UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
FILED
JUN 1 8 2003
Michael N. Milby, Clerk

In re ENRON CORPORATION SECURITIES LITIGATION	
This Document Relates To:	
MARK NEWBY, et al., individually And on behalf of all others Similarly situated,	
Plaintiffs,	
vs.	Civil Action No. H-01-3624 (Consolidated)
ENRON CORP., et al.,	
Defendants.	[PROPOSED] CLASS ACTION
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al., individually And on behalf of all others Similarly situated,	**JURY DEMANDED**
Plaintiffs,	
vs.	
KENNETH L. LAY, et al.	
Defendants.	

ANSWER OF DEFENDANT
PAULO V. FERRAZ PEREIRA

Defendant Paulo V. Ferraz Pereira hereby respectfully submits, through counsel, his Answer to the First Amended Consolidated Complaint for Violation of the Securities Laws ("First Amended Consolidated Complaint").

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GENERAL STATEMENTS AND RESPONSES

Pursuant to Rule 8 of the Federal Rules of Civil Procedure, Mr. Ferraz Pereira must answer the averments of "each claim asserted" against him. Plaintiffs have alleged that Mr. Ferraz Pereira is only liable under the "THIRD CLAIM FOR RELIEF" ("Third Claim") of the First Amended Consolidated Complaint, dated May 14, 2003. The Third Claim is styled "For Violations of §§11 and 15 of the 1933 Act" and is comprised of paragraphs 1005-15. In particular, paragraphs 1009-11 are directed toward the "Individual Defendants," including Mr. Ferraz Pereira. By reference, the Third Claim incorporates paragraphs 75-86, 101, 103-04, 108, 121, 124, 126, 134-35, 141, 151, 164-65, 236, 336, 384, 419, 421, 447-48, 450, 518, 610, 612-41 and 986-91 of the First Amended Consolidated Complaint. Therefore, Rule 8 only requires that Mr. Ferraz Pereira provide answers to those paragraphs as well as paragraphs 1005-15. To the extent that the Court deems it necessary to avoid making any admissions by failure to answer any averments contained elsewhere in the Complaint, Mr. Ferraz Pereira generally denies the averments contained in the preamble of the Complaint and the averments in paragraphs 1-74, 87-100, 102, 105-07, 109-20, 122-23, 125, 127-33, 136-40, 142-50, 152-63, 166-235, 237-335, 337-83, 385-418, 420, 422-446, 449, 451-517, 519-609, 611, 642-985, 992-1004 and 1016.1-1016.28, and the Prayer for Relief of the First Amended Consolidated Complaint.

The First Amended Consolidated Complaint also contains conclusory averments, or averments that pertain to the conduct of other Defendants. Mr. Ferraz Pereira is not required to answer such averments. Unless otherwise expressly admitted or denied, Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to the truth of averments that do not relate to him. Similarly, Mr. Ferraz Pereira is not required to respond to legal conclusions in the

First Amended Consolidated Complaint; to the extent that a response is required, averments containing legal conclusions are denied.

Even as to those paragraphs of the First Amended Consolidated Complaint incorporated into the Third Claim, substantial averments are made which relate to events occurring before his tenure on the Board of Directors of Enron Corporation ("Enron"), or to securities or debt offerings which do not relate to the Claim asserted against him. As to those averments, he is without knowledge or information sufficient to form a belief as to the truth of the averments.

The First Amended Consolidated Complaint also purports to quote and rely upon a variety of news and other third party publications. Mr. Ferraz Pereira does not need to respond to newspaper articles or other third party publications; to the degree any response is deemed required, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to whether Plaintiffs have quoted the articles correctly or in their full context.

Throughout his Answer, Mr. Ferraz Pereira notes that pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which he lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. As to each such representation in his Answer, if any further response is necessary or to the degree that a dispute arises about the operation of Rule 8(b), Mr. Ferraz Pereira denies the averments.

RESPONSES TO THE SPECIFIC PARAGRAPHS INCORPORATED INTO THE THIRD CLAIM OF THE COMPLAINT

Defendant Paulo Ferraz Pereira answers the remaining paragraphs of the Complaint as follows:

75. This paragraph contains legal conclusions to which no response is required. To the extent that this paragraph contains any factual averments to which a response is required, Mr. Ferraz Pereira denies such averments.

76. This paragraph contains legal conclusions to which no response is required. To the extent that a response is required, Mr. Ferraz Pereira admits that the Court has jurisdiction over the subject matter of this action as to the claim related to the Zero Coupon Convertible Senior Notes identified in Paragraph 1006 of the Complaint, but he denies that he is liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief. Mr. Ferraz Pereira denies any remaining averments in this paragraph.

