

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

**In re ENRON CORPORATION SECURITIES
LITIGATION** §

This Document Relates To: §

**MARK NEWBY, Individually and On
Behalf of All Others Similarly Situated, et al,** §

Plaintiffs, §

vs. §

ENRON CORP., et al, §

Defendants. §

**Civil Action No. H-01-3624
(Consolidated)**

JURY TRIAL DEMANDED

United States Courts
Southern District of Texas
FILED

JUN 18 2003

Michael N. Milby, Clerk

**ANSWER OF VINSON & ELKINS L.L.P.
TO THE FIRST AMENDED CONSOLIDATED COMPLAINT**

To the Honorable Judge of Said Court:

Defendant Vinson & Elkins L.L.P. (“Vinson & Elkins” or “V&E”) respectfully submits its Answer to Plaintiffs’ First Amended Consolidated Complaint (the “Complaint”).

PREFATORY STATEMENT

Vinson & Elkins rejects the claims filed against it and categorically denies that it knowingly participated in any fraud against Enron’s shareholders or anyone else.

There are several fundamental misconceptions woven into plaintiffs’ allegations. The first, and perhaps most important, is that because Vinson & Elkins prepared certain of the transactional documents on matters that later were restated or collapsed, it was “approving” the business sense of these transactions or the impact these transactions would have on Enron’s

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reported financial condition. It was not. Many, if not most, of the problems that came back to haunt Enron involved the application of arcane accounting rules that do not fall within the province of lawyers.

In addition, the Consolidated Amended Complaint (the “Complaint”) singles out Vinson & Elkins from the many other law firms that represented Enron based on the false assumption that Vinson & Elkins was Enron’s “general counsel” (Complaint ¶17). Based on this incorrect assumption, plaintiffs assert that even if they cannot allege with particularity precisely what Vinson & Elkins drafted or how Vinson & Elkins participated in the fraudulent scheme – which they cannot – Vinson & Elkins *must have* known of and “approved” of the fraud alleged in the Complaint.

Both the assumption and the conclusion about Vinson & Elkins are wrong. Vinson & Elkins provided legal services on individual transactions and matters as requested by Enron’s large, sophisticated and very able legal department. Vinson & Elkins was never invited to and did not participate in Enron’s internal management decisionmaking or board deliberations. On the contrary, Vinson & Elkins attorneys, like Enron’s other outside lawyers, generally did not deal directly with Enron management but rather were directed to coordinate all contacts through Enron’s internal legal staff.

Neither did the scope or extent of Vinson & Elkins’ work for Enron transform the firm into a de facto “general counsel.” Our estimates suggest that Vinson & Elkins performed approximately one-third of Enron’s *outside* legal work and a much smaller percentage of Enron’s total legal work when the role of Enron’s 200-plus lawyer inside counsel staff is taken into account. While Vinson & Elkins earned substantial fees from its representation of what was one

of the largest public companies in America, they resulted from many different attorneys working thousands of hours at the firm's lowest standard billing rate.

Vinson & Elkins was selected by Enron to handle many diverse matters, including litigation, regulatory compliance matters, and other issues. Contrary to the allegations in the Complaint, however, Vinson & Elkins was not asked to provide advice on the three core issues in this case: (1) Vinson & Elkins was not asked to advise Enron's board on the crucial business judgment question whether Enron should engage in related-party transactions with entities involving Andrew Fastow or Michael Kopper;¹ (2) Vinson & Elkins was not asked to draft, or provide a comprehensive review of, Enron's overall securities disclosures (nor could it have done so given the breadth of Enron's operations); and (3) Vinson & Elkins was not asked to pass on the correct accounting treatment of the numerous transactions in which Enron chose to engage, and it was not competent to give such advice.

Enron's large internal accounting and legal staff had historically drafted the company's securities disclosures with minimal or no assistance from outside counsel – and, as the Powers Report observed, continued to do so throughout the class period. Vinson & Elkins was never given the responsibility to oversee the securities disclosures of this diverse, worldwide company, most of whose legal work was done by other lawyers and law firms. No one familiar with the breadth of Enron's operations or the scope of Vinson & Elkins' work for Enron could have believed otherwise. Finally, as to the accounting issues, Enron's outside auditor enjoyed an excellent worldwide reputation and ranked among the finest accounting firms anywhere.

¹ Vinson & Elkins lawyers were rarely invited to meetings of Enron's board of directors. When they were, it was typically to address a specific transaction or question, after which the Vinson & Elkins lawyer was excused.

Turning to the specific allegations in the Complaint, two stand out as fundamentally flawed. First, that Vinson & Elkins authored all of Enron's securities disclosures and other similar public documents, and, second, that Vinson & Elkins "structured" transactions with the knowledge that they were manipulative devices.

The Complaint alleges repeatedly that Vinson & Elkins attorneys "drafted and approved" Enron's many public statements and SEC filings. For example, paragraph 801 alleges that "Vinson & Elkins drafted and/or approved the adequacy of Enron's press releases, shareholder reports and SEC filings...." See also ¶ 67 "crafted and approved"; ¶ 141 "reviewed and collaborated in writing"; ¶ 221 "reviewed and helped write"; ¶¶'s 215, 293, 824, 827, 830, 831, 832, 835, 838, 843, 844, 846 "reviewed and approved." Vinson & Elkins denies that it is the author or co-author of the many statements alleged by plaintiffs to be fraudulent, and the discovery in this case will show these allegations to be false.

Vinson & Elkins had a minimal role in the sixty-eight Enron disclosures that the Complaint alleges are fraudulent; in many instances, it had no role at all and never even saw the asserted false statements before they were made. This was confirmed by the Powers Report, on which plaintiffs rely, which concludes: ". . . it appears no one outside of Enron Global Finance, the entity principally responsible for the related-party transactions, exercised significant supervision or control over the disclosure process concerning these transactions." Powers Report at p. 181.

The structured finance transactions on which Vinson & Elkins worked were not illegal as the Complaint suggests. Vinson & Elkins' role in these transactions was to document and provide legal opinions on specific aspects of the transactions, and these legal services were properly and professionally performed. Structured finance transactions, including the use of

special purpose entities for financing, were common for major companies and widely promoted in CLE seminars, websites and elsewhere. These complicated financing transactions were devised by major accounting firms and financial institutions and were well known to the SEC and the FASB. Their widespread acceptance is illustrated by the fact that Andrew Fastow was named CFO of the Year by *CFO Magazine* for his use of structured finance. As reflected in the Complaint at ¶ 433 n.7, the SEC recognized the permissibility of non-consolidation and sales recognition when the special purpose entities satisfied certain requirements, a determination made by accountants, not attorneys. Vinson & Elkins had no competence to advise on accounting treatment of these transactions and played no role in Enron's financial accounting decisions.

Following Enron's bankruptcy, a number of Enron executives have been charged with various acts of deceit and misconduct relating to their use of special purpose entities and involvement in other transactions. Vinson & Elkins was not aware of these activities, which, if they occurred, were concealed from the law firm.

GENERAL RESPONSES

A. The Complaint contains many paragraphs containing quotations from publicly available documents. Because the quotations speak for themselves, no response is required.

B. The Complaint contains many averments that constitute opinions regarding accounting issues and legal issues. No response is required to such matters of opinion.

C. The Complaint uses the term "manipulative device" to describe transactions or portions of transactions. This term is a legal term of art under the securities laws, and no response is required to a contention that a transaction or portion of a transaction constitutes a "manipulative device." To the extent any response is required, V&E denies that to its knowledge

any of the transactions it worked on as counsel to Enron Corp. and affiliates would qualify as “manipulative devices.”

D. The Complaint contains headings, quotations from news publications, and characterizations of multiple paragraphs of allegations that require no response; to the extent any response is required, V&E denies plaintiffs’ characterizations.

E. Except for the specific allegations or portions of allegations expressly admitted or responded to below, all other allegations, portions of allegations, and characterizations of facts by plaintiffs are hereby denied.

SPECIFIC RESPONSES TO THE PARAGRAPHS OF THE COMPLAINT

“PREAMBLE” Requires no response.

1. This paragraph requires no response.

2. First, fourth, and fifth sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: admitted that Enron reported profits, profit growth, and a strong balance sheet and that Enron had an investment grade credit rating.

3. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: admitted that Enron reported after-tax write-offs of \$1.01 billion and a writedown in shareholder’s equity of \$1.2 billion and that Enron restated its financial statements. Fourth sentence: admitted that Enron’s stock collapsed, its credit rating was downgraded, and it filed for bankruptcy; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

4. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments; to the extent this sentence asserts matters of accounting opinion, no response is required; to the extent that a response is required,

without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that many senior executives have left Enron. Third sentence: admitted that the Securities and Exchange Commission and the Department of Justice are conducting investigations. Fourth sentence: admitted that Andersen has been convicted of violating federal law. Fifth sentence: admitted that individuals involved with Enron or Andersen have invoked their Fifth Amendment privilege against self-incrimination. Sixth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Seventh sentence: admitted that Enron stock rose and collapsed; without knowledge or information sufficient to form a belief as to the truth of the specific prices and dates shown in the chart. Denied that V&E participated in any scheme to defraud.

5. First sentence: admitted. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

6. First sentence: admitted that Jeffrey Skilling and Andrew Fastow joined Enron and that Enron became involved in a wider range of business activities. Second sentence: admitted that Enron reported growth during 1990-96. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

7. Without knowledge or information sufficient to form a belief as to the truth of the averments. The quoted article requires no response.

8. Without knowledge or information sufficient to form a belief as to the truth of the averments.

9. First sentence: admitted that in 1997, Enron concluded a transaction involving JEDI; without knowledge or information sufficient to form a belief as to the truth of the

remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third through fifth sentences: assert a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

10. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that V&E performed certain legal services at the direction of Enron in connection with the formation of an entity that became known as Chewco, which entity purchased a partnership interest in JEDI; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth through sixth sentences: denied that these averments completely or accurately describe the transaction. The transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Seventh sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

11. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the averments.

12. Admitted that Enron reported strong earnings and growth during the period 1997 to mid-2001; without knowledge or information sufficient to form a belief as to the truth of the remaining averments and the figures shown on the chart.

13. First sentence: admitted that Enron was one of the largest corporations in the United States; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that Enron's stock price and market capitalization increased; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: admitted.

14. Denied that V&E made or participated in making the alleged statements; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

15. First sentence: admitted that Enron's stock increased in price but without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the stock price allegations and the averments set forth in the chart.

16. First sentence: admitted that the Enron stock price reached an all-time high in 2000; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: denied as to V&E; admitted that Enron securities were sold to public investors; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

17. Denied that V&E was Enron's "general counsel;" denied that V&E knowingly participated in a scheme to defraud; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

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18. Denied that V&E believed that Enron was a “Ponzi scheme.” The remaining averments are denied as to V&E; without knowledge or information sufficient to form a belief as to the truth regarding the remaining averments.

19. Without knowledge or information sufficient to form a belief as to the truth of the averments.

20. Without knowledge or information sufficient to form a belief as to the truth of the averments.

21. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the other parties identified therein. Second through fourth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

22. First sentence: admitted that prior to 1997, an Enron subsidiary was a partner in JEDI. Second and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Sixth sentence: admitted that, at the direction of Enron, V&E performed legal work in connection with the formation of an entity that became known as Chewco, which entity acquired a partnership interest in JEDI; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Seventh and eighth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required; without knowledge or information sufficient to form a belief as to the truth of the averments. Ninth sentence: admitted that Enron

did not consolidate Chewco/JEDI into its financial statements until it restated earnings in 2001; the remaining averments assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

23. First sentence: denied that V&E created or entered into business transactions with LJM partnerships; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the remaining averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

24. First sentence: admitted that LJM2 was formed in late 1999; the averments about V&E are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that V&E knew that LJM2 could engage in transactions with Enron or other parties; the remaining averments about V&E are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: any documents reflecting assurances to investors will speak for themselves; otherwise without knowledge or information sufficient to form a belief as to the truth of the averments.

25. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second through seventh sentences: the offering memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied. Eighth sentence: asserts a matter of legal opinion to which no response is required; to the extent a

response is required, the averment is denied. Ninth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

26. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

27. First sentence: denied that V&E was involved in any scheme to manipulate Enron's reported profits and financial condition and conceal the true extent of its debt; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

28. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Admitted that Enron was involved in transactions in 1999, including one involving Collateralized Loan Obligations and one involving an entity named Yosemite; without knowledge or information sufficient to form a belief as to whether subparagraphs (a) and (d), respectively, constitute complete and accurate descriptions of those two transactions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

29. Without knowledge or information sufficient to form a belief as to the truth of the averments.

30. This paragraph requires no response.

31. Without knowledge or information sufficient to form a belief as to the truth of the averments.

32. First sentence: admitted that Enron entered into transactions with the LJM partnerships between June 1999 and June 2001. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that some transactions between the LJM partnerships and Enron and its affiliates occurred close to the end of financial reporting periods; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: denied that the sentence accurately describes V&E's services; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth through seventh sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Eighth sentence: denied that V&E was involved in manipulation, falsification, or artificial inflation of Enron's reported financial results; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

33. First sentence: admitted that Enron and a subsidiary of LJM1 entered into a transaction involving a derivative with respect to Rhythms NetConnections ("Rhythms") stock; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: denied that these sentences are a complete or accurate description of that transaction. Fourth through sixth sentences: admitted that Enron entered into transactions involving entities sometimes referred to as the Raptors; denied that the summary description of the transactions is complete or accurate. Seventh and ninth sentences: denied that V&E used manipulative devices to circumvent accounting rules; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Eighth

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sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Tenth through twelfth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

34. First sentence: denied. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that the credit capacity of the Raptor entities declined in late 2000 and early 2001. Fourth through sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh and eighth sentences: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Ninth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

35. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments; to the extent the averments set forth in these sentences ascribe intent to V&E, the averments are denied. Third sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments; to the extent the averments set forth in this sentence ascribe intent to V&E, the averments are denied.

36. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

Fifth through ninth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

37. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: denied that V&E engaged in accounting tricks or manipulations and denied that V&E made the alleged statements to investors; admitted that Enron engaged in wholesale energy business; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

38. Denied as to V&E to the extent it alleges knowledge on the part of “[Enron’s] lawyers;” without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

39. First sentence: admitted that Enron’s broadband services business was reportedly a growth area; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

40. Admitted that Enron announced a joint venture with Blockbuster Entertainment in July 2000. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

41. Without knowledge or information sufficient to form a belief as to the truth of the averments.

42. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the averments as to the other parties identified therein. Second sentence: admitted that Enron owned millions of shares of New Power stock in 2000. Except as

expressly admitted, the averment asserts a matter of legal opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: admitted that there was an IPO of New Power in October 2000; without knowledge or information sufficient to form a belief as to the truth of the averments as to the role of each entity identified therein. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh and eighth sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the averments as to the other parties identified. Ninth through eleventh sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Twelfth sentence: admitted that LJM2-Porcupine, LLC invested funds in Porcupine, but denied that this sentence completely or accurately describes the history of the LJM2-Porcupine investment. Thirteenth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Fourteenth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the averments as to the other parties identified.

43. First sentence: admitted that Enron was required to issue stock to certain entities in some circumstances; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second through tenth sentences: admitted that V&E performed certain legal services in connection with an Enron transaction involving Qwest, but the transaction documents speak for themselves, and all characterizations and averments

inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

44. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that an entity known as “Mahonia” was located in the Channel Islands and was involved in transactions with Enron; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third and fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: denied. Sixth sentence: denied that V&E assisted in creating any “manipulative device,” but without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Seventh through ninth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

45. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth through eleventh sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

46. Admitted that in 2001 Enron’s stock price declined and triggered certain obligations on the part of Enron to issue stock to certain entities; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

47. Without knowledge or information sufficient to form a belief as to the truth of the averments.

48. First sentence: admitted that Enron had access to capital markets. Second sentence: admitted that investment grade rating and stock price were indicators of Enron's success. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron engaged in transactions with the LJM1 and LJM2 partnerships, without knowledge or information sufficient to form a belief as to whether the transactions are completely or accurately described, and without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh sentence: admitted that Enron borrowed funds in the commercial paper markets and sold securities to the public; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Eighth sentence: admitted that Enron and associated entities raised funds through securities offerings; admitted that V&E performed legal services in connection with some such offerings and that V&E performed legal services in connection with some of the offerings; without knowledge or information sufficient to form a belief as to the truth of the averments regarding the total amount and the uses of the funds. Ninth sentence: admitted that Enron raised funds through securities offerings; without knowledge or information sufficient to form a belief as to the truth of the averments as to the exact dates and amounts of every offering listed.

49. Admitted that entities associated with Enron raised funds through securities offerings; without knowledge or information sufficient to form a belief as to the truth of the averments as to the exact dates and amounts of every offering listed.

50. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that television monitors at Enron's headquarters in Houston displayed stock prices. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

51. Admitted that letters from Sherron Watkins to Ken Lay in August 2001 contained the phrases quoted in the last sentence of paragraph 51, but without the italics or bolding. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

52. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that Enron's stock price declined in 2001; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: admitted that certain stock prices could result in obligations on Enron to issue stock to certain entities; denied that the sentence completely or accurately describes those transactions and obligations.

53. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that V&E performed certain legal services in early 2001 in connection with a transaction involving the Raptors; without knowledge or information sufficient to form a belief as to the truth of the averments with respect to this transaction's purpose; to the extent the averments ascribe intent to V&E, the averments are denied. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied that V&E participated in any scheme, and to the extent this sentence ascribes intent to V&E, it is denied.

54. Admitted that Enron reported results certified by Andersen; denied that V&E made statements; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

55. Without knowledge or information sufficient to form a belief as to the truth of the averments.

56. Without knowledge or information sufficient to form a belief as to the truth of the averments.

57. Admitted that Jeffrey Skilling resigned on August 14, 2001 and that Enron stated that Skilling was resigning for personal reasons. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

58. Without knowledge or information sufficient to form a belief as to the truth of the averments.

59. Admitted that Sherron Watkins, an Enron employee, wrote letters to Ken Lay in August 2001, which letters contained the quoted phrases set out in sub-paragraph (a), but without the italics or bolding. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

60. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that, as requested by its client Enron, V&E conducted a preliminary investigation into the allegations of Sherron Watkins and issued a written report on its findings; denied as to all remaining averments.

61. Admitted that on October 16, 2001, Enron announced \$1.01 billion in charges and a reduction of shareholders' equity of \$1.2 billion; that there was media coverage of Enron; and that Enron restated its financial results for 1997, 1998, 1999, and 2000. The details of that

restatement are set forth in a Form 8-K filed in November 2001. That document speaks for itself, and all characterizations and averments inconsistent with it are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

62. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fourth sentences: admitted that Enron engaged in transactions involving Chewco, LJM1, and LJM2; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

63. Denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

64. Admitted that in October and November 2001 Enron engaged in negotiations with Dynegy over a proposed merger; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

65. Without knowledge or information sufficient to form a belief as to the truth of the averments.

66. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that Dynegy conducted due diligence; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: admitted that Dynegy terminated the merger agreement and that Enron went bankrupt. Fourth sentence: admitted that Enron's publicly traded debt had been downgraded below investment grade and that, on December 2, 2001, Enron filed for bankruptcy; without knowledge or information sufficient to form a belief as to the truth of the remaining

averments. Fifth sentence: admitted that the prices of Enron securities have declined; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

67. First through fourth sentences: admitted that Enron's publicly filed reports disclosed transactions with the LJM partnerships but denied that the disclosures are completely or accurately described. Fifth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth through ninth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

68. Admitted that Congress investigated Enron and that the witnesses listed asserted their Fifth Amendment privilege against self incrimination. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

69. This paragraph requires no response.

70. First sentence: denied that V&E participated in any scheme to defraud; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second, third and fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron restated its shareholders' equity in November 2001. Sixth through eighth sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

70(a). Admitted that Andersen provided services to Enron; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

70(b). First sentence: denied as to V&E. Second sentence: admitted that V&E reviewed and commented on a limited number of issues in some of Enron's SEC filings, shareholder reports, and financial press releases; otherwise, denied. Third sentence: admitted

that at the direction of Enron, V&E provided certain legal services to Enron relating to transactions involving Chewco, JEDI, LJM1, LJM2, and certain other transactions involving SPEs; otherwise denied. Fourth sentence: admitted that at the direction of Enron, V&E provided certain legal services to Enron regarding commodity trades; otherwise denied. Fifth sentence: admitted that, at the request of its client Enron, V&E conducted a preliminary investigation of the allegations of Sherron Watkins and issued Enron a report regarding its results; otherwise denied. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

70(c). Admitted that certain Defendant Banks loaned funds to Enron and certain SPEs and partnerships associated with Enron, that certain banks issued reports regarding Enron, that certain banks and/or executives invested in the LJM2 partnership; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

71. This paragraph requires no response.

72. This paragraph requires no response.

73. First sentence: denied that V&E participated in fraud. Second sentence: admitted that during the class period V&E received over \$100 million in legal fees from its representation of Enron and its subsidiaries regarding a wide variety of litigation, corporate, and other matters; denied that these fees derived from fraud; and without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

74. Denied that V&E participated in fraud. To the extent the paragraph asserts matters of legal or political opinion, no response is required. The chart requires no response; to the extent that a response is required, V&E incorporates by reference its responses to the prior

averments in the Complaint which are referenced in the chart in paragraph 74. Without knowledge or information sufficient to form a belief as to the truth of any remaining averments in the chart.

75. Asserts a matter of legal opinion to which no response is required.

76. Asserts a matter of legal opinion to which no response is required.

77. First sentence: asserts a matter of legal opinion to which no response is required.

Second sentence: admitted.

78. Denied that V&E used the means and instrumentalities of interstate commerce to effectuate any fraudulent behavior.

79. Without knowledge or information sufficient to form a belief as to the truth of the averments.

80. Without knowledge or information sufficient to form a belief as to the truth of the averments.

81. Without knowledge or information sufficient to form a belief as to the truth of the averments.

82. Admitted that Enron has filed for protection pursuant to Chapter 11 of the U.S. Bankruptcy Code.

83(a) – (ee). Admitted that many if not all of the named defendants held positions with Enron and/or its affiliates; without knowledge or information regarding precisely the positions held or their terms; without knowledge or information regarding their respective transactions including information set forth in the charts.

83(ff). First sentence: requires no response; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

83(gg) – (jj). Admitted that many if not all of the named individuals held positions with affiliates of Enron; without knowledge or information sufficient to form a belief regarding terms, positions and particular affiliations.

84. First sentence: asserts matters of legal and accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments, including those set forth in the charts.

85. Admitted that Enron's Board of Directors used working committees, which included the Audit Committee, the Finance Committee, and the Executive Committee. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

86. Admitted that some or all of the individuals listed in the paragraph served as members of Enron's Board of Directors during some or all of the Class Period. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

87. Admitted that some or all of the individuals listed in the paragraph served as members of certain working committees of Enron's Board of Directors during some or all of the Class Period. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

88. Admitted that Enron had a Management Committee and that some or all of the individuals listed in the paragraph served as members of the Management Committee during some or all of the Class Period. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

89. Asserts matters of legal opinion to which no response is required; to the extent a response is required; without knowledge or information sufficient to form a belief as to the truth of the averments.

90. First sentence: asserts a matter of legal opinion to which no response is required. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: asserts a matter of legal opinion to which no response is required; to the extent a response is required; without knowledge or information sufficient to form a belief as to the truth of the averments.

91. Requires no response.

92. (a) Admitted that certain individuals who were partners of Andersen-Worldwide participated in audits of Enron; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(d) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(e) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(f) Without knowledge or information sufficient to form a belief as to the truth of the averments.

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(g) Admitted that it was generally understood that some part of Andersen participated in audits of Enron Corp; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

93. (a) First sentence: admitted that Joseph F. Berardino (“Berardino”) was the Chief Executive Officer and managing partner of Andersen-Worldwide until his resignation; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) First sentence: admitted that Thomas Bauer was an Andersen partner; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(c) First sentence: admitted that David B. Duncan was an Andersen partner on the Enron engagement; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(d) First sentence: admitted that Debra A. Cash was a partner at Andersen and part of the Enron audit engagement; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(e) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(f) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(g) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(h) First sentence: admitted that Gary Goolsby was an Andersen partner; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(i) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(j) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(k) Admitted that Michael Odom was an Andersen partner; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(l) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(m) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(n) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(o) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(p) Deleted.

(q) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(r)-(w) Deleted.

94. First sentence: the extent to which V&E has knowledge or information sufficient to form a belief as to the truth of the allegation that each individual listed in ¶¶ 93(a)-(w) was a

partner and/or employee of Andersen is set forth in the respective sub-paragraphs. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

95. Deleted.

96. This paragraph requires no response.

97. This paragraph requires no response.

98. First sentence: admitted that V&E was one of the law firms that provided certain legal services to Enron; denied that V&E was Enron's "outside general counsel." Second sentence: admitted that during the Class Period, Enron and its subsidiaries collectively were V&E's largest client in terms of annual billings during the years of the class period. Third sentence: admitted that V&E performed certain legal services at Enron's direction in connection with entities that were known as Chewco, JEDI, the LJM's, and certain SPE's; denied that V&E knew that these partnerships were manipulative devices being used to falsify Enron's reported financial results and financial condition; all remaining averments are denied. Fourth sentence: denied that V&E ever issued any false opinions; all remaining averments are denied.

99. Deleted.

99.1. Without knowledge or information sufficient to form a belief as to the truth of the averments

100. (a) Admitted that J.P. Morgan Chase & Co. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

101. (a) Admitted that CitiGroup, Inc. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(d) Without knowledge or information sufficient to form a belief as to the truth of the averments.

101. Admitted that CitiGroup, Inc. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

102. Admitted that Credit Suisse First Boston is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

102. (a) Admitted that Credit Suisse First Boston (USA) Inc. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

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(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

103. (a) Admitted that Canadian Imperial Bank of Commerce is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(d) Without knowledge or information sufficient to form a belief as to the truth of the averments.

104. Admitted that Bank America Corp. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

104. (a) Admitted that Bank America Corp. is a financial services institution that provides commercial and investment banking services.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

105. (a) Admitted that Merrill Lynch & Co. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

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(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

106. (a) Admitted that Barclays PLC is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(c) Admitted that Barclays Bank PLC was an initial purchaser of the Yosemite Securities Co. Ltd. Notes issued on or about February 15, 2000, and of the Zero Coupon Convertible Senior Notes sold in or about February 2001 and July 2001. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

107. (a) Admitted that Deutsche Bank AG is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Admitted that Deutsche Bank Securities Inc. acted as an initial purchaser in connection with the offerings of Osprey Senior Notes, occurring in September 1999 and October 2000. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(c) Without knowledge or information sufficient to form a belief as to the truth of the averments.

(d) Without knowledge or information sufficient to form a belief as to the truth of the averments.

108. (a) Admitted that Lehman Brothers Holding, Inc. is a financial services institution that provides commercial and investment banking services, including services to Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

(b) Without knowledge or information sufficient to form a belief as to the truth of the averments.

