

Name: Alert ID: TMML202403578687 WASHINGTON—Joseph Hirko, former co-chief executive officer of Enron Broadband Services (EBS), Enron's failed telecommunications business, was sentenced today to 16 months in prison, announced Assistant Attorney General Lanny A. Breuer of the Criminal Division. In addition to the prison term, U.S. District Court Judge Vanessa Gilmore ordered Hirko, 53, of Portland, Ore., to forfeit approximately \$7 million in restitution to victims through the U.S. Securities and Exchange Commission's Enron Fair Fund, in accordance with the terms of the plea agreement. Hirko pleaded guilty on Oct. 14, 2008, in U.S. District Court in Houston to one count of wire fraud charged in a superseding indictment. In July 2005, Hirko and four other EBS executives were tried on various charges of conspiracy to commit securities and wire fraud, securities fraud, wire fraud, insider trading and money laundering relating to their employment at Enron. The trial resulted in a mistrial, and Hirko was subsequently charged in a superseding indictment with wire fraud, securities fraud and insider trading. According to the superseding indictment and the plea agreement, Hirko participated in Enron's annual analyst conference in Houston at which Enron introduced EBS as one of its "core" units. Enron also announced the development of a broadband operating system or "BOS." According to the plea agreement, the BOS was purported to be an "intelligent" operating system and was described as, among other things, a standard protocol for accessing real-time bandwidth. As alleged in the superseding indictment, Enron issued a press release on May 15, 2000, announcing the acquisition of Warpspeed Communications. According to Hirko's guilty plea, the Warpspeed release falsely represented the status of the BOS and implied that it was already embedded and functioning as a part of Enron's network. Specifically, the Warpspeed release stated that the BOS "allows application developers to dynamically provision bandwidth on demand for the end-to-end quality of service necessary to deliver broadband content." According to the plea agreement, Hirko reviewed and approved this language even though the Warpspeed release contained material inaccurate representations regarding the BOS's status. In doing so, Hirko admitted that he acted with reckless indifference to the true facts, including: that the BOS was under development throughout his employment at Enron; that it was never embedded on Enron's network; and that it could not dynamically provide bandwidth on demand or provide for the end-to-end quality of service necessary to deliver broadband content. According to the plea agreement, Hirko's approval of the Warpspeed release, as well as other press releases, assisted in maintaining Enron's overall stock price, thereby improperly maintaining the value of Hirko's holdings of Enron stock. This case was prosecuted by Senior Litigation Counsel Jack B. Patrick, Senior Trial Attorney Jonathan E. Lopez and Trial Attorney Liam B. Brennan of the Criminal Division's Fraud Section. Charges against the EBS employees were initially brought in March 2003 by the Enron Task Force, a team of federal prosecutors and agents formed to investigate matters related to the collapse of Enron. All remaining Enron Task Force cases are now being handled by the Criminal Division's Fraud Section, with the investigatory assistance of the FBI.