77. The first sentence of this paragraph contains legal conclusions to which no response is required. To the extent that this sentence contains factual averments to which a response is required, Mr. Ferraz Pereira denies such averments except that he admits that "venue is proper in this District." Mr. Ferraz Pereira admits the averments contained in the second sentence of this paragraph that at the times relevant to the Complaint, "Enron maintain[ed] its principal place of business in this District," but he is without knowledge or information sufficient to form a belief as to the truth of the averments that "many of the acts and practices complained of herein occurred in substantial part in this District." Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Moreover, Mr. Ferraz Pereira denies that any "of the acts and practices complained of" in the Complaint give rise to any claim by Plaintiffs for any monetary damages or other form of relief from Mr. Ferraz Pereira.

78. To the extent that the averments in this paragraph are meant to apply to Mr. Ferraz Pereira, he denies those averments. To the extent that the averments are meant to apply to any other defendant, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information

sufficient to form a belief as to their truth are deemed denied.

79. Mr. Ferraz Pereira admits that this Court appointed the Regents of the University of California (the "Regents") to act as Lead Plaintiff in this matter. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of any other averment contained in this paragraph, including without limitation whether the Regents "purchased more than 2 million shares of Enron securities." Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

80. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

81. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in subparagraphs (a)-(d) and (f)-(q). Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. As to subparagraph (e), Mr. Ferraz Pereira, on information and belief, denies that Staro Asset Management, LLC was the actual purchaser of the Zero Coupon Convertible Senior Notes described in this subparagraph. Mr. Ferraz Pereira also denies that Staro Asset Management, LLC suffered substantial damages, and he further denies that Staro Asset Management, LLC is a proper plaintiff because, as described in more detail *infra*, Staro Asset Management, LLC was an underwriter for the offering of the Zero Coupon Convertible Senior Notes. Mr. Ferraz Pereira denies any remaining averments in subparagraph (e).

82. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph, except that he admits that Enron "has filed for protection pursuant to Chapter 11 of the U.S. Bankruptcy Code." Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

83. As to subparagraphs 83(a)-(cc) and (ee)-(jj), which relate to persons other than Mr. Ferraz Pereira, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in these subparagraphs, except he admits that he is generally familiar with the positions that the Defendants named in the subparagraphs held at Enron or on Enron's Board of Directors. Mr. Ferraz Pereira denies the averments of subparagraph 83(dd), except he admits that he and the other individuals named in that subparagraph served on Enron's Board of Directors, and that he caused his signature to be placed on the Registration Statement filed in June, 2001, allegedly relating to registration of the Zero Coupon Convertible Senior Notes described in Paragraph 1006 of the Complaint, during the time that he served on Enron's Board of Directors. However, Mr. Ferraz Pereira denies that said Registration Statement provides a basis for any liability as to him in connection with any alleged purchase of the Zero Coupon Convertible Senior Notes by any Plaintiff or any other person or entity. Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

84. The first sentence of this paragraph contains legal conclusions to which no response is required. To the extent a response to the first sentence is required, Mr. Ferraz Pereira denies

any averment. Mr. Ferraz Pereira denies the averments in the remaining sentences of this paragraph.

85. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that Enron's Board of Directors had various working committees including the Audit Committee, the Finance Committee, the Compensation Committee and the Executive Committee, that these Committees performed certain functions, and that these Committees met from time to time to receive and review reports concerning Enron's activities. To the extent Plaintiffs qualify the averments in this paragraph with vague and ambiguous terms such as "frequently," "frequent" and "detailed," said qualifications are mere characterizations lacking specificity, subject to varying interpretations, to which no response is required. To the extent that a further response to those characterizations is deemed necessary, Mr. Ferraz Pereira denies the averments of said characterizations except as noted *supra*.

86. For the time period during which Mr. Ferraz Pereira served on Enron's Board of Directors, he admits that the individuals listed in this paragraph served on the Board and Committees indicated for all or part of the years indicated, except that he denies that Charls Walker served on the Board for any part of 2000.

101. Mr. Ferraz Pereira admits that CitiGroup, Inc., is a large integrated financial services institution. Mr. Ferraz Pereira further admits that Salomon Smith Barney, Inc., "acted as an underwriter of . . . Enron's . . . sale . . . [of] Zero Coupon Convertible Senior Notes" as alleged in subparagraph 101(c). Mr. Ferraz Pereira further responds that at least several of the purported Plaintiffs, including, without limitation, Staro Asset Management, LLC, JMG Capital Partners, LP, JMG Triton Offshore Fund, Ltd., TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., were also underwriters for the offering of the Zero Coupon Convertible Senior Notes.

Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the remaining averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

103. Mr. Ferraz Pereira admits that Canadian Imperial Bank of Commerce is a large integrated financial services institution. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the remaining averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

104. Mr. Ferraz Pereira admits that Bank of America Corp. is a large integrated financial services institution. Mr. Ferraz Pereira further admits that Banc of America Securities LLC "acted as an underwriter in connection with . . . Enron's . . . sale . . . [of] Zero Coupon Convertible Senior Notes" as alleged in subparagraph 104(b). Mr. Ferraz Pereira further responds that at least several of the purported Plaintiffs, including, without limitation, Staro Asset Management, LLC, JMG Capital Partners, LP, JMG Triton Offshore Fund, Ltd., TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., were also underwriters for the offering of the Zero Coupon Convertible Senior Notes. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the remaining averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

108. Mr. Ferraz Pereira admits that Lehman Brothers Holding, Inc., is a large integrated

financial services institution. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the remaining averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

121. This paragraph, including subparagraphs (a)-(k), contains numerous legal conclusions to which no response is required. The factual averments in this paragraph relate primarily to alleged facts that occurred prior to Mr. Ferraz Pereira's tenure on Enron's Board of Directors. In addition, the averments relate to the purported actions of individuals other than those serving as Directors on the Board, and indeed neither Mr. Ferraz Pereira nor the Board of Directors is referenced in this paragraph. Therefore, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments of this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. To the extent that the factual averments contained in this paragraph purportedly relate to the actions of Mr. Ferraz Pereira, he denies those averments. Mr. Ferraz Pereira further states that, prior to the Board being informed of alleged misstatements in Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals

concerning the contents of the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes identified in paragraph 612, and the contents of Enron's Form 10-K for 2000 which was incorporated therein, when he caused his signature to be placed on said Statement.

124. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

126. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

134. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

135. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

141. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or

information sufficient to form a belief as to their truth are deemed denied.

151. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

164. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

165. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

236. Mr. Ferraz Pereira admits that this paragraph accurately reflects how the transactions were described in certain Forms 424(B)(3) filed by Enron, except that he denies that the phrase "short-term debt" appears in said Forms 424(B)(3). Mr. Ferraz Pereira denies the remaining averments in this paragraph.

336. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that Enron filed a Form S-3 with the SEC, that the Form in question purported to incorporate Enron's Form 10-K for 2000, and that he caused his signature to be placed on the Form S-3. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Form S-3, and the contents of Enron's Form 10-K for 2000, which was incorporated therein, when he

caused his signature to be placed on said Form S-3. Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement.

384. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that in 2001 Enron restated its financial results for fiscal years 1997, 1998, 1999 and 2000. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

419. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that in 2001 Enron restated its financial results for fiscal years 1997, 1998, 1999 and 2000. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

421. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that in 2001 Enron restated its financial results for fiscal years 1997, 1998, 1999 and 2000. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to

believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

447. Mr. Ferraz Pereira denies the averments of this paragraph, except that he admits that Enron restated certain portions of its financials relating to the entities identified in this paragraph, and that such restatements consolidated those entities into Enron's financials. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

448. This paragraph contains numerous legal conclusions to which no response is required. Mr. Ferraz Pereira denies the factual averments of this paragraph, except that he admits that Enron restated certain portions of its financials relating to the entities identified in this paragraph, that Andrew Fastow had certain responsibilities with regard to those entities, and that those entities and Enron were involved in certain transactions. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon

reasonable investigation.

450. This paragraph contains numerous legal conclusions to which no response is required. Mr. Ferraz Pereira denies the factual averments of this paragraph, except that he admits that Enron restated certain portions of its financials relating to the entities identified in this paragraph. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

518. This paragraph contains numerous legal conclusions to which no response is required. Mr. Ferraz Pereira is without information sufficient to determine whether Plaintiffs' characterizations of the GAAP rules cited in this paragraph are complete, not misleading, or in context. Accordingly, the allegations as to accounting rules and regulations are denied. Mr. Ferraz Pereira denies the factual averments of this paragraph, except that he admits that Enron restated certain portions of its financials. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

610. This paragraph, including subparagraphs (a)-(h), contains numerous legal conclusions to which no response is required. Mr. Ferraz Pereira is without information

sufficient to determine whether Plaintiffs' characterizations of the GAAP rules cited in this paragraph are complete, not misleading, or in context. Accordingly, the allegations as to accounting rules and regulations are denied. Mr. Ferraz Pereira denies the factual averments of this paragraph, except that he admits that Enron restated certain portions of its financials. Mr. Ferraz Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation.

612. The registration statements and offering documents identified in this paragraph speak for themselves. Mr. Ferraz Pereira denies any remaining averments of this paragraph.

613. Mr. Ferraz Pereira denies the averments of this paragraph. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of Enron's Form 10-K for 2000 which is the only financial statement alleged by the Plaintiffs to have been incorporated into the S-3 purportedly relating to the Zero Coupon Convertible Senior Notes.