109. Admitted that Enron filed its 1997 Report on Form 10-K with the SEC in 3/98. The Report's signatories are a matter of public record at the SEC.

110. Admitted that Enron raised funds through securities offerings and sometimes incorporated various of its SEC filings into its Offering Documents. The filing dates, contents, and signatories of Enron's Offering Documents are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

111. Admitted that Enron, from time to time, sold notes, but without knowledge or information sufficient to form a belief as to the terms, size, date and underwriter(s) for the offerings, or the uses to which the proceeds were put.

112. Admitted that on or about July 14, 1998, Enron issued a release concerning its second quarter 1998 results; the release speaks for itself, and all characterizations and averments inconsistent with it are denied.

113. Without knowledge or information sufficient to form a belief as to the truth of the averments.

114. Admitted that on or about 7/24/98 Enron issued a release regarding Wessex Water; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

115. Without knowledge or information sufficient to form a belief as to the truth of the averments.

116. Admitted that Enron, from time to time, sold notes, but without knowledge or information sufficient to form a belief as to the terms, size, date and underwriter(s) for the offerings, or the uses to which the proceeds were put.

117. Admitted that on or about 9/25/98 Enron issued a release regarding Azurix; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

118. Without knowledge or information sufficient to form a belief as to the truth of the averments.

119. Without knowledge or information sufficient to form a belief as to the truth of the averments.

120. Without knowledge or information sufficient to form a belief as to the truth of the averments.

121. V&E denies making any of the statements referenced in this paragraph and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts in subparagraphs (a) through (j). Without knowledge or information sufficient to form a belief as to the truth of the facts plaintiffs allege to be “true facts” or as to the remaining averments.

122. Without knowledge or information sufficient to form a belief as to the truth of the averments.

123. Without knowledge or information sufficient to form a belief as to the truth of the averments.

124. Admitted that Enron, from time to time, sold notes, but without knowledge or information sufficient to form a belief as to the terms, size, date and underwriter(s) for the offerings, or the uses to which the proceeds were put. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

125. Without knowledge or information sufficient to form a belief as to the truth of the averments.

126. Admitted that Enron filed Registration Statements with the SEC and that Enron's Registration Statements sometimes incorporated various of its SEC filings. Denied that the reference Registration Statement was written by V&E. The contents and signatories of Enron's Registration Statement are a matter of public record at the SEC. Denied that the statements set forth in this paragraph constitute a complete or accurate reflection of the substance of the referenced Registration Statement. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

127. Without knowledge or information sufficient to form a belief as to the truth of the averments.

128. Admitted that Enron released financial results on 1/19/99. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

129. Without knowledge or information sufficient to form a belief as to the truth of the averments.

130. Without knowledge or information sufficient to form a belief as to the truth of the averments.

131. Without knowledge or information sufficient to form a belief as to the truth of the averments.

132. Without knowledge or information sufficient to form a belief as to the truth of the averments.

133. Without knowledge or information sufficient to form a belief as to the truth of the averments.

134. Admitted that on 2/3/99, Enron filed a Registration Statements with the SEC. The filing dates, contents, and signatories of Enron's Registration Statement are a matter of public record at the SEC. Denied that the statements set forth in this paragraph constitute a complete or accurate reflection of the substance of the referenced Registration Statement. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

135. Admitted that on or about February 11, 1999, Enron sold approximately 28 million shares of common stock through a public offering by several investment banks. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

136-140: Admitted that in 3/99, Enron issued its Annual Report; denied that V&E approved the Report. Denied that the statements set forth in paragraphs 136 through 140 constitute a complete or accurate reflection of the substance of the Annual Report. All other allegations are denied.

141. Admitted that on 3/99, Enron filed its 98 Report on Form 10-K with the SEC; denied that V&E collaborated in writing the Form 10-K report. The contents and signatories of that report are a matter of public record at the SEC.

142. Without knowledge or information sufficient to form a belief as to the truth of the averments.

143. Without knowledge or information sufficient to form a belief as to the truth of the averments.

144. Admitted that Enron reported financial results on or about 4/13/99. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

145. Without knowledge or information sufficient to form a belief as to the truth of the averments.

146. Without knowledge or information sufficient to form a belief as to the truth of the averments.

147. Without knowledge or information sufficient to form a belief as to the truth of the averments.

148. Without knowledge or information sufficient to form a belief as to the truth of the averments.

149. Without knowledge or information sufficient to form a belief as to the truth of the averments.

150. Without knowledge or information sufficient to form a belief as to the truth of the averments.

151. Without knowledge or information sufficient to form a belief as to the truth of the averments.

152. Without knowledge or information sufficient to form a belief as to the truth of the averments.

153. Without knowledge or information sufficient to form a belief as to the truth of the averments.

154. Without knowledge or information sufficient to form a belief as to the truth of the averments.

155. V&E denies making any statements and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts as alleged in subparagraphs (a) through (p). V&E is without knowledge or information sufficient to form a belief as to the truth of the facts plaintiffs allege to be “true facts” or as to the remaining averments.

156. Without knowledge or information sufficient to form a belief as to the truth of the averments.

157. Without knowledge or information sufficient to form a belief as to the truth of the averments.

158. Without knowledge or information sufficient to form a belief as to the truth of the averments.

159. Without knowledge or information sufficient to form a belief as to the truth of the averments.

160. Without knowledge or information sufficient to form a belief as to the truth of the averments.

161. Without knowledge or information sufficient to form a belief as to the truth of the averments.

162. Without knowledge or information sufficient to form a belief as to the truth of the averments.

163. Without knowledge or information sufficient to form a belief as to the truth of the averments.

164. First and third sentences: admitted that on or about 7/23/99 Enron filed a Form S-3 for 10 million exchangeable notes; and that Enron sometimes incorporated into its Registration Statements various of its SEC filings. The contents and signatories of Enron's 7/23/99 S-3 are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, see V&E's responses to ¶¶ 418-611.

165. First and second sentences: admitted that Enron was the issuer of \$222.5 million in exchangeable notes in an underwritten public offering pursuant to a prospectus dated 8/10/99; the contents and signatories of this prospectus are a matter of public record at the SEC; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

166. Without knowledge or information sufficient to form a belief as to the truth of the averments.

167. Without knowledge or information sufficient to form a belief as to the truth of the averments.

168. Without knowledge or information sufficient to form a belief as to the truth of the averments.
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185. Without knowledge or information sufficient to form a belief as to the truth of the averments.

186. Without knowledge or information sufficient to form a belief as to the truth of the averments.

187. Without knowledge or information sufficient to form a belief as to the truth of the averments.

188. Admitted that Enron's stock price generally increased during the first three quarters of 99. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

189. Without knowledge or information sufficient to form a belief as to the truth of the averments.

190. Without knowledge or information sufficient to form a belief as to the truth of the averments.

191. Without knowledge or information sufficient to form a belief as to the truth of the averments.

192. Without knowledge or information sufficient to form a belief as to the truth of the averments.

193. Without knowledge or information sufficient to form a belief as to the truth of the averments.

194. Without knowledge or information sufficient to form a belief as to the truth of the averments.

195. Without knowledge or information sufficient to form a belief as to the truth of the averments.

196. Admitted that Enron released its financial results on 1/18/00. Denied that the statements in paragraph 196 completely or accurately describe the substance of the 1/18/00 release.

197. Without knowledge or information sufficient to form a belief as to the truth of the averments.

198. Without knowledge or information sufficient to form a belief as to the truth of the averments.

199. Without knowledge or information sufficient to form a belief as to the truth of the averments.

200. Without knowledge or information sufficient to form a belief as to the truth of the averments.

201. Without knowledge or information sufficient to form a belief as to the truth of the averments.
202. Without sufficient knowledge or information to form a belief as to the truth of the averments.
203. Without knowledge or information sufficient to form a belief as to the truth of the averments.
204. Without knowledge or information sufficient to form a belief as to the truth of the averments.
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210. Without knowledge or information sufficient to form a belief as to the truth of the averments.
211. Without knowledge or information sufficient to form a belief as to the truth of the averments.

212. Without knowledge or information sufficient to form a belief as to the truth of the averments.

213. Without knowledge or information sufficient to form a belief as to the truth of the averments.

214. V&E denies making any statements and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts as alleged in subparagraphs (a) through (r). Without knowledge or information sufficient to form a belief as to the truth of the facts alleged to be “true facts” or as to the remaining averments.

215-220. Admitted that Enron issued its 99 Report to Shareholders on or about 3/31/00; denied that V&E approved the Report. The contents and signatories of that report are a matter of public record at the SEC. Denied that the statements set forth in these paragraphs constitute a complete or accurate reflection of the substance of the report. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

221. Admitted that Enron issued its 99 report on Form 10-K in 3/00; denied that V&E drafted any portion of the form 10-K report. The contents and signatories of that report are a matter of public record at the SEC.

222. Without knowledge or information sufficient to form a belief as to the truth of the averments.

223. Admitted that Enron reported financial results on or about 4/12/00. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

224. Without knowledge or information sufficient to form a belief as to the truth of the averments.

225. Without knowledge or information sufficient to form a belief as to the truth of the averments.
226. Without knowledge or information sufficient to form a belief as to the truth of the averments.
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232. Without knowledge or information sufficient to form a belief as to the truth of the averments.
233. Without knowledge or information sufficient to form a belief as to the truth of the averments.
234. Without knowledge or information sufficient to form a belief as to the truth of the averments.
235. Without knowledge or information sufficient to form a belief as to the truth of the averments.

236. First sentence: admitted that in May 2000, Enron sold approximately \$175 million in notes with Bank America acting as agent. Remaining sentences: admitted that Enron, from time to time, sold notes, but without knowledge or information sufficient to form a belief as to the terms, size, date and underwriter(s) for each offering, or the uses to which the proceeds were put.

237. Without knowledge or information sufficient to form a belief as to the truth of the averments.

238. Admitted that Enron, from time to time, sold notes, but without knowledge or information sufficient to form a belief as to the terms, size, date and underwriter(s) for each offering, or the uses to which the proceeds were put.

239. Without knowledge or information sufficient to form a belief as to the truth of the averments.

240. Without knowledge or information sufficient to form a belief as to the truth of the averments.

241. Without knowledge or information sufficient to form a belief as to the truth of the averments.

242. Without knowledge or information sufficient to form a belief as to the truth of the averments.

243. Without knowledge or information sufficient to form a belief as to the truth of the averments.

244. Without knowledge or information sufficient to form a belief as to the truth of the averments.

245. Without knowledge or information sufficient to form a belief as to the truth of the averments.

246. Admitted that Enron reported 2ndQ 00 results on or about 7/24/00. Denied that the statements in paragraph 246 completely or accurately describe the substance of the 7/24/00 release.

247. Without knowledge or information sufficient to form a belief as to the truth of the averments.

248. Without knowledge or information sufficient to form a belief as to the truth of the averments.

249. Without knowledge or information sufficient to form a belief as to the truth of the averments.

250. Without knowledge or information sufficient to form a belief as to the truth of the averments.

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259. Without knowledge or information sufficient to form a belief as to the truth of the averments.

260. Without knowledge or information sufficient to form a belief as to the truth of the averments.

261. Without knowledge or information sufficient to form a belief as to the truth of the averments.

262. Admitted that Enron reported 3rdQ 00 results on or about 10/17/00. Denied that the statements in paragraph 262 completely or accurately describe the substance of the release.

263. Without knowledge or information sufficient to form a belief as to the truth of the averments.

264. Without knowledge or information sufficient to form a belief as to the truth of the averments.

265. Without knowledge or information sufficient to form a belief as to the truth of the averments.

266. Without knowledge or information sufficient to form a belief as to the truth of the averments.

267. Without knowledge or information sufficient to form a belief as to the truth of the averments.

268. Without knowledge or information sufficient to form a belief as to the truth of the averments.

269. Without knowledge or information sufficient to form a belief as to the truth of the averments.

270. Without knowledge or information sufficient to form a belief as to the truth of the averments.

271. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

272. Without knowledge or information sufficient to form a belief as to the truth of the averments.

273. Without sufficient knowledge or information to form a belief as to the truth of the averments.

274. Without knowledge or information sufficient to form a belief as to the truth of the averments.

275. Admitted that Skilling was named to succeed Lay as CEO. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

276. Admitted that Enron made an announcement on 12/18/00 in connection with an agreement with Blockbuster. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

277. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Third sentence: admitted that the credit capacity of some of the Raptor vehicles declined toward the end of 2000. Fourth through ninth sentences: Without knowledge or information sufficient to form a belief as to the truth of the averments.

278. Admitted that V&E performed certain legal services in connection with certain SPEs in 2000. Denied that V&E knew of or participated in any fraudulent scheme or manipulation. The last sentence asserts an accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

279. Without knowledge or information sufficient to form a belief as to the truth of the averments.

280. Without knowledge or information sufficient to form a belief as to the truth of the averments.

281. Admitted that Enron released 4Q 00 and full year 00 results on 1/22/01. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

282. Without knowledge or information sufficient to form a belief as to the truth of the averments.

283. Without knowledge or information sufficient to form a belief as to the truth of the averments.

284. Without knowledge or information sufficient to form a belief as to the truth of the averments.

285. Without knowledge or information sufficient to form a belief as to the truth of the averments.

286. Without knowledge or information sufficient to form a belief as to the truth of the averments.

287. Without knowledge or information sufficient to form a belief as to the truth of the averments.

288. First sentence: admitted that Enron's stock price rose in early 2001; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second, fourth, and fifth sentences: admitted that Enron engaged in a zero coupon convertible note placement in early 2001; denied that the placement is completely or accurately described in paragraph 288; without knowledge or information sufficient to form a belief as to the truth of the averments concerning subsequent transactions by CitiGroup, Deutsche Bank, JP Morgan, Bank America, and Barclays. Third and sixth sentences: without knowledge or information sufficient to form a belief as to the truth the averments, but denied that V&E was aware of or participated in any "Ponzi scheme."

