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Former Enron Broadband Chief Executive Officer Kenneth Rice Sentenced on Securities Fraud Charge

WASHINGTON – Kenneth Rice, a former chief executive officer of Enron Broadband Services (EBS), was sentenced to 27 months in prison and ordered to forfeit approximately \$15 million to be used to compensate victims of the Enron fraud, Assistant Attorney General Alice S. Fisher of the Criminal Division announced today.

Rice was sentenced today at a hearing before Judge Vanessa Gilmore at U.S. District Court in Houston. Rice pleaded guilty on July 20, 2004 to the securities fraud charge, and cooperated with the government's investigation into the collapse of Enron.

Rice admitted that while he was at EBS, a unit of the now-defunct Enron Corp., he and others made a series of false statements about the products, services and business performance of EBS in order to mislead investors and others about the success of the company and to inflate artificially the price of Enron stock.

Rice admitted that while serving as EBS's CEO, he conspired with others to make false statements about the company's development of various software capabilities and its fiber-optic network. Rice admitted that he falsely portrayed EBS as a commercial and business success, and falsely claimed that network control software developed by EBS was "up and running" – when in fact the software had not progressed beyond the internal development stage. These and other misrepresentations, including a failure to disclose to the investing public that the company stood to sustain operating losses in 2001, contributed to a sharp rise in Enron's stock price.

Enron filed for bankruptcy protection on Dec. 2, 2001, and its stock became virtually worthless.

Kevin Hannon, the former chief operating officer of EBS, was sentenced by Judge Gilmore earlier this month to two years in prison, and fined \$125,000. Hannon pleaded guilty in August 2004 to conspiracy to commit securities fraud and wire fraud.

The Rice and Hannon convictions were part of an investigation conducted by the Enron Task Force, a team of federal investigators supervised by the Justice Department's Criminal Division and agents from the FBI and the IRS Criminal Division, with assistance from the Securities and Exchange Commission. After the October 2006 sentencing of former Enron Chief Executive Officer Jeffrey Skilling to 24 years in prison, all outstanding Enron Task Force matters were assigned to the Criminal Division's Fraud Section.

To date, criminal charges have been brought against 36 defendants, including 25 former Enron employees. Eighteen of those defendants have pleaded guilty or been found guilty after trial, including Skilling. Former Chairman and CEO Kenneth Lay's convictions in two cases

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were dismissed by abatement following his death. The Task Force has seized more than \$100 million in ill-gotten proceeds of crime.

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