614. The averments of this paragraph do not relate to the claim asserted against Mr. Ferraz Pereira, which is the claim concerning the offering for the Zero Coupon Convertible Senior Notes identified in paragraph 1006 of the Complaint, and so this paragraph requires no response by Mr. Ferraz Pereira. To the extent that such a response is required, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the

averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

615. The registration statements and 10-Ks referred to in the first sentence of this paragraph, and the 10-Qs referenced in the second sentence, speak for themselves. Mr. Ferraz Pereira denies the remaining averments of this paragraph. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the S-3 purportedly relating to the Zero Coupon Convertible Senior Notes, and the contents of Enron's Form 10-K for 2000 and other documents that were purportedly incorporated therein, when he caused his signature to be placed on said S-3. Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement.

616. Mr. Ferraz Pereira denies the averments of this paragraph. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Form S-3 allegedly relating to the registration of the Zero Coupon Convertible Senior Notes identified in paragraph 612 of the Complaint when he caused his signature to be placed on said S-3.

617. The averments in this paragraph are denied to the extent that they relate to Mr. Ferraz Pereira. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of averments relating to other Defendants, except that he admits that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Form S-3 identified in paragraph 612 of the Complaint when he caused his signature to be placed on said Statement. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks

knowledge or information sufficient to form a belief as to their truth are deemed denied.

618. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph, except that Mr. Ferraz Pereira admits that Enron's 10-K for fiscal year 2000 contained the passage quoted in this paragraph, and that the 10-K was incorporated by reference into other documents allegedly related to the offering of the Zero Coupon Convertible Senior Notes identified in this paragraph. However, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement. To the extent a response is required to the remaining averments in this paragraph, Mr. Ferraz Pereira denies such averments. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph.

619. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph.

620. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira

further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph.

621. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph.

622. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph.

623. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

624. During his tenure on the Board, Mr. Ferraz Pereira was not aware that any of Enron's public or financial statements were materially incomplete or misleading. Mr. Ferraz

Pereira further states that, prior to the Board being informed of the basis for the restatements of Enron's financial results for fiscal years 1997-2000, he had reasonable ground to believe and did in fact believe, that the financial results were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, nor did he discover, nor could he have discovered, the alleged misstatements in the financial results upon reasonable investigation. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of the Offering Documents identified in this paragraph. Therefore, Mr. Ferraz Pereira denies the averments of this paragraph as they relate to him. To the extent that the averments are meant to apply to any other defendant, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

625. Mr. Ferraz Pereira admits that the quoted language appeared in Enron's 10-K for fiscal year 2000, and that the 10-K was incorporated by reference into other documents allegedly related to the offering of the Zero Coupon Convertible Senior Notes identified in this paragraph, but denies the averments concerning the filing date for "the Offering Documents." Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement.

626. Mr. Ferraz Pereira denies the averments in this paragraph.

627. Mr. Ferraz Pereira denies the averments in this paragraph.

628. Mr. Ferraz Pereira denies the averments in this paragraph to the extent they pertain

to him, and to the extent that the averments apply to any other defendant, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

629. Mr. Ferraz Pereira admits that the quoted language appeared in Enron's 10-K for fiscal year 2000, and that the 10-K was incorporated by reference into other documents allegedly related to the offering of the Zero Coupon Convertible Senior Notes identified in this paragraph, but denies the averments concerning the filing date for "the Offering Documents." Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement. Mr. Ferraz Pereira further admits that Note 3 of the Enron and Subsidiaries Notes to the Consolidated Financial Statements, which appears in Part IV of the 10-K for fiscal year 2000, contains a table that describes Enron's credit risk and lists the year 2000 total for "Credit and other reserves" as $452 million, but he denies that the information alleged in this paragraph or any other information contained in said table renders him liable for any monetary damages or other form of relief to any Plaintiff herein or other person or entity.

630. Mr. Ferraz Pereira denies the averments in this paragraph.

631. Mr. Ferraz Pereira denies the averments of this paragraph.

632. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

633. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief

as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

634. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

635. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

636. Mr. Ferraz Pereira admits that the quoted language appeared in Enron's 10-K for fiscal year 2000, and that the 10-K was incorporated by reference into other documents related to offerings of Enron securities, but he further responds that the statement that any documents "extolled the progress of the EIN's development" is merely Plaintiffs' conclusion, is of no legal significance, and does not require a response. However, to the extent a response is required, Mr. Ferraz Pereira denies the averment and all remaining averments in this paragraph except as noted above.

637. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

638. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief

as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

639. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

640. Mr. Ferraz Pereira denies the averments in this paragraph, except he admits: (1) that certain documents related to offerings of Enron securities incorporated by reference statements about EES from Enron's 10-Ks and 10-Qs; (2) the averments in the second sentence of the paragraph regarding the amount of EES revenue and income stated for the fiscal quarters identified therein; and (3) that the language quoted in the third sentence appears in the 10-Q that Enron issued for the first quarter of fiscal year 2001. The fourth sentence consists of legal conclusions to which no response is required. To the extent a further response is required to the fourth sentence, Mr. Ferraz Pereira denies such averments.

641. Mr. Ferraz Pereira denies the allegations in this paragraph except he admits that the first sentence accurately describes how Enron's 10-K for fiscal year 2000 described the amount of EES income, revenue and gross margin figures for fiscal years 1999 and 2000. However, Mr. Ferraz Pereira denies the characterization or significance attributed to any increases in those figures. Moreover, Mr. Ferraz Pereira admits that the second sentence accurately quotes Enron's 1999 10-K, but denies any characterizations Plaintiffs make with respect to that 10-K. Mr. Ferraz Pereira denies the averments of the third sentence as well as any other averments in this paragraph not specifically admitted. To the extent that the averments of this paragraph relate to

any other Defendants, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

986. This paragraph contains numerous legal conclusions and factual assertions regarding Enron shares and debt instruments that do not relate to the claim asserted against Mr. Ferraz Pereira, and therefore Mr. Ferraz Pereira is not required to respond to those assertions and conclusions. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that as to the Enron Zero Coupon Convertible Senior Notes, which are the debt instruments that relate to the claim asserted against him, he admits that the Plaintiffs purport to bring this action pursuant to "Rule 23 of [the] Federal Rules of Civil Procedure on behalf of" certain persons. However, he denies that Plaintiffs can maintain an action pursuant to Rule 23 for any claim purportedly relating to the sale of the Zero Coupon Convertible Senior Notes. Mr. Ferraz Pereira further responds that at least several of the purported Plaintiffs, including, without limitation, Staro Asset Management, LLC, JMG Capital Partners, LP, JMG Triton Offshore Fund, Ltd., TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., were underwriters in one or more of Enron's debt or security offerings during the alleged class period, including the offering for the Zero Coupon Convertible Senior Notes, and therefore are subject to certain defenses which would disqualify each of them from acting as a class representative, and Plaintiffs have identified no other potential class

representatives. Mr. Ferraz Pereira further responds that as to the Zero Coupon Convertible Senior Notes, he denies that the members of the class of purchasers of those instruments are so numerous that joinder is impractical.

987. This paragraph contains numerous legal conclusions and factual assertions regarding Enron shares and debt instruments that do not relate to the claim asserted against Mr. Ferraz Pereira, and therefore Mr. Ferraz Pereira is not required to respond to those assertions and conclusions. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that as to the Zero Coupon Convertible Senior Notes, he denies that the members of the class of purchasers of those instruments are so numerous that joinder is impractical.

988. This paragraph contains numerous legal conclusions and factual assertions regarding Enron shares and debt instruments that do not relate to the claim asserted against Mr. Ferraz Pereira, and therefore Mr. Ferraz Pereira is not required to respond to those assertions and conclusions. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that he denies ever engaging in any unlawful conduct as alleged in this paragraph. He further responds that as to the Zero Coupon Convertible Senior Notes, he denies that Plaintiffs' claims, and in particular the claims of the

proposed subclass representative Staro Asset Management, LLC, are typical of the claims of any purported subclass composed of purchasers of those Notes.

989. This paragraph contains numerous legal conclusions and factual assertions regarding Enron shares and debt instruments that do not relate to the claim asserted against Mr. Ferraz Pereira, and therefore Mr. Ferraz Pereira is not required to respond to those assertions and conclusions. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Mr. Ferraz Pereira further responds that as to the Zero Coupon Convertible Senior Notes, he denies that Plaintiffs, and in particular the proposed subclass representative Staro Asset Management, LLC, are representative parties who will fully and adequately protect the interests of the members of any purported subclass composed of purchasers of the Notes, inasmuch as Staro Asset Management, LLC, as described more fully below, was an underwriter as to those Notes. Mr. Ferraz Pereira further responds that for the reasons stated herein, he denies that Staro Asset Management, LLC, or any other named Plaintiff has no interest that is in conflict with the interests of members of any purported subclass composed of purchasers of the Zero Coupon Convertible Senior Notes.

990. This paragraph contains numerous legal conclusions and factual assertions to which Mr. Ferraz Pereira is not required to respond. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Mr. Ferraz Pereira further responds that as to the Zero Coupon Convertible Senior Notes, for the reasons stated in his responses to paragraphs 986

through 989, inclusive, he denies that a class action would be a superior method for the fair and efficient adjudication of the purported controversy relating to those Notes.