289. Without knowledge or information sufficient to form a belief as to the truth of the averments.

290. Without knowledge or information sufficient to form a belief as to the truth of the averments.

291. Admitted that Enron issued a press release in connection with a 2001 agreement with Eli Lilly; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

292. Admitted that Enron filed its 00 Report on Form 10-K with the SEC on or about 3/01. Denied that V&E drafted any portion of the Form 10-K report. The contents and signatories of the 00 Report on Form 10-K are a matter of public record at the SEC.

293-298. Admitted that Enron issued its Annual Report to Shareholders in early 3/01 and that V&E provided certain legal services in connection with portions of the Annual Report; denied that V&E approved the Report. The contents and signatories of, the Annual Report are a matter of public record at the SEC. Denied that the statements set forth in these paragraphs constitute a complete or accurate reflection of the substance of the Annual Report.

299. Without knowledge or information sufficient to form a belief as to the truth of the averments.

300. V&E denies making any of the statements referenced in this paragraph and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts as alleged in subparagraphs (a) through (s). V&E is without knowledge or information sufficient to form a belief as to the truth of the facts plaintiffs allege to be “true facts” or as to the remaining averments.

301. Admitted that in March 2001 the contract between Enron and Blockbuster was terminated; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

302. Without knowledge or information sufficient to form a belief as to the truth of the averments.

303. Without knowledge or information sufficient to form a belief as to the truth of the averments.

304. Without knowledge or information sufficient to form a belief as to the truth of the averments.

305. Admitted that V&E provided certain legal services in connection with certain of the LJM2-related SPEs. Denied that V&E's legal services are completely or accurately described in this paragraph. Denied that V&E knew of or participated in any fraudulent scheme or wrongful conduct. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

306. Without knowledge or information sufficient to form a belief as to the truth of the averments.

307. Without knowledge or information sufficient to form a belief as to the truth of the averments.

308. Without knowledge or information sufficient to form a belief as to the truth of the averments.

309. Without knowledge or information sufficient to form a belief as to the truth of the averments.

310. Without knowledge or information sufficient to form a belief as to the truth of the averments.

311. Without knowledge or information sufficient to form a belief as to the truth of the averments.

312. Without knowledge or information sufficient to form a belief as to the truth of the averments.

313. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that Enron's stock price fell; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth through sixth sentences: admitted that V&E provided certain legal services in connection with the Raptor vehicles in 2001; denied that these services are completely or accurately described; all other allegations as to V&E are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

314. Without knowledge or information sufficient to form a belief as to the truth of the averments.

315. Without knowledge or information sufficient to form a belief as to the truth of the averments.

316. Admitted that Enron released financial results for 1Q 01 on or about 4/17/01. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

317. Admitted that on or about April 17, 2001, Enron held a conference call for analysts and investors; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

318. Without knowledge or information sufficient to form a belief as to the truth of the averments.

319. Without knowledge or information sufficient to form a belief as to the truth of the averments.

320. Without knowledge or information sufficient to form a belief as to the truth of the averments.

321. Without knowledge or information sufficient to form a belief as to the truth of the averments.

322. Without knowledge or information sufficient to form a belief as to the truth of the averments.

323. Without knowledge or information sufficient to form a belief as to the truth of the averments.

324. Without knowledge or information sufficient to form a belief as to the truth of the averments.

325. Without knowledge or information sufficient to form a belief as to the truth of the averments.

326. Without knowledge or information sufficient to form a belief as to the truth of the averments.

327. Without knowledge or information sufficient to form a belief as to the truth of the averments.

328. Admitted that Enron released financial results for 2Q 01 on or about 7/12/01. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

329. Admitted that Enron held a conference call with certain analysts and investors on or about July 12, 2001. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

330. Without knowledge or information sufficient to form a belief as to the truth of the averments.

331. Without knowledge or information sufficient to form a belief as to the truth of the averments.

332. Without knowledge or information sufficient to form a belief as to the truth of the averments.

333. Without knowledge or information sufficient to form a belief as to the truth of the averments.

334. Without knowledge or information sufficient to form a belief as to the truth of the averments.

335. Without knowledge or information sufficient to form a belief as to the truth of the averments.

336. First sentence: admitted that Enron raised funds through securities offerings. The filing dates, contents, and signatories of Enron's securities registrations are a matter of public record at the SEC. Without knowledge of information sufficient to form a belief as to the truth of the remaining averments. Second and fourth sentences: admitted that Enron sometimes incorporated various of its SEC filings into its Registration Statements. The contents and

signatories of Enron's SEC filings are a matter of public record at the SEC. Third sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied.

337. Without knowledge or information sufficient to form a belief as to the truth of the averments.

338. Without knowledge or information sufficient to form a belief as to the truth of the averments.

339. V&E denies making any statements and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts as alleged in subparagraphs (a) through (s). Without knowledge or information sufficient to form a belief as to the truth of the facts plaintiffs allege to be "true facts" or as to the remaining averments.

340. Admitted that Watkins' letters to Lay in August 2001, referenced in the paragraph, included the quoted language but not the bolding or italics.

341. Without knowledge or information sufficient to form a belief as to the truth of the averments.

342. Admitted that Enron's stock price declined in 2001. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

343. Admitted that Skilling resigned and was succeeded by Lay and that Enron held a conference call with investors and shareholders on or about August 14, 2001. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

344. Admitted that Lay participated in a conference call on or about 8/14/01; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

345. Without knowledge or information sufficient to form a belief as to the truth of the averments.

346. Without knowledge or information sufficient to form a belief as to the truth of the averments.

347. Without knowledge or information sufficient to form a belief as to the truth of the averments.

348. Without knowledge or information sufficient to form a belief as to the truth of the averments.

349. Without knowledge or information sufficient to form a belief as to the truth of the averments.

350. Admitted that Enron's stock dropped following Skilling's resignation. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

351. Without knowledge or information sufficient to form a belief as to the truth of the averments.

352. Without knowledge or information sufficient to form a belief as to the truth of the averments.

353. Without knowledge or information sufficient to form a belief as to the truth of the averments.

354. Without knowledge or information sufficient to form a belief as to the truth of the averments.

355. Without knowledge or information sufficient to form a belief as to the truth of the averments.

356. Without knowledge or information sufficient to form a belief as to the truth of the averments.

357. Without knowledge or information sufficient to form a belief as to the truth of the averments.

358. Without knowledge or information sufficient to form a belief as to the truth of the averments.

359. Without knowledge or information sufficient to form a belief as to the truth of the averments.

360. First through third sentences: denied as to V&E; admitted that Enron's stock price declined in 8/01 and 9/01; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

361. First sentence: admitted that Enron was required to issue stock to certain entities in some circumstances; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Remaining sentences: admitted that V&E performed certain legal services in connection with an Enron transaction involving Qwest, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

362. Without knowledge or information sufficient to form a belief as to the truth of the averments.

363. Without knowledge or information sufficient to form a belief as to the truth of the averments.

364. Admitted that Enron released its 3rd Q 01 results on October 16, 2001 and that they included a charge of about \$1 billion; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

365. Without knowledge or information sufficient to form a belief as to the truth of the averments.

366. Without knowledge or information sufficient to form a belief as to the truth of the averments.

367. Without knowledge or information sufficient to form a belief as to the truth of the averments.

368. Without knowledge or information sufficient to form a belief as to the truth of the averments.

369. Without knowledge or information sufficient to form a belief as to the truth of the averments.

370. Without knowledge or information sufficient to form a belief as to the truth of the averments.

371. Without knowledge or information sufficient to form a belief as to the truth of the averments.

372. Without knowledge or information sufficient to form a belief as to the truth of the averments.

373. Without knowledge or information sufficient to form a belief as to the truth of the averments.

374. Without knowledge or information sufficient to form a belief as to the truth of the averments.

375. Without knowledge or information sufficient to form a belief as to the truth of the averments.

376. Without knowledge or information sufficient to form a belief as to the truth of the averments.

377. Admitted that Enron held conference calls with certain analysts and investors in October 2001; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

378. Without knowledge or information sufficient to form a belief as to the truth of the averments.

379. Without knowledge or information sufficient to form a belief as to the truth of the averments.

380. Without knowledge or information sufficient to form a belief as to the truth of the averments.

381. Without knowledge or information sufficient to form a belief as to the truth of the averments.

382. Admitted that on 10/25/01 Enron issued a release containing the quoted language, but without the italics or bolding.

383. Admitted that on 11/1/01, Enron issued a release concerning its financing; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

384. Admitted.

385. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fourth sentences: admitted that Enron engaged in transactions involving Chewco, LJM1, and LJM2; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

386. Denied as to V&E. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

387. Admitted that in October and November 2001 Enron engaged in negotiations with Dynegy over a proposed merger; the remaining averments are denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

388. Without knowledge or information sufficient to form a belief as to the truth of the averments.

389. Denied that V&E participated in any fraudulent scheme; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

390. V&E denies making any statements and denies participating in the preparation of any statements that were known by V&E to be false or misleading when issued; V&E further denies that it concealed or participated in concealing what are alleged to be the true facts. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

391. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that Dynegy conducted due diligence; without knowledge or information sufficient to form a belief as to the truth of the remaining

averments. Third sentence: admitted that Dynegy terminated the merger agreement and that Enron went bankrupt. Fourth sentence: admitted that Enron's publicly traded debt had been downgraded below investment grade and that, on December 2, 2001, Enron filed for bankruptcy; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: admitted that the prices of Enron securities have declined; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

392. Admitted that Congress investigated Enron and that the witnesses listed asserted their Fifth Amendment privilege against self incrimination. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

393. First sentence: denied that V&E participated in any scheme to defraud; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second, third and fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron restated its shareholders' equity in November 2001. Sixth through eighth sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

394. First and third sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to the sales by Enron Defendants; denied that V&E participated in wrongful conduct.

395. Denied that V&E participated knowingly in financial fraud and a fraudulent course of business as alleged in the Complaint. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

396. Without knowledge or information sufficient to form a belief as to truth of the averments.

397. Admitted that the Enron Defendants held high positions at Enron. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

398. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted.

399. Without knowledge or information sufficient to form a belief as to the truth of the averments.

400. Without knowledge or information sufficient to form a belief as to the truth of the averments.

401. Without knowledge or information sufficient to form a belief as to the truth of the averments.

402. Without knowledge or information sufficient to form a belief as to the truth of the averments.

403. Without knowledge or information sufficient to form a belief as to the truth of the averments.

404. Without knowledge or information sufficient to form a belief as to the truth of the averments.

405. Without knowledge or information sufficient to form a belief as to the truth of the averments.

406. This paragraph does not require a response.

407. This paragraph does not require a response.

408. This paragraph does not require a response.

409. This paragraph does not require a response.

410. Without knowledge or information sufficient to form a belief as to the truth of the averments.

411. This paragraph does not require a response.

412. Without knowledge or information sufficient to form a belief as to the truth of the averments.

413. This paragraph does not require a response.

414. This paragraph does not require a response.

415. This paragraph does not require a response.

416. This paragraph does not require a response.

417. This paragraph does not require a response.

418. Denied that V&E had the intent alleged or that V&E caused Enron to violate GAAP or SEC rules. The averments in this paragraph state matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

419. Admitted that Enron restated various of its financial statements for the period 1997-2001. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

420. Admitted that restatements of Enron's financial statements affected its debt-to-equity ratio for the periods in question. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

421. Admitted that restatements of Enron's financial statements affected its debt-to-equity ratio and ratio of earnings to fixed charges. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

422. Without knowledge or information sufficient to form a belief as to the truth of the averments.

423. Without knowledge or information sufficient to form a belief as to the truth of the averments.

424. Admitted that Enron reported and later restated financial information from which summary financial results could be derived. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments or to the accuracy of the table reported in paragraph 424.

425. Admitted that Enron included and/or incorporated by reference certain financial information in various releases and SEC filings. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

426. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

427. Admitted that GAAP are principles recognized by the accounting profession and referenced in regulations of the SEC. The remaining averments are statements of law to which no response is required.

428. Asserts a statement of law to which no response is required.

429. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments, but denied that V&E had knowledge of or participated in

a scheme as alleged in the first and second sentences. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

430. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

431. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

432. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

433. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: denied that V&E had knowledge that Enron SPE's did not qualify under SFAS 125; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Fifth sentence: denied that V&E used, or had knowledge that Enron and its accountants used, any inappropriate provisions in accounting for SPE's; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth through

eight sentences: assert a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Ninth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

434. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Denied that V&E had knowledge of any misstatement. Second sentence: the quotation requires no response.

435. First through third sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that an entity that became known as Chewco was formed in 1997; denied that the averments completely or accurately describe the transaction. Fifth sentence: denied.

436. First through third sentences: admitted that an entity called Joint Energy Development Investment was formed in 1993, of which an Enron subsidiary was the general partner; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Fifth sentence: admitted that an entity that became known as Chewco was formed in 1997; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: denied that V&E advised anyone to place Kopper or anyone else as manager of Chewco; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Seventh

sentence: admitted that at Enron's direction, V&E performed certain legal work in connection with the entity that became known as Chewco. Eighth sentence: admitted that Kirkland & Ellis performed certain legal work in connection with entities known as Big River and Little River; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

437. First and second sentences: denied that the averments completely or accurately describe the transaction; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Third and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

438. First sentence: denied that the averments completely or accurately describe the transaction; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that an ownership interest in Chewco was transferred to William Dodson; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

439. First and tenth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the

averments. Fifth and sixth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Seventh and eighth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Ninth sentence: the averments inadequately identify the agreement to which they refer, and therefore, V&E is without knowledge or information sufficient to form a belief as to the truth of the averments.

