I only had one cup of coffee when I read it so it

1 may not have soaked in, but if you decide he breached, you can
2 cancel the -- all your obligations to him and his obligations
3 to you continue.

4 **MS. LACEWELL:** Yes, Your Honor, that's the standard
5 language that --

6 **THE COURT:** Ma'am, there's no such thing as a
7 standard contract. Contracts are negotiated between two
8 parties, and they may endlessly repeat themselves. That's a
9 fact. But that seems peculiar.

10 **MS. LACEWELL:** Well, I simply wanted to let the Court
11 know for whatever worth it may have that this is the agreement,
12 the language that we have been using in the various interim
13 prosecutions.

14 **THE COURT:** Well, I know, but you don't want to
15 invite me to criticize the language of this agreement. We'd be
16 here all day.

17 **MS. LACEWELL:** That's right. But this is the
18 agreement that supports, as the Court suggests, that was
19 negotiated between the parties.

20 **(Pause)**

21 **THE COURT:** Is there a paragraph in here about
22 bankruptcy fraud and terrorism?

23 **MS. LACEWELL:** No, Your Honor.

24 **THE COURT:** I thought you all were putting that in
25 your everything.

1 **MS. LACEWELL:** Not to my knowledge, Your Honor.

2 **THE COURT:** Apparently, some Congressman complained
3 that it shows up in plea agreements all the time now. They're
4 not releasing you if they catch you having committed bankruptcy
5 fraud, and there's something else, terrorism and things that's
6 just not likely to be relevant in -- as you suggest. I don't
7 think they have the dignity that boilerplate has. And that's a
8 nice industrial thing that functions. Rubbish might be a
9 better description. That's stuff they just keep throwing in.

10 That's the deal you want to make?

11 **THE DEFENDANT:** It is, Your Honor.

12 **THE COURT:** That if you mess up, they're not going to
13 do anything for you, but you're still stuck to do everything
14 you told them you'd do?

15 **THE DEFENDANT:** That's part of the overall deal.

16 **THE COURT:** Has this agreement been signed?

17 **MS. LACEWELL:** No, Your Honor, it was my
18 understanding we should sign before Your Honor.

19 **THE COURT:** Suits me.

20 **(The parties sign plea agreement)**

21 **THE COURT:** You all are moving downhill. Rosenthal
22 is gone so it went to Hittner. Hittner is gone so you're down
23 to me.

24 **MS. LACEWELL:** We're more than happy to be in front
25 of you.

1 **THE COURT:** Has anybody promised you anything other
2 than what's in that written agreement?

3 **THE DEFENDANT:** No.

4 **THE COURT:** Ms. Lacewell hasn't told you anything
5 good that she might do for you or --

6 **THE DEFENDANT:** No.

7 **THE COURT:** Ms. Pilleggi hasn't told you anything
8 that if you do this something else will work out good?

9 **THE DEFENDANT:** (Defendant shakes head).

10 **THE COURT:** Do you understand that you won't be able
11 to change your mind and change your plea back to not guilty?

12 **THE DEFENDANT:** Understood.

13 **THE COURT:** All right. I read the information. Is
14 that what you did?

15 **THE DEFENDANT:** Yes.

16 **THE COURT:** All right, I actually haven't read the
17 thing on the plea agreement. Is that what you did?

18 **THE DEFENDANT:** Yes.

19 **THE COURT:** Tell me why what you did was wrong?

20 **THE DEFENDANT:** I signed a dash, a deal approval
21 sheet call at Enron related to the Coyote Springs transaction.

22 **THE COURT:** So, the affect to your signature was to
23 give it accounting approval?

24 **THE DEFENDANT:** Not accounting approval, but I was --
25 the employees that I supervise that had originated the Coyote

1 Springs transaction, and there was an approval process at Enron
2 in order for a transaction to be consummated there is people
3 within the chain of command had to sign off on it. And I
4 approved the transaction by signing the deal approval sheet,
5 even though --

6 **THE COURT:** Okay. So your staff worked it up, but it
7 couldn't go to the executive vice president for Pipelines and
8 Transmission without your approval?

