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**THREE FORMER NICOR ENERGY EXECUTIVES AND OUTSIDE  
LAWYER INDICTED IN ALLEGED CORPORATE FRAUD SCHEME**

CHICAGO -- Three former executives of Nicor Energy L.L.C. and an outside lawyer for the Lisle, Ill.-based company were indicted today for allegedly engaging in a corporate fraud scheme to obtain \$400,000 in bonuses and other benefits for themselves by inflating revenues – at times by as much as \$6 million – and understating expenses to make the company appear more profitable than it actually was in 2001. The defendants allegedly fraudulently deprived Nicor Energy – a retail energy marketing company established in 1997 as a 50/50 joint venture by Nicor Inc. and Dynegy Inc. – of their honest services and caused a loss to investors in publicly-traded Nicor, Inc. and Dynegy. On July 18, 2002, Nicor Inc. issued a press release announcing that its financial results for the second quarter and first half of 2002 were negatively affected by several factors, including irregularities in accounting at Nicor Energy, and the following day, the stock price of Nicor Inc. fell approximately 40 percent. Nicor Energy is currently in the process of final liquidation.

The five-count indictment returned by a federal grand jury charges **Kevin Stoffer**, formerly Nicor Energy's President and Chief Executive Officer; **Andrew Johnson**, former Director of Financial Services; **John Fringer**, former Vice President of Major Markets and Power Services; and outside counsel **Michael Munson**, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Mr. Fitzgerald, a member of the President's Corporate Fraud Task Force, announced the charges together with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Anita L. Davidson, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Mary E. Keefe, Regional Director of the Securities and Exchange Commission. The Corporate Fraud Task Force, chaired by Deputy Attorney General James B. Comey, Jr., was created by President Bush in July 2002 to oversee and direct federal law enforcement actions against fraud and corruption at American corporations.

Separately, the SEC today filed its own civil enforcement action against former executives of Nicor Energy.

"These charges demonstrate our continuing commitment to investigating and prosecuting corporate executives who distort financial information that is relied upon by outside auditors and, most importantly, the investing public," Mr. Fitzgerald said. "If the evidence leads to the top executives of a company – or to lawyers or other professionals who participate in their fraud schemes – as it did in this case, we will not hesitate to pursue criminal charges. Corporate officials who lie in financial reports and filings put at risk both the assets and the confidence of investors. They also put themselves at the very real risk of prosecution."

Deputy Attorney General Comey said: "Today's charges represent the Justice Department's continued commitment to root out those who allegedly mislead shareholders and cook the books in order to make a quick buck. We in law enforcement have a duty and obligation to investigate fraud in corporate America, whether it is in the boiler room or the board room, and we will continue to hold those who choose to break the law accountable for their actions."

Stoffer, 45, of Naperville, who was responsible for day-to-day operations of Nicor Energy and reported to Nicor Energy's governing Executive Committee, and Johnson, 43, of Elmhurst, a certified public accountant who was responsible for Nicor Energy's accounting, finances and back office functions, including billing and accounts receivable, were each charged with five counts of wire fraud. Fringer, 43, of Naperville, who was responsible for the company's electric power business, and Munson, 38, of Chicago, a solo-practice attorney in Chicago who represented Nicor Energy and allegedly had an incentive to please its managers so he would receive additional legal work and also because he wanted to be hired as the company's in-house general counsel, were each charged with four counts of wire fraud.

Attorneys for Stoffer, Johnson and Fringer have authorized the government to disclose that they will plead guilty to the charges and are cooperating in the government's investigation. All four defendants will be arraigned at a later date in U.S. District Court in Chicago.

According to the indictment, Nicor Energy had a bonus and profit sharing plan that made the payment of any bonuses in 2002 directly dependent on the company meeting or exceeding a target profit at the end of 2001. Between March 2001 and July 2002, the defendants allegedly caused the reporting of false financial figures on Nicor Energy's 2001 financial statements, including balance sheets and income statements, and caused false information concerning Nicor Energy's revenue and expenses for 2001 to be provided to representatives of Nicor Energy's parent companies and Nicor Energy's outside auditors. At times during 2001, Stoffer and Johnson allegedly caused Nicor Energy's unbilled revenue figures to be inflated by as much as \$6 million.

Munson, together with his co-defendants, allegedly made and attempted to make it appear that Nicor Energy had lower expenses in 2001 by causing false information about a legal settlement with Commonwealth Edison Co. to be provided to Nicor Energy's parent companies and outside auditor. Specifically, Nicor Energy settled a 2001 billing dispute with ComEd relating to a ComEd

program called “full requirements profile” or FRP, in which ComEd sold electricity to Nicor Energy at a discount and Nicor Energy had to provide ComEd with the identities of Nicor Energy’s customers that it wanted to be switched into the program during specified time periods. The settlement called for Nicor Energy to pay ComEd approximately \$1.25 million, which Nicor Energy paid in 2002. Although the settlement was paid in 2002, it related to a 2001 expense, and therefore, Nicor Energy was required to treat all of the money paid to settle the dispute as a 2001 expense. While all four defendants well-knew the true settlement figure, they caused a fraudulently reduced settlement expense figure of approximately \$740,000 to be reported on Nicor Energy’s 2001 financial statements, the indictment alleges. The defendants also allegedly caused the remainder of the true settlement amount, approximately \$510,000, to be treated as a 2002 expense, effectively understating Nicor Energy’s expenses and overstating its profits for 2001. The indictment does not accuse ComEd of any wrongdoing.

As part of the fraud scheme, the defendants allegedly caused the written settlement agreement with ComEd to refer only to the \$740,000 that defendants intended to treat as a 2001 expense; the settlement agreement did not refer to the \$510,000 that the defendants fraudulently caused to be treated as a 2002 expense. The defendants also caused to be created certain false and misleading documents, including an altered ComEd invoice, to make it appear that the \$510,000 expense related to energy delivered in 2002 rather than 2001, the indictment alleges, and they caused the \$740,000 and the \$510,000 to be paid separately. Nicor Energy paid the \$740,000 by company check dated April 5, 2002, and at the same time, Nicor Energy paid approximately \$515,000 – the original \$510,000 plus interest – by means of a wire transfer.

It was further part of the alleged fraud scheme that all four defendants caused materially false and fraudulent financial statements to be sent to members of the Executive Committee of Nicor Energy, who were employees of Nicor Energy’s parent companies, Nicor Inc. and Dynegy Inc. This

allegedly false material financial information regarding Nicor Energy was incorporated into financial reports that Nicor Inc. and Dynegy filed with the SEC. As a result, investors and potential investors in Nicor Inc. and Dynegy Inc. were deprived of accurate financial information regarding these companies and risked substantial losses, the indictment alleges.

The government is being represented by Assistant U.S. Attorneys Carolyn McNiven and Thomas Szromba.

If convicted, each wire fraud count carries a maximum penalty of five years in prison and a \$250,000 fine. As an alternative maximum fine, the Court may order a fine totaling twice the gross loss of any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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