440. First through fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

441. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: denied that V&E had any knowledge of any manipulation; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

442. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

443. First and second sentences: admitted that Enron was engaged in a transaction with Barclays and Chewco in 1997; denied that the averments completely or accurately describe the transactions; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to

form a belief as to the truth of the remaining averments. Third through sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

444. First and third sentences: the transaction documents speak for themselves and all characterizations and averments inconsistent with them are denied. Second sentence (including citation): asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Fourth and fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

445. First through third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth and fifth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

446. Without knowledge or information sufficient to form a belief as to the truth of the averments.

447. Admitted that in November 2001, Enron issued a restatement setting forth losses from, and debt attributed to, Chewco and JEDI in the amounts stated; the remaining averments assert matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

448. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: admitted. Third sentence: admitted that at various times Fastow was the managing member of the general partners of LJM1 and LJM2. Fourth through sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

449. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

450. First through third sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron has restated its financial results. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

451. First sentence: admitted. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted.

452. Admitted.

453. First sentence: admitted that Enron and a subsidiary of LJM1 engaged in a transaction involving derivatives with respect to Enron's position in Rhythms stock; without

knowledge or information sufficient to form a belief as to the truth of the remaining averments in this sentence. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of these averments. Fifth sentence: admitted that Enron had entered into a lock-up agreement with respect to its position in Rhythms; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

454. First through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of averments. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

455. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that a transaction involving a derivative on Enron's position in Rhythms stock closed on 6/30/99, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Remainder of paragraph 455: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

456. Admitted that Enron entered into a derivative transaction on its position in Rhythms stock with LJM Swap Sub; but without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

457. Without knowledge or information sufficient to form a belief as to the truth of the averments.

458. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that Enron ultimately terminated its derivatives on the shares of Rhythms stock; as to remaining averments, the transaction

documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

459. Without knowledge or information sufficient to form a belief as to the truth of the averments.

460. First sentence: admitted that in late 1999, a partnership known as LJM2 was formed and that Fastow served as managing member of LJM2's general partner. Second and third sentences: admitted. Fourth sentence: admitted that Merrill Lynch participated in setting up LJM2; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

461. First and fourth through sixth sentences: the offering memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh sentence: admitted that Merrill Lynch and Kirkland & Ellis were retained in connection with this offering; without knowledge sufficient to form a belief as to the truth of the remaining averments.

462. First sentence: admitted that there were transactions between Enron and LJM2 involving four entities known as the "Raptors"; the remainder of the sentence asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence and citation: asserts a matter of accounting opinion to which no response is required; to

the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. The remainder of the averments in this paragraph assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

463. First through third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron engaged in a transaction involving the Raptor vehicles in early 2001; but without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

464. First sentence: admitted that in the third quarter of 2001, Enron recorded an after-tax charge of \$544 million (\$710 million pre-tax) and also reported a reduction in shareholder equity by \$1.2 billion. The remainder of the averments in this paragraph assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

465. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that V&E performed certain legal services in connection with the Raptors and that Andersen provided accounting advice on the Raptor transactions; denied that V&E participated in any employment of artifices; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: no response is required.

466. First sentence: admitted that Enron and at least one of the LJM partnerships engaged in the Rhythms and Raptor transactions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

467. First sentence: admitted that Enron sold LJM1 a stake in a company building a power plant in Cuiaba, Brazil, in 9/99, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second and third sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron repurchased LJM1's interest in Cuiaba in 8/01, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

468. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

469. First, second, third, and fifth sentences: admitted that Enron was involved in a transaction concerning collateralized loan obligations. The transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth sentence: the transaction documents speak for themselves with respect to the ultimate sale of these tranches, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

470. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that certain loans in the loan portfolio deteriorated in 2000. Third and fourth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

471. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

472. Without knowledge or information sufficient to form a belief as to the truth of the averments.

473. Admitted that Enron engaged in transactions in late 1999 in which an entity referred to as Yosemite was involved, but denied that the transactions are completely or accurately described in paragraph 473. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

474. Admitted that Enron engaged in transactions in late 1999 in which an entity referred to as Yosemite was involved, but denied that the transactions are completely or accurately described in paragraph 474. Denied that V&E had knowledge that the transactions were “improper” or “sham[s]” in any respect. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

475. Admitted that Enron was involved in a transaction referred to as Backbone involving fiber optic cable, but the transaction documents speak for themselves, and all

characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

476. First and second sentences: admitted that LJM was an equity investor in transactions involving Enron and that LJM1, LJM2, or a subsidiary was an equity investor in the transactions referred to as Cortez, Rawhide, Margaux, and Fishtail; without knowledge or information sufficient to form a belief as to the truth of the remaining averments in these sentences. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

477. First sentence: admitted that an entity named Talon I, LLC was created on or about April 18, 2000 and was involved in a transaction that has been referred to as Raptor I; the averment that Talon I was an SPE is a matter of accounting opinion to which no response is required; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that Enron or a subsidiary conducted a derivative transaction with Talon I, LLC with respect to its investment in Avici Systems, but without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third through fifth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

478. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that LJM2, a subsidiary, or an affiliate invested \$30 million in Talon I. The remainder of the sentence asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

Fourth sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

479. First, fourth and sixth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: denied that this sentence constitutes a complete and accurate description of the put option. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Seventh sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Eighth sentence: admitted that LJM2 or a subsidiary or an affiliate received a \$41 million payment; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Ninth sentence: admitted that the Finance Committee and the full board approved part or all of this transaction, but without knowledge or information sufficient to form a belief as to which aspects of the transaction were presented to the board.

480. Without knowledge or information sufficient to form a belief as to the truth of the averments.

481. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that Enron and Talon entered into a derivative transaction on or about October 30, 2000 with respect to

shares of Enron stock; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth through sixth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Seventh and eighth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

482. First sentence: admitted that Enron entered into two additional transactions that shared certain common characteristics with Raptor I and that these transactions were referred to as Raptor II and Raptor IV. Second sentence: denied that this sentence constitutes a complete or accurate description of those vehicles. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

483. First sentence and footnote 8: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Third sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

484. Without knowledge or information sufficient to form a belief as to the truth of the averments.

485. First sentence: admitted that Raptor III shared some similarities with the other Raptor transactions. Second through seventh sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

486. First sentence: admitted that New Power consummated its IPO; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

487. First sentence: admitted that New Power was a retail power company; admitted that Enron owned a stake in New Power before the latter company's IPO. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of these averments.

488. First sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. The averment that Porcupine was an SPE is a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third through fifth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

489. First sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of these averments. Sixth sentence: asserts a matter of accounting opinion to which no response is required; to the extent

that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

490. First sentence: denied. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

491. First sentence: admitted that a transaction involving the Raptor vehicles occurred during the first quarter of 2001; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

492. First sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

493. First sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments in these sentences. The remainder of the paragraph asserts matters of accounting opinion, to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

494. First sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averment about how Enron recorded the notes receivable; the remainder of the sentence asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that Enron announced a reduction in its shareholders' equity, but denied that this sentence constitutes a complete or accurate account of that announcement.

495. First sentence: admitted that the Raptors were terminated in or about September 2001, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

496. Denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

496(a). Admitted that Enron engaged in a transaction named Firefly involving a utility in Brazil named Elektro, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

496(b). Admitted that Enron referred to an entity called JV Co. in connection with proposed monetization transactions; without knowledge or information sufficient to form a belief as to the truth of the remainder of the averments.

497. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to

form a belief as to the truth of the averment. Second and third sentences: admitted that Enron was involved in transactions in which entities known as Osprey Trust and Marlin Trust were also involved, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Fifth sentence: admitted that Osprey Trust was an investor in Whitewing Associates LP, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

498. First, second and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fifth through eighth sentences: the transaction documents speak for themselves and all characterizations and averments inconsistent with them are denied.

499. Admitted that a number of assets were transferred to Whitewing Associates LP or its subsidiaries or affiliates, but the transaction documents speak for themselves and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

500. Without knowledge or information sufficient to form a belief as to the truth of the averments.

501. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

502. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second through fifth sentences: admitted that Enron and Egret I, LLC were involved in transactions involving the offering of Osprey notes, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

503. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

504. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second and third sentences: admitted that Egret I, LLC held a managing member interest in Whitewing Management LLC, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

505. Asserts matters of accounting and legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

506. Asserts matters of accounting and/or legal opinions to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments, except denied that V&E had knowledge of any

failure properly to disclose Enron's related party transactions or any scheme to hide Enron's debt.

507. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

508. Paragraph 508 is a statement of law to which no response is required.

509. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

510. First sentence: denied. Second sentence: admitted that Enron filed 1997 and 1998 10-Ks. The contents and signatories of the 1997 and 1998 10-Ks are matters of public record at the SEC; denied that the second sentence completely or accurately describes the substance of the 1997 and 1998 10-Ks; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: admitted that the 2000 Form 10-K contained the quoted language but denied that the sentence completely or accurately characterizes the referenced document. Fourth sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent that a response is required, denied. Fifth sentence: the contents of Enron's 1997, 1998, and 2000 10-Ks are a matter of public record at the SEC; denied that the fifth sentence completely or accurately describes the contents of Enron's 1997, 1998, and 2000 10-Ks. Sixth sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied.

511. First and second sentences: assert matters of accounting and legal opinion to which no response is required; to the extent a response is required, the averments are denied.

Third sentence: denied as to V&E. Fourth sentence: admitted that V&E provided certain legal services in connection with advising on disclosure of related-party transactions in Enron's proxy statement; denied that this sentence accurately characterizes the advice V&E rendered; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

512. First through third sentences: admitted that Enron filed proxy statements on 3/21/00 and 3/27/01. The contents and signatories of Enron's proxy statements are a matter of public record at the SEC. Denied that the second and third sentences completely or accurately describe the contents of the proxy statement descriptions of the establishment of LJM1 and LJM2. Fourth sentence: asserts a legal conclusion to which no response is required; to the extent a response is required, denied.

513. First through third sentences: admitted that Enron filed a Form 10-Q for the 2ndQ 1999 on 8/16/99. The contents and signatories of Enron's 10-Q for the 2ndQ 1999 are a matter of public record at the SEC. Denied that the sentences completely or accurately describe the contents of Enron's 2ndQ 1999 10-Q. Without knowledge or information sufficient to form a belief as to the remaining averments. Fourth sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied. Fifth sentence: admitted that Enron filed a 1999 10-K on 3/30/00 and that it filed a 3rdQ 1999 10-Q on 11/15/99. The contents and signatories of Enron's 3rdQ 1999 10-Q and 1999 10-K are a matter of public record at the SEC. Denied that the fifth sentence completely or accurately describes the disclosures in the 3rdQ 1999 10-Q and the 1999 10-K.

514. First and second sentences: admitted that Enron filed a Form 10-Q for the second quarter 2000. The contents and signatories of that Form 10-Q are a matter of public record at the SEC. Denied that the first and second sentences completely or accurately describe the contents

of the referenced Form 10-Q. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

515. First and second sentences: assert matters of accounting opinion and/or statements of law to which no response is required; to the extent a response is required, denied. Third sentence: admitted that Enron filed 2ndQ 1999 and 3rdQ 1999 10-Qs. The contents and signatories of Enron's 2ndQ 1999 and 3rdQ 1999 10-Qs are a matter of public record at the SEC. To the extent a response is required, denied that the third sentence completely or accurately describes the substance of Enron's statements in the 2ndQ and 3rdQ 1999 10-Qs. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments regarding the 1stQ 2000 10-Q.

516. Without knowledge or information sufficient to form a belief about the truth of the averments.

517. First through fourth sentences: assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief about the truth of the averments. Fifth sentence: without knowledge or information sufficient to form a belief about the truth of the averment. Sixth and seventh sentences: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

518. First sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, admitted that Enron restated various of its financial statements for the period 1997-2001, but V&E is without knowledge or information sufficient to form a belief as to the truth of the remaining averments. The remainder of

paragraph 518 asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

519. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: the quotation requires no response. Denied that V&E participated in any “manipulations.”

520. First sentence: admitted that through EBS, Enron laid fiber optic cable, but without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

521. First and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second and third sentences: admitted that Enron was involved in a transaction called Project Braveheart involving a contract between Enron and Blockbuster. The transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

522. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. As to the remaining averments in the paragraph: admitted that Enron was involved in a transaction called Project Braveheart involving a contract between Enron and Blockbuster, but the transaction documents speak for

themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

523. Without knowledge or information sufficient to form a belief as to truth of the averments.

524. Without knowledge or information sufficient to form a belief as to truth of the averments.

525. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

526. Admitted that the contract between Enron and Blockbuster was terminated; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

527. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: admitted. Third sentence: admitted that Enron engaged in transactions involving dark fiber capacity with other entities, but without knowledge or information sufficient to form a belief as to the truth of the remaining the averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

528. First sentence (including footnote 11): admitted that Enron engaged in broadband trading and dark fiber transactions, but without knowledge or information sufficient to form a belief as to truth of the remaining averments. Second and third sentences: without knowledge or information sufficient to form a belief as to truth of the averments.

529. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second through fourth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: admitted that Enron engaged in transactions with Qwest and 360 Networks; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

530. This paragraph requires no response.

531. First through third sentences: admitted that Enron engaged in a dark fiber transaction with LJM2, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth through seventh sentences: without knowledge or information sufficient to form a belief as to truth of the averments.