9 **THE DEFENDANT:** Correct.

10 **THE COURT:** And what was it that was illegal in the
11 deal?

12 **THE DEFENDANT:** The deal approval sheet did not
13 include or mention the role of LJM in the transaction. It did
14 not include that aspect of the transaction.

15 **THE COURT:** But who owned the equity in LJM?

16 **THE DEFENDANT:** I do not know that.

17 **THE COURT:** Do you?

18 **MS. LACEWELL:** Your Honor, there were limited
19 partners. Many in the financial community and others who were
20 investors in that, but Mr. Fastow, the chief financial officer
21 of Enron was the managing partner.

22 **THE COURT:** So this is one of those special purpose
23 vehicles?

24 **MS. LACEWELL:** Yes, Your Honor.

25 **THE COURT:** As I understand it, you split the

1 transaction into two deals so that you could trade the turbine
2 as income and the other would be a capital transaction?

3 **THE DEFENDANT:** That's correct.

4 **THE COURT:** But LJM, is that the name of it?

5 **MS. LACEWELL:** Yes, Your Honor.

6 **THE COURT:** LJM agreed with Asto Vista --

7 **THE DEFENDANT:** Avista,

8 **THE COURT:** -- Avista to buy for a fixed price the
9 turbine if Enron did not in fact sell the pipeline and the
10 compressor station, or whatever it was.

11 **THE DEFENDANT:** The rest of the power plant.

12 **THE COURT:** For the purposes of Enron, what
13 difference did it make that LJM had a liability to acquire the
14 turbine?

15 **THE DEFENDANT:** It facilitated Enron's ability to
16 recognize the earnings from the sale of the turbine.

17 **THE COURT:** But that's not illegal.

18 **THE DEFENDANT:** I think the fact that there is a
19 liability from LJM back to Enron, and that relationship was not
20 disclosed to its auditors.

21 **(Attorney and Defendant whisper)**

22 **THE COURT:** If I could -- Tell me if Enron had a
23 liability to LJM?

24 **THE DEFENDANT:** That is correct. And LJM had a
25 liability to Enron. If Avista put the turbine back to LJM

1 Enron was obligated to take that turbine back from LJM.

2 **THE COURT:** All right. It wasn't clear. So, the
3 problem was the sale of the turbine was potentially circular?

4 **THE DEFENDANT:** Correct.

5 **THE COURT:** And the LJM put was covered by the
6 obligation of Enron to pick it up if they did. So it really
7 was a put issued from Enron to Avista, and that was not
8 disclosed?

9 **THE DEFENDANT:** That's correct.

10 **THE COURT:** If it had been disclosed, would that have
11 destroyed the accounting advantage of splitting the deal?

12 **THE DEFENDANT:** I believe so.

13 **THE COURT:** Is that right?

14 **MS. LACEWELL:** Yes, Your Honor.

15 **THE COURT:** I mean I don't know anything about
16 accounting. But --

17 **MS. LACEWELL:** Enron has required that there be no
18 intertwining of the turbine and the rest of the plant, and the
19 fact that we tied them together.

20 **THE COURT:** How long would the option have to have
21 had to run before the auditors would have treated them as
22 separate transactions?

23 **MS. LACEWELL:** Well, the put option was for the 14
24 days between --

25 **THE COURT:** I know it was far. The question was,

1 If -- You're telling me 14 days was insufficient separation,
2 because there's nothing illegal about a put. There's nothing
3 illegal about dividing the transaction as long as you divide
4 the transaction. And so, if Enron's obligation to reacquire
5 the turbine had extended for 18 months, would that have been
6 objectionable to the auditors?