991. This paragraph contains numerous legal conclusions and factual assertions to which Mr. Ferraz Pereira is not required to respond. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1005. Mr. Ferraz Pereira incorporates herein by reference and makes a part hereof his responses to the averments contained in paragraphs 75-86, 101, 103-04, 108, 121, 124, 126, 134-35, 141, 151, 164-65, 236, 336, 384, 419, 421, 447-48, 450, 518, 610, 612-41 and 986-91. Mr. Ferraz Pereira admits that for the purposes of the Third Claim, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this purported claim arises solely under § 11 of the Securities Act of 1933.

1006. Mr. Ferraz Pereira admits that Plaintiffs purport to bring the Third Claim against him pursuant to § 11 of the 1933 Act, 15 U.S.C. § 77k, but he specifically denies that such a claim is adequately pled or that he violated § 11 or that he is liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief under that or any other claim. Specifically, Mr. Ferraz Pereira denies that any of Plaintiffs' purported purchases of the Zero Coupon Convertible Senior Notes were made pursuant to the Registration Statement referred to by Plaintiffs in this paragraph. This paragraph also contains legal conclusions regarding the effective date of registration statements to which Mr. Ferraz Pereira is not required to respond. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth

of the other averments contained in this paragraph, including the averments contained in the chart purportedly relating to the other offerings. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1007. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph, except he denies that the Registration Statement and Prospectus allegedly relating to the registration of the Zero Coupon Convertible Senior Notes identified in Paragraph 1006 of the Complaint were false and misleading as to the entities, including Staro Asset Management, LLC, identified by Plaintiffs as having purchased those Notes. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied. Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement.

1008. Mr. Ferraz Pereira admits that Enron sought to register certain of the securities listed in paragraph 1006, however, Mr. Ferraz Pereira denies that the Plaintiffs, as to the Zero Coupon Convertible Senior Notes, purchased any of those notes pursuant to a registration statement. Any remaining allegations are denied.

1008.1 This paragraph contains numerous legal conclusions and factual assertions regarding Enron debt instruments that do not relate to the claim asserted against Mr. Ferraz Pereira, and therefore Mr. Ferraz Pereira is not required to respond to those assertions and conclusions. To the extent that any such response is necessary, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments and assertions. Mr. Ferraz Pereira further responds that as to the Zero Coupon Convertible Senior

Notes, he admits that Enron filed an Amendment No. 1 to Form S-3 on July 13, 2001, that the Prospectus referred to in subparagraph 1008.1(g) purportedly relating to the Zero Coupon Convertible Senior Notes is dated July 18, 2001, and that Enron did not issue an earning statement covering a period of at least 12 months beginning after July 13, 2001. This paragraph also contains legal conclusions regarding the effective date of the Registration Statement purportedly relating to the Zero Coupon Convertible Senior Notes, to which Mr. Ferraz Pereira is not required to respond. Mr. Ferraz Pereira further admits that in its certification regarding its purchases of the Zero Coupon Convertible Senior Notes, Staro Asset Management, LLC, claims to have made purchases pursuant to a Registration Statement purportedly relating to the Zero Coupon Convertible Senior Notes on and after September 27, 2001. However, Mr. Ferraz Pereira specifically denies that any of Plaintiffs' purported purchases, including those made by Staro Asset Management, LLC, of the Zero Coupon Convertible Senior Notes were made pursuant to the Registration Statement referred to by Plaintiffs in subparagraph 1008.1(g). Furthermore, Mr. Ferraz Pereira responds that Staro Asset Management, LLC, also claims in its certification to have made purchases of the Zero Coupon Convertible Senior Notes during a period of time from March 3, 2001, to December 6, 2001, inclusive, pursuant to 17 C.F.R. § 230.144A (2003) ("Rule 144A").

1009. This paragraph contains numerous legal conclusions to which no response is required. To the extent that this paragraph contains any averments to which a response is required, Mr. Ferraz Pereira admits that he caused his signature to be placed on the Registration Statement allegedly relating to registration of the Zero Coupon Convertible Senior Notes referred to in the chart contained in paragraph 1006. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by

certain professionals concerning the contents of said Registration Statement when he caused his signature to be placed on said Statement. Moreover, Mr. Ferraz Pereira denies that he prepared or drafted the Registration Statement or Prospectus allegedly relating to the registration of the Zero Coupon Convertible Senior Notes; rather, the Outside Directors were aware that said Registration Statement and Prospectus were to be prepared by Enron's management, counsel and outside auditors, and authorized such documents to be filed upon the representations of those parties, and without any knowledge that the documents were deficient or misleading. Mr. Ferraz Pereira specifically denies that he is or was "responsible for the contents and dissemination of" any registration statement in a manner that would make him liable for any monetary damages or other form of relief to any Plaintiff herein or other person or entity, including the Registration Statement allegedly relating to the Registration of the Zero Coupon Convertible Senior Notes. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the other averments contained in this paragraph, including the averments purportedly relating to the other Defendants and/or other offerings. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1010. This paragraph contains numerous legal conclusions to which no response is required. To the extent that this paragraph contains any averments to which a response is required, Mr. Ferraz Pereira specifically denies that he acted in any manner that would make him liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief. He further responds that as to any other averments contained in this paragraph to which a response is required, including averments concerning the conduct of other Defendants, he is without knowledge or information sufficient to form a belief as to the truth of those averments.

Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1011. This paragraph contains numerous legal conclusions to which no response is required. To the extent that this paragraph contains any averments to which a response is required, Mr. Ferraz Pereira admits that he caused his signature to be placed on the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes referred to in the chart contained in paragraph 1006. Mr. Ferraz Pereira further responds that he was entitled to reasonably rely on, and did reasonably rely on, advice and information provided by certain professionals concerning the contents of said Registration Statement when he caused his signature to be placed on said Statement. Mr. Ferraz Pereira specifically denies that at the time he caused his signature to be placed thereon, that he failed to make "a reasonable investigation" or that he did not possess "reasonable grounds for belief that the statements contained in" said Registration Statement or any related prospectus were true, and he further denies that he acted in any other manner that would make him liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief. Mr. Ferraz Pereira denies that he was a seller of Zero Coupon Convertible Senior Notes. Moreover, Mr. Ferraz Pereira denies that any Plaintiffs purchased any Zero Coupon Convertible Senior Notes pursuant to any registration statement. He further responds that as to any other averments contained in this paragraph to which a response is required, including averments concerning the conduct of other Defendants, he is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a

belief as to their truth are deemed denied.

1012. Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph, except that he admits that Arthur Andersen consented to having certain reports or the contents thereof included in Enron's financial statements. Mr. Ferraz Pereira denies, however, that he knew, or in the exercise or reasonable diligence could have known, that those financial statements contained material misrepresentations or omissions. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1013. This paragraph contains numerous legal conclusions to which no response is required. To the extent that this paragraph contains any averments to which a response is required, Mr. Ferraz Pereira is without knowledge or information sufficient to form a belief as to the truth of those averments, except that he admits that the underwriters identified in the First Amended Consolidated Complaint, including those specifically identified in this paragraph, underwrote certain of Enron's public offerings, and he admits that all underwriters of the offerings identified, including certain Plaintiffs who were underwriters of those offerings, had certain affirmative duties with respect to those offerings. To the extent that the second to last sentence in the paragraph is meant to apply to any defendant other than an investment bank, and in particular to Mr. Ferraz Pereira, Mr. Ferraz Pereira denies that he acted in any manner that would make him liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1014. This paragraph contains numerous legal conclusions to which no response is required. To the extent that this paragraph contains any averments to which a response is required, Mr. Ferraz Pereira denies that he violated either § 15 or § 11 of the 1933 Act and he further denies that he acted in any other manner that would make him liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief. Mr. Ferraz Pereira also denies that any purchases by the Plaintiffs of the Zero Coupon Convertible Senior Notes identified in Paragraph 1006 of the Complaint are traceable to a registration statement. Mr. Ferraz Pereira further responds that as to any other averments contained in this paragraph to which a response is required, including, but not limited to, averments concerning the alleged violations of § 15 or § 11 of the 1933 Act by other Defendants, the amount, if any, of Plaintiffs' damages, or the alleged false or misleading character of any registration statement, he is without knowledge or information sufficient to form a belief as to the truth of those averments. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

1015. Mr. Ferraz Pereira responds that he is without knowledge or information sufficient to form a belief as to the truth of the averments contained in this paragraph. Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, the averments as to which Mr. Ferraz Pereira lacks knowledge or information sufficient to form a belief as to their truth are deemed denied.

Paragraphs A through I of the Prayer for Relief contain no averments that require a response, but Mr. Ferraz Pereira specifically denies that he is liable to any Plaintiff herein or other person or entity for any monetary damages or other form of relief.

AFFIRMATIVE AND OTHER DEFENSES

Mr. Ferraz Pereira asserts the following affirmative and other defenses, and reserves the right to amend this Answer and assert additional affirmative or other defenses including, but not limited to, those defenses specified in Rule 8(c) of the Federal Rules of Civil Procedure, when and if, in the course of investigation, discovery, or preparation for trial, it becomes appropriate to assert such defenses. Mr. Ferraz Pereira, by asserting the following defenses, does not in any way accept the burden of proving or disproving facts that must be proven or disproved by the Plaintiffs.