532. Without knowledge or information sufficient to form a belief as to truth of the averments.

533. Asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

534. First through third, and fifth sentences: assert matters of accounting opinion to which no responses are required; to the extent responses are required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth and sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

535. First and third through sixth sentences: assert matters of accounting opinion to which no responses are required; to the extent responses are required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that “DSM contracts” is a term sometimes used to describe contracts that bundled various energy-related products and services to customers.

536. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third through sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

537. Without knowledge or information sufficient to form a belief as to the truth of the averments.

538. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fourth sentences: admitted that Enron engaged in transactions in which entities referred to as Contractual Asset Securitization Holding trusts were involved, but denied that the transactions are completely or accurately described or characterized in these sentences; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

539. Without knowledge or information sufficient to form a belief as to the truth of the averments.

540. Admitted that Enron subsidiary EES engaged in a transaction with Eli Lilly in 2001. The remainder of the paragraph asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

541. Admitted that Enron subsidiary EES engaged in a transaction with Eli Lilly in 2001, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

542. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: the quotation requires no response.

543. First and third sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

544. First and second sentences: in part assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. As to the remainder of the first and second sentences: admitted that Enron subsidiary EES engaged in transactions with J.C. Penney, IBM, and Owens Illinois; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

545. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

546. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

547. First sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second, fourth, fifth, and sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third and seventh sentences: in part assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. As to the remainder of the sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

548. Without knowledge or information sufficient to form a belief as to the truth of the averments.

549. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

550. Without knowledge or information sufficient to form a belief as to the truth of the averments. The quotation requires no response.

551. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

552. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

553. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

554. First and second sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence and chart: without knowledge or information sufficient to form a belief as to the truth of the averments.

555. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

556. First sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Second through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

557. Admitted that Enron subsidiary EES was working on a transaction with Quaker Oats, but without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

558. Without knowledge or information sufficient to form a belief as to the truth of the averment.

559. First through third sentences: admitted that Enron and its subsidiaries entered into forward sale contracts with respect to crude oil and natural gas with Mahonia, Ltd., but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: quotations require no response.

560. Without knowledge or information sufficient to form a belief as to whether this paragraph constitutes a complete or accurate account or characterization of Enron's transactions with Mahonia.

561. Without knowledge or information sufficient to form a belief as to whether this paragraph constitutes a complete or accurate account or characterization of Enron's transactions with Mahonia.

562. Asserts statements and conclusions of law to which no response is required; to the extent that this paragraph describes transactions between Enron and either J.P. Morgan or Mahonia, the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

563. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third and fourth sentences: admitted that Judge Jed S. Rakoff in Manhattan issued a ruling on or about March 2, 2002, but denied that these sentences constitute a complete or accurate description or characterization of that ruling. The quoted excerpts from Judge Rakoff's opinion require no response.

564. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to

form a belief as to the truth of the averment. The remainder of the paragraph requires no response.

565. Admitted that Enron engaged in transactions with Citibank during the period from late 1999 through early 2001; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

566. Admitted that Enron engaged in transactions with Citibank during the period from late 1999 through early 2001; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

567. First through third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. The remainder of the paragraph requires no response.

568. Asserts accounting opinions and/or statements of law to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

569. Without knowledge or information sufficient to form a belief as to the truth of the averments.

570. The quotation requires no response.

571. Without knowledge or information sufficient to form a belief as to the truth of the averments.

572. Without knowledge or information sufficient to form a belief as to the truth of the averments.

573. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

574. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

575. First through fourth sentences: admitted that Enron sometimes used non-recourse debt to finance its plant building projects; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

576. Asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

577. First sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: without knowledge or information sufficient to form a belief as to whether former employees identified the Enron power plant projects listed in the chart; with respect to the statements in chart, the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

578. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

579. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

580. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

581. First and second sentences: admitted that certain Enron personnel used the term “snowball” in connection with certain costs incurred during the course of certain development projects; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third through sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh and eight sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Ninth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Tenth and eleventh sentences: assert matters of accounting opinion and/or statements of law to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

582. Asserts matters of accounting opinion and/or statements of law to which no response required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

583. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

584. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

585. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

586. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment.

587. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

588. First sentence: admitted that Enron announced accounting restatements on 10/16/01. Denied that the remaining averments in the first sentence are a complete or accurate description or characterization of Enron's accounting restatement announcement. Second sentence: no response to the quotation is required.

589. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

590. First and second sentences: admitted that in 1998 Enron engaged in a transaction involving the acquisition of Wessex Water in the United Kingdom and that Wessex Water became part of Azurix. Third sentence: admitted that Mark-Jusbasche was named CEO of Azurix. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Fifth sentence: admitted that Azurix made other investments in water and wastewater concessions and companies providing water and wastewater services, including in Argentina. Sixth through ninth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Tenth sentence: admitted that in 1999 one-third of Azurix was sold in a public offering underwritten in part by Deutsche Bank and Bank America. Eleventh sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

591. First through third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Mark-Jusbasche left Azurix in 2000; but without knowledge or information sufficient to form a belief as to the remaining averment. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Sixth sentence: admitted that in late 2000 Enron announced plans to take Azurix private, which it did in March 2001 for approximately \$330 million. Seventh sentence: without knowledge or information sufficient to form a belief as to the truth of the averment that Enron booked the purchase of Azurix as an asset. Whether Azurix was impaired is a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Eighth sentence: asserts a matter of accounting opinion to which no response

is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

592. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

593. First sentence: denied. Second through fifth sentences: admitted that Enron engaged in a transaction named Marlin involving the entities Atlantic Water Trust and Marlin Water Trust, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Sixth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, denied.

594. First sentence: without knowledge or information sufficient to form a belief as to truth of the averment. Second sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

595. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fifth sentences: without knowledge or information sufficient to form a belief as to truth of the averments.

596. First and second sentences: admitted that Enron was a partial owner of TGS, and that TGS owned a gas pipeline in Argentina, but denied that the first and second sentences completely or accurately describe Enron's ownership of TGS and the gas pipeline in Argentina. Third sentence: asserts matters of accounting opinion to which no response is required; to the

extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: asserts matters of accounting opinion to which no response is required. To the extent a response is required, admitted that Enron did not sell its interest in TGS in 2000, but denied that the fourth sentence completely or accurately describes Enron's attempt to sell TGS. Without knowledge or information sufficient to form a belief as to the remaining averments.

597. First sentence: asserts matters of accounting opinion to which no response is required; to the extent to which a response is required, denied as to V&E, and without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

598. Admitted that in the early 1990s Enron became involved in building a power plant in Dabhol, India, and that the plant encountered problems; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

599. Without knowledge or information sufficient to form a belief as to the truth of the averments.

600. This paragraph requires no response.

601. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

602. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

603. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

604. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, admitted that Enron's Puerto Rico gas pipeline had an explosion, but denied that the second sentence completely or accurately describes the incident. Third and fourth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

605. First sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that in 1998 Enron acquired an interest in a utility in Brazil named Elektro, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Third sentence: without

knowledge or information sufficient to form a belief as to the truth of the averment. Fourth sentence: admitted that sometime after December 1998 Enron acquired additional shares of Elektro, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Fifth and sixth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

606. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Second sentence: admitted that in 2000 Enron tried to sell its interest in Elektro as part of Project California, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Fourth sentence: asserts a matter of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: admitted that Enron transferred certain interests associated with Elektro to a subsidiary of Whitewing Associates LP, and that in 2001 Enron attempted to sell its holdings in Elektro, but without knowledge or information sufficient to form a belief as to the truth of the remaining averment. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

607. Admitted that Promigas was a public company in Columbia that held interests in a pipeline, that Enron held certain interest in Promigas, and that Enron transferred certain interests in Promigas to a subsidiary of Whitewing Associates LP. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

608. First sentence: asserts matters of accounting opinions and/or statements of law to which no response is required; to the extent a response is required, without knowledge or

information sufficient to form a belief as to the truth of the averments. Second through fourth sentences: denied that these sentences completely or accurately describe Project Timber.

609. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second and third sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth through sixth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

610. Asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

611. Asserts matters of accounting opinion and statements of law to which no response is required. To the extent to which a response is required, denied as to V&E, and without knowledge or information sufficient to form a belief as to the truth of remaining the averments.

612. Admitted that Enron registered securities offerings, and that Enron sometimes incorporated by reference various SEC filings into its registration statements. The effective dates, contents, and signatories of those registration statements are a matter of public record at the SEC. To the extent a response is required, without knowledge or information sufficient to form a belief as to the accuracy of all of the statements set forth in the chart.

613. Asserts matters of legal and/or accounting opinion to which no response is required; to the extent a response is required, denied.

614. First sentence: admitted that the contents and signatories of any registration statement filed by Enron are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to truth of remaining averments in first sentence. Second sentence: asserts matters of accounting opinion or statements of law to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

615. First and third sentences: admitted that Enron incorporated by reference various SEC filings into its registration statements; the contents and signatories of those registration statements are a matter of public record at the SEC. Second, fourth, and fifth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

616. First sentence: asserts matters of accounting opinion and/or statements of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: denied that V&E created a “house of cards.” Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

617. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that V&E performed certain legal services for Enron, but all remaining averments in second sentence denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

618. First sentence: asserts matter of accounting opinion and/or legal opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second and third sentences: admitted that Enron sometimes incorporated into its Registration Statements various of its SEC filings. The filing dated, contents, and signatories of Enron's Registration Statements and SEC filings are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

619. First sentence: asserts matters of accounting and/or legal opinion, to which no response is required. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments in this sentence. Third and fourth sentences: denied that these sentences constitute a complete or accurate description of the disclosures to which the sentences refer. Fifth sentence: admitted that V&E performed certain legal services on some transactions; denied that V&E knew material "undisclosed facts" or that V&E "created" the referenced transactions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

620. First through third sentences: denied that these sentences constitute complete or accurate descriptions of the disclosures, the underlying transactions, or what V&E knew about them. Fourth sentence: asserts matters of accounting opinion and/or a legal conclusion, to which no response is required; denied that this sentence constitutes a complete or accurate description of the Raptor transaction. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

621. First and second sentences: denied that these sentences constitute complete or accurate descriptions of the disclosures, the underlying transactions, or what V&E knew about them. Third and fourth sentences: admitted that V&E performed certain legal services on transactions; denied that V&E “structured” the transactions or that it understood that the transactions were bogus; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

622. Without knowledge or information sufficient to form a belief as to the truth of the averments.

623. Without knowledge or information sufficient to form a belief as to the truth of the averments.

624. First and second sentences: assert matters of accounting and/or legal opinion to which no response is required. Third sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: asserts matters of accounting and/or legal opinion to which no response is required. Fifth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

625. Admitted that Enron raised funds through securities offerings and sometimes incorporated various of its SEC filings into its Offering Documents. The filing dates, contents, and signatories of Enron’s Offering Documents are a matter of public record at the SEC. Without knowledge or information to form a belief as to the truth of the remaining averments.

626. First sentence: asserts a matter of accounting opinion or legal conclusion, to which no response is required. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

627. Without knowledge or information sufficient to form a belief as to the truth of the averments.

628. First and second sentences: assert matters of accounting and/or legal opinion to which no response is required. Third sentence: denied that this sentence constitutes a complete or accurate description of the transactions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Sixth sentence: admitted that V&E performed certain legal services on some Enron transactions; denied that this sentence constitutes a complete or accurate description of V&E's role or knowledge.

629. First sentence: denied that this paragraph completely or accurately describes the filing at issue. Second and third sentences: admitted that Enron sometimes incorporated into its Offering Documents various of its SEC filings. The contents and signatories of those Offering Documents are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

630. First sentence: asserts a matter of accounting and/or legal opinion to which no response is required. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

Fifth sentence: admitted that Enron's stock price dropped; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: to the extent that this sentence makes averments as to V&E, the averments are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

631. First sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied. Second sentence: admitted that some Enron Offering Documents incorporated various SEC filings. The contents and signatories of those Offering Documents are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

632. Without knowledge or information sufficient to form a belief as to the truth of the averments.

633. Without knowledge or information sufficient to form a belief as to the truth of the averments.

634. Without knowledge or information sufficient to form a belief as to the truth of the averments.

635. Without knowledge or information sufficient to form a belief as to the truth of the averments.

636. Admitted that Enron filed a 00 10-K on 4/2/01. The contents and signatories of that 10-K are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

637. Without knowledge or information sufficient to form a belief as to the truth of the averments.

638. Without knowledge or information sufficient to form a belief as to the truth of the averments.

639. Without knowledge or information sufficient to form a belief as to the truth of the averments.

640. First through third sentences: admitted that Enron sometimes incorporated by reference various SEC filings into its Offering Documents. The contents and signatories to those Offering Documents are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments in the sentences. Fourth sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, the averments are denied.

641. First and second sentences: admitted that Enron filed 10-Ks in 99 and 00. The contents and signatories of those 10-K's are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: asserts matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

641.1. First sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied as to V&E. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: the Offering Memoranda speak for themselves and all characterizations or averments inconsistent with them are denied.

641.2. Denied that the chart completely and accurately describes the offerings.

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641.3. First sentence: admitted that in September 1999 Osprey Trust and Osprey I, Inc. offered \$1,400,000,000 of 8.31% Senior Secured Notes due 2003, and that an Offering Memorandum was prepared in connection with this offering; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.4. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.5. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.6. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.7. First sentence: admitted that Yosemite Securities Trust I issued notes in November 1999 pursuant to an Offering Memorandum; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: denied that the sentence completely and accurately describes the terms of the repayment of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.8. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.9. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.10. Asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied. Denied that V&E had knowledge that the transaction was “bogus” in any respect.

641.11. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.12. First sentence: admitted that Yosemite Securities Company Ltd. issued notes in February 2000 pursuant to an Offering Memorandum; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.13. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.14. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.15. Asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied. Denied that V&E had knowledge that the transaction was “bogus” in any respect.