7 **MS. LACEWELL:** Your Honor, all I can tell the Court
8 is that if Anderson had been aware that there was the 14 day
9 put between phase one --

10 **THE COURT:** I want to know how much difference there
11 is -- how much --

12 **MS. LACEWELL:** The existence of the puts of any
13 duration, the existence of an oral agreement for Enron to buy
14 it back; the existence of an oral agreement for LMJ to refund
15 most of the put payment to Enron if the put was not in fact
16 exercised, each of those were things that were concealed from
17 Anderson, and that --

18 **THE COURT:** But the premium on the put was
19 immaterial.

20 **MS. LACEWELL:** No, the premium -- Enron -- Well, it
21 was not immaterial under the circumstances of this case, Your
22 Honor, because --

23 **THE COURT:** But it was immaterial from an accounting
24 point.

25 **MS. LACEWELL:** Not according to Enron's auditors,

1 Your Honor.

2 **THE COURT:** How much was it?

3 **THE DEFENDANT:** Three point.

4 **MS. LACEWELL:** LJM priced the puts at a daily receive
5 \$400,000 plus a 3.1 million dollar premium, which they would
6 kick back to Enron if the put was not exercised. Enron paid
7 for the put by carding that amount.

8 **THE COURT:** We've already agreed that it was an Enron
9 obligation.

10 **MS. LACEWELL:** The premium was not immaterial. And
11 the other reason it wasn't immaterial is because --

12 **THE COURT:** How much -- the put was three million
13 dollars?

14 **MS. LACEWELL:** The put was three and a half million
15 dollars.

16 **THE COURT:** Okay. And you're telling me a three and
17 a half million dollar transaction is material to Enron's
18 accounting activity?

19 **MS. LACEWELL:** I misunderstood the Court's question.
20 The amount was material to this deal, but if you're asking
21 whether this deal was material to the ENA business unit, that
22 was a separate question, and we're not required to prove
23 materiality to ENA. We have not charged securities fraud. We
24 charged, obviously, the one put.

25 **THE COURT:** It has to be a material misrepresentation

1 even in wire fraud.

2 MS. LACEWELL: It was material to this deal. It was
3 material to Anderson.

4 THE COURT: How much was the turbine?

5 MS. LACEWELL: Ah --

6 THE COURT: And the Government is certainly not
7 relying on Anderson as the gold standard for judgment in these
8 case, since you've indicted the entire company.

9 MS. LACEWELL: Your Honor, without getting into that,
10 which is a material -- because that was a completely separate
11 matter.

12 THE COURT: Wait a minute. You've just told me that
13 it made a difference to Anderson and therefore it should make a
14 difference to me when the Government has said that Enron are a
15 bunch of crooks. I mean, Anderson was a bunch of crooks. You
16 can't stand here and represent the work they did and their
17 judgment with Enron is a standard I should apply.

18 MS. LACEWELL: Your Honor --

19 THE COURT: And (indiscernible) down, two floors down
20 to Harmon.

21 MS. LACEWELL: Yes, Your Honor.

22 THE COURT: Two floors down, tell Judge Harmon that
23 they were all a bunch of lying conspirators.

24 MS. LACEWELL: Your Honor, most respectfully, to
25 accept this plea, the Court need only find that the defendant

1 conspired or agreed to engage in this scheme to defraud. And
2 the Court need not make these other findings.

3 **THE COURT:** I want to know that the fraud -- The only
4 reason it's fraudulent wasn't disclosed. The only fraud that
5 was committed was reliance by other people on the numbers that
6 did not disclose things, right?

7 **MS. LACEWELL:** I'm not sure I understand the Court's
8 question.

9 **THE COURT:** Who got cheated in this deal?

10 **MS. LACEWELL:** Enron, because the defendant and
11 others violated their duty of honesty and royalty to the
12 company.

13 **THE COURT:** Okay.

14 **MS. LACEWELL:** The shareholders, the SEC.

15 **THE COURT:** No.

16 **MS. LACEWELL:** This is not --

17 **THE COURT:** How much did the SEC lose in the deal?