641.16. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.17. First sentence: admitted that Enron Credit Linked Notes Trust issued notes in August 2000 pursuant to an Offering Memorandum; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments

inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.18. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.19. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.20. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.21. First sentence: admitted that in October 2000 Osprey Trust and Osprey I, Inc. offered \$750,000,000 of 7.797% and €315,000,000 of 6.375% Senior Secured Notes due 2003, and that an offering memorandum was prepared in connection with this offering; the Offering Memorandum speaks for itself as to who the initial purchasers were and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averment.

641.22. The Offering Memorandum speaks for itself as to who the initial purchasers were and all characterizations and averments inconsistent with it are denied.

641.23. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.24. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.25. First sentence: admitted that Enron Credit Linked Notes Trust II issued notes in May 2001 pursuant to an Offering Memorandum; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.26. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.27. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.28. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.29. First sentence: admitted that Enron Euro Credit Linked Notes Trust issued notes in May 2001 pursuant to an Offering Memorandum; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.30. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.31. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.32. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.33. First sentence: admitted that Enron Sterling Credit Linked Notes Trust issued notes in May 2001 pursuant to an Offering Memorandum; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the terms of the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.34. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.35. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.36. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.37. First sentence: admitted that in July 2001 Marlin Water Trust II and Marlin Water Capital Corp. II offered \$475,000,000 of 6.19% Senior Secured Notes due 2003 and €515,000,000 of 6.31% Senior Secured Notes due 2003, and that an Offering Memorandum was prepared in connection with this transaction; the Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied. Second sentence: denied that the sentence completely and accurately describes the sources of repayment for the notes. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

641.38. The Offering Memorandum speaks for itself as to who the initial purchasers were, and all characterizations and averments inconsistent with it are denied.

641.39. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.40. The Offering Memorandum speaks for itself, and all characterizations and averments inconsistent with it are denied.

641.41. First and second sentences: assert matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

641.42. Without knowledge or information sufficient to form a belief as to the truth of the averments.

641.43. Admitted that various Citibank personnel were involved with the Yosemite transactions; without knowledge or information sufficient to form a belief as to the truth of the averments.

641.44. Without knowledge or information sufficient to form a belief as to the truth of the averments about the banks.

642-799. These paragraphs, in general, make averments regarding the conduct and state-of-mind of co-defendants (J.P. Morgan, CitiGroup, CS First Boston, CIBC, Merrill Lynch, Barclays, Lehman Brothers, Bank America and Deutsche Bank, collectively referred to in the Complaint as the "Banks"). V&E is without knowledge or information sufficient to form a belief regarding the truth of the averments against the Bank defendants. V&E denies that it participated in any fraudulent or manipulative scheme as alleged in the above paragraphs. V&E responds separately to the averments specifically relating to its conduct or state of mind as set

forth below. All remaining averments in paragraphs 642 through 799: V&E incorporates its prior responses to the same allegations set forth in earlier paragraphs, if any; to the extent not previously responded to, denied as to V&E.

646. Second sentence: admitted that at the direction of Enron, V&E provided certain legal services in connection with the creation of LJM2; the remaining averments regarding V&E are denied. Third sentence: denied.

708. First sentence: admitted that V&E provided certain legal services in connection with some of the entities and transactions referred to, but denied that the sentence completely or accurately describes V&E's services.

731. Sixth sentence: denied as to V&E.

740. Third sentence: admitted that at the direction of Enron, V&E provided certain legal services to Enron in connection with matters related to LJM2, but denied that the sentence completely or accurately describes V&E's services; the remaining averments regarding V&E are denied.

742.14. Fifth sentence: denied that V&E drafted the documentation for the alleged transaction.

757. Second sentence: denied as to V&E.

800. First sentence: admitted that V&E's role as counsel to Enron has been the subject of extensive media coverage; the remaining averments are denied. The rest of the paragraph consists of quotations requiring no response.

801. First sentence: denied that V&E was general corporate counsel to Enron. Second sentence: admitted that Enron and its subsidiaries were collectively V&E's largest client in terms of annual billings during the years of the class period. Third sentence: admitted that at the

direction of Enron, V&E performed legal work on behalf of Enron in connection with transactions related to LJM, JEDI/Chewco, and SPEs, but denied that this sentence completely or accurately describes the nature and scope of V&E's role; the remaining averments are denied. Fourth sentence: admitted that Enron restated earnings in November 2001 and sought bankruptcy protection shortly thereafter; the remaining averments are denied. Fifth sentence: denied. Sixth sentence: denied that V&E gave any false opinions; the remaining averments are denied. Seventh sentence: denied. Eighth sentence: denied. Ninth sentence: admitted that V&E conducted a preliminary investigation at Enron's request during the summer and fall of 2001; the remaining averments are denied.

802. First sentence: denied. Second sentence: admitted that at the direction of Enron V&E performed certain legal services in connection with transactions involving Azurix, Canvasback LLC, CASHco, Condor, Cortez Energy, EES, Egret, Enron Brazil, Enron Broadband, Enron Global Power, Firefly, Iguana, JEDI, JEDI II/Ontario, JEDI/Big River/Little River, JEDI II, JEDI II/Ontario Teacher's Pension Plan Board, LJM1, LJM2, LJM2/Raptors I, II, III, IV, Mahonia Ltd., Marengo, L.P., Marlin, Osprey, Sonoma, Sundance, Wessex, Whitewing, Yosemite, Yukon River Assets, L.L.C.; without knowledge or information sufficient to form a belief as to the truth of averments regarding Cayco and Newco; the remaining averments are denied.

803. First sentence: denied. Second sentence: admitted that V&E rendered opinions regarding certain matters with respect to this transaction but denied that V&E opined that the trades were legitimate and that V&E knowingly participated in any "bogus trades" or "manipulative devices"; the remaining averments are denied. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averment that no

physical delivery of product was contemplated; the remaining averment is a statement of law to which no response is required. Fourth and fifth sentences: assert matters of accounting opinion or legal conclusion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

804. First sentence: denied. Second sentence: admitted that in 1997, V&E performed certain legal services at the direction of Enron in connection with the formation of an entity that became known as Chewco; all remaining averments are denied.

805. First and second sentence: admitted that in 1997, Enron concluded a transaction involving JEDI; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third through fifth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

806. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Second sentence: admitted that V&E performed certain legal services at the direction of Enron in connection with the formation of an entity that became known as Chewco, which purchased a partnership interest in JEDI; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: denied. Fourth and fifth sentences: denied that the averments completely or accurately describe the transaction; the transaction documents speak for themselves and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Sixth sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a

response is required; without knowledge or information sufficient to form a belief as to the truth of the averments.

807. First sentence: admitted that in 1997, V&E performed certain legal services at the direction of Enron in connection with the formation of an entity that became known as Chewco; the remaining averments are denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, the averments are denied. Third and fourth sentences: admitted that V&E performed certain legal services at the direction of Enron in connection with Chewco/JEDI but denied that this sentence completely or accurately characterizes its services; denied that V&E issued any false opinions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

808. First sentence: admitted that V&E performed certain legal services at the direction of Enron in connection with the formation of an entity that became known as Chewco, including the preparation of certain financing documents; denied that V&E falsified any documents; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: asserts a matter of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: denied that the averments completely or accurately describe the transaction; the referenced documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth sentence: admitted that the executed draft of an agreement related to Chewco is dated 12/30/97.

Fifth and sixth sentences: denied that any side agreement was “concocted” by V&E or that V&E had knowledge that Chewco was not a viable SPE or that it was a manipulative device or artifice to defraud; the remaining averments assert matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

809. First sentence: denied. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

810. First through third sentences: denied. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth and sixth sentences: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

811. First sentence: admitted that there were two LJM partnerships set up in 1999; admitted that V&E performed limited legal services on behalf of Enron in connection with matters relating to creating the two LJM partnerships but denied that this sentence completely or accurately describes its services; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that Enron engaged in transactions with the LJM partnerships in 1999 and the ensuing few years; without knowledge or information sufficient to form a belief as to the truth of remaining averments. The remaining averments set forth in the paragraph are denied.

812. First sentence: admitted that LJM2 was formed in late 1999; the remaining averments assert matters of accounting opinion or legal conclusions to which no response is

required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that LJM2 engaged in transactions with Enron, without knowledge or information sufficient to form a belief as to the truth of averments regarding whether Enron “secretly controlled” LJM2; the remaining averments assert matters of accounting opinion or legal conclusions to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: admitted that V&E knew that LJM2 could engage in transactions with Enron or other parties; the remaining averments are denied. Fourth sentence: any documents reflecting assurances to investors will speak for themselves; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

813. First sentence: without knowledge or information sufficient to form a belief as to the truth of the averments; to the extent these clauses ascribe knowledge to V&E, the averments are denied. Second through seventh sentences: admitted that V&E performed certain legal services for Enron in connection with an offering memorandum for LJM2; that document speaks for itself, and all characterizations and averments inconsistent with it are denied. Eighth sentence: asserts a matter of legal opinion to which no response is required; to the extent a response is required, the averments is denied.

814. First sentence: denied. Second and third sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to the alleged knowledge of V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fifth sentence: admitted that Enron engaged in one transaction at the end of 1999 involving Collateralized Loan Obligations and one transaction

involving an entity named Yosemite; admitted that these two transactions involved LJM; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

Sixth sentence: denied.

815. First sentence: admitted that some transactions between the LJM partnerships and Enron and its affiliates occurred close to the end of financial reporting periods; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

Second sentence: denied that this sentence completely or accurately describes V&E's services; without knowledge or information sufficient to form a belief as to the truth of the remaining

averments. Third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: denied as to V&E's alleged knowledge; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

Fifth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Sixth sentence: denied that V&E was involved in manipulation, falsification, or artificial inflation of Enron's reported financial results; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

816. First sentence: admitted that Enron and a subsidiary of LJMI entered into a transaction involving a derivative with respect to Rhythms stock; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second and third sentences: denied that these sentences are a complete or accurate description of that transaction. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averment. Fifth through seventh sentences: admitted that Enron entered into transactions involving entities sometimes referred to as the Raptors; denied that the summary description of the transactions is complete or accurate. Eighth sentence: denied that V&E used

manipulative devices to circumvent accounting rules; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Ninth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Tenth sentence: denied.

817. Admitted that Enron engaged in transactions in late 1999 in which an entity referred to as Yosemite was involved, but denied that the transactions are completely or accurately described. Denied that V & E “concoct[ed]” or “created and structured” or “approved” a “sham” transaction.

818. First sentence: admitted that Enron sold LJMI a stake in a company building a power plant in Cuiaba, Brazil, in 9/99. Admitted, the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Second and third sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Fourth sentence: admitted that Enron repurchased LJMI’s interest in Cuiaba in 8/01. Except as expressly so admitted, the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fifth and sixth sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

819. First sentence: denied. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that the credit capacity of the Raptor entities declined in late 2000 and early 2001. Fourth and fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the

averments. Sixth and seventh sentences: assert matters of accounting opinion to which no response is required; to the extent a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Eighth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

820. First and second sentences: without knowledge or information sufficient to form a belief as to the truth of the averments; to the extent the averments set forth in these sentences ascribe intent to V&E, averments are denied. Third sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments; to the extent the averments set forth in this sentence ascribe intent to V&E, the averments are denied.

821. First sentence: denied as to V&E; without knowledge of information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that Enron owned millions of shares of New Power stock in 2000. Except as expressly admitted, the averment asserts a matter of legal opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averment. Third sentence: denied. Fourth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Fifth sentence: admitted that there was an IPO of New Power in October 2000. Sixth sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Seventh sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Eighth sentence: denied. Ninth sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Tenth and

eleventh sentences: without knowledge or information sufficient to form a belief as to the truth of the averments. Twelfth sentence: admitted that LJM2-Porcupine, LLC invested funds in Porcupine, but denied that this sentence completely or accurately describes the history of the LJM2-Porcupine investment.

822. First sentence: admitted that Enron's stock declined in 2001. Second sentence: admitted that certain stock prices would result in obligations on Enron to issue stock to certain entities; without knowledge or information sufficient to form a belief as to the remaining of the averments.

823. First sentence: denied as to V&E; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that V&E performed certain legal services in early 2001 in connection with a transaction involving the Raptors; denied as to the allegation regarding V&E's intent; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Third sentence: to the extent this sentence ascribes intent to V&E, the allegation is denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

824. First sentence: denied. Second sentence: admitted that Enron sometimes incorporated by reference various of its SEC filings into its Prospectuses and Registration Statements. The filing dates, contents, and signatories of those Prospectuses and Registration Statements are a matter of public record at the SEC. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

825. First sentence: admitted that Enron issued and/or filed disclosures. The contents and the signatories of those disclosures are a matter of public record at the SEC. Second and

third sentence: without knowledge or information sufficient to form a belief as to the truth of the averments.

826. First and second sentences: denied. Third through eighth sentences: assert matters of accounting and/or legal opinions to which no response is required; to the extent a response is required, denied.

827. First sentence: admitted that in 2001, Enron purchased Chewco's partnership interest in JEDI; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: denied that V&E drafted and approved the disclosure; the remaining averments assert matters of accounting opinion to which no response is required; to the extent a response is required, denied.

828. First and second sentences: denied that the sentences are a complete or accurate description of the buyout, the opinion, or the disclosure, but admitted that V&E gave an opinion, relating to a legal issue in the Chewco buyout. Third sentence: asserts matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

829. The averments set forth in the paragraph assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

830. First sentence: denied. Second sentence: admitted that the Powers report contained the quoted sentence, among others; denied that the quoted excerpt reflects a complete or accurate rendering of the Report's conclusions; the quotation itself requires no response.

831. The averments that the transactions should have been consolidated in Enron's financial statements, as well as the averments concerning the materiality of certain matters

omitted from the disclosures, assert matters of accounting opinion to which no response is required; the remaining averments in this paragraph are denied.

832. Denied.

833. First sentence: admitted that the Powers Report contained the quoted phrase, among others; denied that the quoted excerpt reflects a complete or accurate rendering of the Report's conclusions; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Second sentence: admitted that V&E performed certain legal services in connection with some of the Raptor transactions and some of Enron's other transactions with LJM1 and LJM2; the remaining averments in this sentence are denied. Third through fifth sentences: without knowledge or information sufficient to form a belief as to the truth of the averments.

834. First sentence: admitted that Enron's Report on Form 10-Q filed 8/14/01 contains the quoted sentences, among others; the remaining averments in this sentence are denied. Second sentence: admitted that at least part of Fastow's interest was sold to Kopper; the averments regarding control assert a matter of accounting opinion to which no response is required; the remaining averments are denied. Third sentence: the averments in this sentence constitute a legal opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

835. All averments in this paragraph are denied.

836. Admitted that the related-party disclosures in Enron's Reports on Form 10-Q filed 8/16/99 and 11/15/99 contain the quoted sentences, among others; remaining averments are denied.

837. First sentence: denied. The remaining averments assert matters of accounting opinion to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments. Second through fifth sentences: denied.

838. First sentence: the averment regarding the existence of counterparties or the efficacy of hedges asserts matters of accounting opinion to which no response is required; to the extent that a response is required, the remaining averments in this sentence are denied. Second sentence: admitted that LJM2 and Enron created entities in connection with a project named Raptor. Third through sixth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied; without knowledge or information sufficient to form a belief as to the truth of the remaining averments. Seventh sentence: asserts a matter of accounting opinion to which no response is required.

839. Admitted that Enron's Report on Form 10-Q filed 8/14/00 contains the quoted sentences, among others; admitted that the quoted language does not refer to the Raptors transactions by name.

840. Admitted that the related-party disclosure in Enron's Report on Form 10-Q filed 11/14/00 contains the quoted sentences, among others.

841. Asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied.

842. First sentence: admitted that the related-party disclosures in Enron's Reports on Form 10-Q filed 5/15/01 and 8/14/01 contain references to transactions that are said to hedge certain merchant investments and other assets; the remaining averments in this sentence are denied. Second sentence: admitted that the Certain Transactions section of Enron's Proxy filed

3/27/01 contains the quoted phrase, among others; admitted that following the quoted language, the Proxy describes the Raptor transactions; the remaining averments in this sentence are denied.

843. First sentence: denied that the portions of this sentence describing this transaction are complete or accurate; the remaining averments are denied. Second sentence: the averments regarding control, the validity of the Special Purpose Entities, and the efficacy of the hedges assert matters of accounting opinion to which no response is required; the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

844. First sentence: denied. Second sentence: the allegation about Enron's net income asserts a matter of accounting opinion to which no response is required; without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

845. Admitted that Enron filed Form 10-Ks on 3/30/00 and 4/02/01, as well as a Proxy on 3/27/01. The contents and signatories of Enron's Form 10-Ks and Proxies are a matter of public record at the SEC. Denied that the statements in Paragraph 845 completely or accurately describe the contents of the referenced 10-Ks and Proxy.

846. First sentence: asserts matters of accounting and/or legal opinion to which no response is required; to the extent a response is required, denied. Second sentence: without knowledge or information sufficient to form a belief as to the truth of the averments. Third sentence: admitted that Enron or subsidiaries engaged in transactions relating to some of the entities listed, but the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied. Fourth sentence: denied.

847. First sentence: admitted that the Report authored by Enron's Special Investigative Committee contained the quoted sentence, among others; denied that the quoted excerpt reflects a complete or accurate rendering of the Report's conclusions; the remaining

averments in this sentence are denied. Second sentence: denied. Third sentence: asserts a legal conclusion to which no response is required; to the extent that a response is required, denied. Fourth sentence: denied. Fifth sentence: asserts a legal conclusion to which no response is required; to the extent that a response is required, denied.

848. First and second sentences: admitted that Enron filed Proxy Statements in early 2000 and 2001. The contents and signatories to the Proxy Statements are a matter of public record at the SEC. Denied that the first and second sentences completely or accurately describe the contents of the Proxy Statements. Third sentence: denied.

849. First sentence: asserts a legal conclusion to which no response is required; to the extent that a response is required, denied. Second through fourth sentences: the transaction documents speak for themselves, and all characterizations and averments inconsistent with them are denied.

850. First sentence: admitted that Skilling resigned from Enron in August 2001, and that Sherron Watkins (“Watkins”) sent a letter plus supplemental materials to Lay in August 2001; denied that this sentence completely or accurately characterizes the letter and supplemental materials. Second sentence: admitted that Watkins’s letter to Lay in August 2001, referenced in the paragraph, contained the quoted phrases, but did not contain the bolding or the italics.

851. The averments set forth in the paragraph are denied.

852. First sentence: admitted that Enron contacted V&E to conduct a preliminary investigation into the factual allegations contained in Watkins’s letter to determine whether the letter raised any new facts unknown to Enron; the remaining allegations are denied. Second sentence: admitted that V&E and Enron agreed that the preliminary investigation would not

initially involve second-guessing the accounting advice and treatment from Andersen; the remaining averments are denied.

853. Without knowledge or information sufficient to form a belief as to the truth of the averments.

854. Without knowledge or information sufficient to form a belief as to the truth of the averments.

855. First sentence: admitted that, at Enron's request, from August through October 2001, V&E conducted a preliminary investigation into the factual allegations contained in Watkins's letter to determine whether the letter raised any new facts unknown to Enron's management; the remaining averments are denied. Second sentence: admitted that, as agreed with Enron, V&E interviewed Enron officers and employees and Arthur Andersen audit partners; the remaining averments are denied. Third sentence: admitted that V&E issued a letter to Enron, dated 10/15/01; the remaining averments are denied. Fourth sentence: denied. Remaining averments: admitted that V&E's 10/15/01 letter to James Derrick ("Derrick") contained the quoted phrases, but did not contain the bolding or the italics.

856. The averments set forth in the paragraph are denied.

857-896. Deleted.

897-982. These paragraphs, in general, make averments regarding the conduct and state-of-mind of co-defendant Arthur Andersen ("Andersen"). V&E is without knowledge or information sufficient to form a belief as to the truth of the averments against Andersen. V&E denies that it participated in any fraudulent or manipulative scheme as alleged in the above paragraphs. V&E responds separately to the averments specifically relating to its conduct or state of mind as set forth below. All remaining averments in paragraphs 897-982: V&E

incorporates its prior responses to the same allegations set forth in earlier paragraphs, if any; to the extent not previously responded to, denied as to V&E.

910. Fourth sentence: to the extent that this averment is deemed to refer to V&E, it is denied.

911. First sentence: to the extent that this averment is deemed to refer to V&E, it is denied.

927. First sentence: to the extent that this averment is deemed to refer to V&E, it is denied.

941. First sentence: to the extent that this averment is deemed to refer to V&E, it is denied.

983. Admitted that Enron securities were listed and traded on the NYSE and Over-the-Counter Market; that Enron filed periodic public reports with the SEC; that Enron sometimes made public statements; and that Enron was followed by analysts. Without knowledge or information sufficient to form a belief as to the truth of the remaining averments of this paragraph.

984. This paragraph contains conclusions of law to which no response is required; to the extent any response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

985. This paragraph contains conclusions of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

986. This paragraph contains a description of Plaintiffs' characterization of their action, to which no response is required.

987. This paragraph contains conclusions of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

988. This paragraph contains conclusions of law to which no response is required. To any extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

989. This paragraph contains conclusions of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

990. This paragraph contains conclusions of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

991. This paragraph contains conclusions of law to which no response is required; to the extent that a response is required, without knowledge or information sufficient to form a belief as to the truth of the averments.

992. V&E incorporates by reference its responses to paragraphs 1- 991.

993. This paragraph requires no response.

994. Denied.

995. Denied.

995.1.1 Without knowledge or information sufficient to form a belief as to the truth of the averments.

996. Denied.

997. Denied.

998-1016. The statements in these paragraphs purport to state claims against defendants or parties other than V&E. To the extent that any of the averments are deemed to allege a claim against V&E, it is denied. V&E is without knowledge or information sufficient to form a belief as to the truth of the remaining averments.

1017-1030. Deleted.

Except for the specific allegations or portions of allegations expressly admitted or responded to above, all other allegations, portions of allegations, and characterizations of facts by plaintiffs are hereby denied.

AFFIRMATIVE DEFENSES

1. The Complaint fails to state a claim against V&E upon which relief can be granted. Among other things, the Complaint fails to plead fraud with particularity as required by Rule 9(b) of the Federal Rules of Civil Procedure and the Private Securities Litigation Reform Act ("PSLRA"), and fails to raise a strong inference of scienter as required by the PSLRA.

2. The lack of particularity in the Complaint makes it impossible for V&E to determine at this time which additional defenses it may have, and V&E reserves the right to assert all applicable defenses once the precise nature of the relevant circumstances or events is determined through discovery.

3. Any damage, loss, or liability sustained by plaintiffs must be reduced, diminished, and/or eliminated in proportion to the wrongful or negligent conduct of entities or individuals other than V&E under the principles of equitable allocation, recoupment, set-off, proportionate responsibility, and comparative fault.

4. The claims alleged in the Complaint fail because V&E did not proximately cause or contribute to any damage, loss, or injury sustained by plaintiffs.

5. Any damage, loss, or injury sustained by plaintiffs was directly and proximately caused in whole or in part by the conduct or fault of persons or entities other than V&E.

6. The claims alleged in the Complaint fail because the acts and practices of persons or entities not associated with V&E, and ongoing economic events, constitute intervening or superseding causes of the alleged damage, loss, or injury, if any, suffered by plaintiff class members.

7. The claims alleged in the Complaint fail because plaintiffs are estopped from claiming injury, loss, or damage, if it had any, because they failed and refused to make reasonable efforts to mitigate such injury, loss, or damage.

8. The claims alleged in the Complaint are barred, in whole or in part, because in rendering services to Enron and related entities, V&E was entitled to rely and did reasonably rely upon representations of and information provided by Enron, its related entities, and others.

9. The claims alleged in the Complaint are barred, in whole or in part, by plaintiffs assumption of risk.

10. If the allegations of the Complaint are true (which V&E denies), V&E was the victim of fraud, deceit, misrepresentations, concealment, negligence and/or breach of contract practiced upon it by others in that information relating to Enron and related entities was not provided to V&E and/or was knowingly concealed from V&E during its rendering of professional services.

11. The alleged misrepresentations or omissions of V&E in the Complaint (which V&E denies) were based on good faith reliance upon the work, opinions, and advice of Enron, its agents, and/or others upon which V&E was entitled to rely.

12. Plaintiffs are barred from recovering on any of the claims alleged against V&E because they did not rely to their detriment on any of the representations or actions of V&E alleged in the Complaint.

13. Plaintiffs are barred from recovering on any of the claims alleged against V&E because they were not in privity with V&E and were not reasonably expected to receive or review V&E's work.

14. Plaintiffs are barred from recovering on any of the claims alleged against V&E because V&E owed no duty of disclosure to them.

15. Plaintiffs are barred from recovering on any of the claims alleged against V&E because V&E was required by its professional obligations and the ethical rules of the legal profession to maintain the confidentiality of matters on which it worked for Enron and its affiliates.

16. Plaintiffs are barred from recovering on any of the claims alleged against V&E to the extent the matters alleged to be the subject of misrepresentations or omissions were publicly and prominently disclosed and were available to plaintiff class members or the securities market.

17. Any recovery for damages allegedly incurred by plaintiffs, if any, is subject to offset in the amount of any tax benefits actually received by plaintiffs through their investments.

18. The claims alleged in the Complaint are barred, in whole or in part, by the applicable statute of limitations and/or laches.

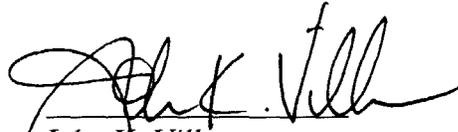
19. The claims alleged in the Complaint are non-actionable to the extent that the alleged untrue statements of material fact, omissions of material fact, misleading statements, and/or other challenged statements made by Defendants fall within the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, adding Section 21E to the Securities Exchange Act of 1934, as codified at 15 U.S.C. § 78u-5(c).

PRAYER

Vinson & Elkins respectfully prays that Plaintiffs have and recover nothing against it and that it be in all things discharged and recover its costs and for such other and further relief, general or special, at law or in equity to which it may show itself justly entitled.

Vinson & Elkins L.L.P.

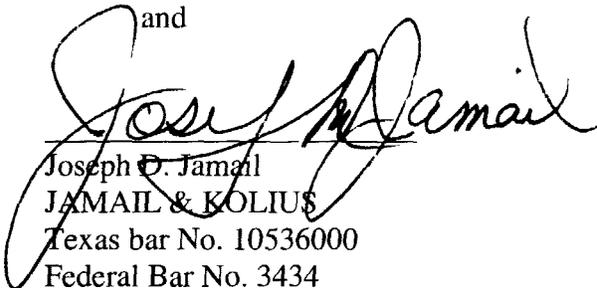
By:



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CERTIFICATE OF SERVICE

I certify that on June 18, 2003, I caused the foregoing to be served via electronic mail or first class mail in accordance with the Court's orders and the Federal Rules of Civil Procedure.

Gilbert O. Greenman
Gilbert O. Greenman *NSF*