18 **MS. LACEWELL:** Your Honor --

19 **THE COURT:** How much did the SEC -- That's a number.
20 Tell me, how much did the SEC lose in the deal?

21 **MS. LACEWELL:** False statements --

22 **THE COURT:** How much?

23 **MS. LACEWELL:** I can't answer that question.

24 **THE COURT:** Yes, you can, it's zero. We all know the
25 answer. It was what's known in some circles almost as a

1 rhetorical question. How much did Enron lose on the deal?

2 MS. LACEWELL: Enron did not lose money on the deal.

3 That's not the theory of the information before the Court.

4 THE COURT: Then, just answer my question.

5 MS. LACEWELL: Okay, I think I --

6 THE COURT: Enron did not lose any money on the deal.

7 MS. LACEWELL: That's right.

8 THE COURT: In fact, it made money on the deal.

9 MS. LACEWELL: Illegally. Enron should never have
10 declared the gain on this deal.

11 THE COURT: Let's wait a minute. Enron made money on
12 it?

13 MS. LACEWELL: Yes.

14 THE COURT: And apparently, would Enron have made
15 money if it had not had -- Well, actually, they were
16 structuring it so that they would pay more taxes, weren't they?
17 More taxes would have been owed as current income instead of
18 capital gain.

19 MS. LACEWELL: Yes, Your Honor.

20 THE COURT: So they structured the deal so that they
21 would owe more taxes.

22 MS. LACEWELL: I don't know exactly how the tax
23 effect would work, but it's certainly true they were declaring
24 more --

25 THE COURT: You don't know the difference between

1 their capital and their current income transaction?

2 **MS. LACEWELL:** I do, Your Honor, but I'm not steeped
3 in how Enron did its tax practices and whether this would have
4 had any effect.

5 **THE COURT:** Well, whether it had any effect, the
6 structure of this deal would have been to increase Enron's tax
7 liability. Whether it actually did depends on whether that
8 increase is offset by other things. So we don't know the net
9 effect. But we do know that this transaction could not have
10 been a tax avoidance scheme, right?

11 **MS. LACEWELL:** That's right.

12 **THE COURT:** So the only people who could have been
13 cheated by this fraud would have been investors who bought or
14 did not sell, based on this transactions effect on Enron's
15 earnings. That's your theory of the case?

16 **MS. LACEWELL:** In part, Your Honor.

17 **THE COURT:** And what's the other part?

18 **MS. LACEWELL:** Well, Your Honor, this is charged
19 principally as a conspiracy predicated on the right of honest
20 services, because this was done as a fraud. And so I don't
21 want to omit that when you say, you know a separate theory
22 potentially of the case.

23 **THE COURT:** So you want to convert every default by a
24 corporate officer into a wire fraud case?

25 **MS. LACEWELL:** Judge, I'm not trying to do any such

1 thing. I'm simply presenting this information to the Court,
2 which charge is a serious offense and not any default. The
3 charge is serious conduct by this defendant and others.

4 **THE COURT:** I'm only worried about what he did this
5 morning.

6 **MS. LACEWELL:** Judge, I'm not at liberty and I'm not
7 authorized to get into broader policy questions of things that
8 the Government may or may not pursue in other cases.

9 **THE COURT:** I'm not asking you to do that. I'm
10 asking you simple questions about this transaction and its
11 context.

12 **MS. LACEWELL:** Okay.

13 **THE COURT:** We do that in bank robberies.

14 **MS. LACEWELL:** Okay. Well, this case, it's more than
15 a simple default by an officer. He's in charge of the group
16 that was running this deal. He knew that the auditors were
17 being lied to. He knew that there were side deals that should
18 have been in writing. He knew there was an oral refund
19 arrangement --

20 **THE COURT:** And we know all of that, and that's not
21 wire fraud.

22 **MS. LACEWELL:** And that the wires were being used in
23 furtherance of the scheme, and that Avista was wiring money to
24 Enron and to LJM. Your Honor, most respectfully, that is wire
25 fraud.

1 **THE COURT:** Now, according to your employer,
2 everything is wire fraud. It's a far cry from what the statute
3 was intended to do when it was adopted. Mr. Favio down there,
4 if you rob a bank and you deposit -- if you mail the money to
5 your mother after you rob a bank, that's mail fraud too, isn't
6 it?

7 **MS. LACEWELL:** It may be, Your Honor.

8 **THE COURT:** So the Government's principal theory in
9 this case is that the accounting manipulation deprived the
10 corporation. They were cheated out of some proportion of this
11 guy's salary, because he wasn't doing what they were paying him
12 to do.

13 **MS. LACEWELL:** Yes, Your Honor, and others involved
14 in the scheme also.

15 **THE COURT:** Not others.

16 **MS. LACEWELL:** Well, that's what the information
17 charges, Judge. That his and other folks --

18 **THE COURT:** It's a conspiracy.

19 **MS. LACEWELL:** Right, and with respect to whose
20 honest services are at issue, the information says Calger and
21 others employed by Enron.

22 **THE COURT:** Well, who are the others now?

23 **MS. LACEWELL:** Well, there are at least two
24 identified in the information, Andrew Fastow and Richard
25 Causey. And the factual statement, Appendix A, --

1 **THE COURT:** Who is -- Who is Causey?

2 **MS. LACEWELL:** He was at the time in issue the
3 accounting officer of Enron.

4 **THE COURT:** Okay.

5 **(Pause)**

6 **THE COURT:** I've forgotten, what's the status of
7 Fastow's case?

8 **MS. LACEWELL:** He's pled guilty and he's awaiting
9 sentencing, Your Honor.

10 **THE COURT:** To what did he plead guilty?

11 **MS. LACEWELL:** I believe he pled guilty to two
12 conspiracy charges.

13 **(Pause)**

14 **THE COURT:** Why didn't the auditors have access to
15 the legal risk memorandum?

16 **MS. LACEWELL:** It was just the practice that Enron
17 adopts on internal document, Your Honor.

18 **THE COURT:** Well, what do the auditors look at?
19 Auditors look at internal documents.

20 Do you know that nobody at Anderson never looked
21 at legal risk memoranda?

22 **MS. LACEWELL:** I know that they did not look at the
23 one in this case. And I know that they typically did not see
24 them, and they were privileged.

25 **THE COURT:** There are a lot of what auditors look at

1 that's privileged.

2 (Pause)

3 THE COURT: How much were you paid?

4 THE DEFENDANT: Sir?

5 (Counsel whispers to Defendant)

6 THE COURT: How much were you paid?

7 THE DEFENDANT: My salary was approximately \$200,000
8 per year.

9 (Pause)

10 THE COURT: Do you agree with the characterization
11 that you consciously and intentionally agreed to cheat Enron,
12 omitted material data and used the wires?

13 THE DEFENDANT: Yes.

14 THE COURT: And there's a factual basis for your
15 plea. I find you guilty as charged on Count One, and your
16 sentencing is set for November 15th, 2005 at 8:45 a.m. You're
17 going to get a copy of the order, before Judge Rosenthal,
18 unless she's out of town; Hittner will do it; but if he's out
19 of town, I'll do it.

20 Anything else this morning?

21 MS. LASEWELL:

22 No, Your Honor. Thank you very much for seeing us on short
23 notice. We appreciate it.

24 THE COURT: Sure. Anything else?

25 MS. PILEGGI: Nothing else, Your Honor. Thank you,

1 Your Honor.

2 THE COURT: Thank you.

3 (These proceedings concluded at 11:12:37 a.m.)

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C E R T I F I C A T I O N

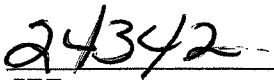
I certify that the foregoing is a correct
transcript from the electronic sound
recording of the proceedings in
the above-entitled matter.



Signature of Transcriber



Date



JTT #