First Defense

1. With regard to the Registration Statement allegedly relating to the registration of the Enron Zero Coupon Convertible Senior Notes due 2021 (the "Registration Statement") and the subject of Plaintiffs' third claim for relief, the Registration Statement did not contain false or misleading statements, nor was there an omission of a material fact required to make the Registration Statement not misleading.

Second Defense

2. Any allegedly false or misleading statements or omissions in the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes are not material.

Third Defense

3. Certain Plaintiffs, including without limitation Plaintiff Staro Asset Management, LLC ("Staro"), purchased Zero Coupon Convertible Senior Notes before the effective date of the Registration Statement allegedly relating to the registration of the Notes and/or they continued to purchase the Zero Coupon Convertible Senior Notes after all of the alleged disclosures had been

made, and after those Plaintiffs became aware of, or should have been aware of, the allegedly misleading statements and omissions.

Fourth Defense

4. The Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes names Plaintiffs JMG Capital Partners, JMG Triton Offshore, TQA Master Fund, Ltd., and TQA Master Plus Fund as statutory underwriters subject to the securities laws, and, based on information and belief, Mr. Ferraz Pereira further alleges as a defense that those Plaintiffs were underwriters, and as such they were under an affirmative duty to conduct a reasonable investigation to verify the information provided to them by Enron and its officers. In addition, and without limitation, Plaintiff Staro purchased at least 1 million of the Zero Coupon Convertible Senior Notes as a qualified institutional investor under 17 C.F.R. § 230.144A (2003) ("Rule 144A"), and claims to have then resold those notes pursuant to said alleged Registration Statement. To the degree that this allegation is true, Staro would thereby become a statutory underwriter for the purposes of the offering. Plaintiffs Staro, JMG Capital Partners, LP, JMG Triton Offshore Fund, Ltd., TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., were aware, or should have been aware by virtue of their aforementioned status as statutory underwriters for the Zero Coupon Convertible Senior Notes offering, that said Registration Statement contained the aforementioned allegedly false or misleading statements, or omitted material facts required to make said Registration Statement not misleading. (JMG Capital Partners, LP, and JMG Triton Offshore Fund, Ltd., are hereinafter sometimes referred to collectively as "JMG", and TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., are hereinafter sometimes referred to collectively as "TQA.")

Fifth Defense

5. In addition, and without limitation, based on information and belief, Mr. Ferraz Pereira alleges that Stark Investments, L.P., ("Stark") which is an entity closely affiliated with Staro, was an underwriter with respect to certain other offerings of Enron debt instruments, and as a legal matter Staro is charged with any knowledge that Stark had or should have had by virtue of its role as an underwriter. In addition, and without limitation, based on information and belief, Mr. Pereira alleges that Shepherd Investments International, Ltd., ("Shepherd Investments") and Stark International, both of which are entities closely affiliated with Staro, had knowledge about Enron and its affiliates, including JEDI, by virtue of their dealings with Enron and JEDI, and as a legal matter Staro is charged with any knowledge that Shepherd Investments and Stark International had or should have had by virtue of its dealings with Enron and JEDI.

Sixth Defense

6. As to any part of the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes not purporting to be made on the authority of an expert, and not purporting to be a copy of or extract from a report or valuation of an expert, and not purporting to be made on the authority of a public official document or statement, Mr. Ferraz Pereira had, after reasonable investigation, reasonable ground to believe and did believe, at the time such part of said Registration Statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading.

Seventh Defense

7. As to any part of the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes purporting to be made on the authority of an expert other than himself, or purporting to be a copy of or extract from a report or valuation of an expert other than himself, Mr. Ferraz Pereira had no reasonable basis on which to believe and did not believe, at the time such part of said Registration Statement purportedly became effective, that the statements therein were untrue or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of said Registration Statement did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert.

Eighth Defense

8. As to any part of the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes purporting to be made by an official person or purporting to be a copy of or extract from a public official document, Mr. Ferraz Pereira had no reasonable ground to believe and did not believe, at the time such part of said Registration Statement purportedly became effective, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of said Registration Statement did not fairly represent the statement made by the official person or was not a fair copy of or extract from the public official document.

Ninth Defense

9. Any alleged misrepresentations or omissions upon which Plaintiffs' claims against Mr. Ferraz Pereira are based did not cause Plaintiffs' alleged loss.

Tenth Defense

10. The provisions of the Private Securities Litigation Reform Act require that the liability, if any, of Mr. Ferraz Pereira under 15 U.S.C. § 77k (§ 11) be determined in accordance with the proportionate fault provisions of 15 U.S.C. §78u-4. Accordingly, Mr. Ferraz Pereira is entitled to a submission to the fact-finder asking the fact-finder to determine the total amount of damages that the Plaintiffs are entitled to recover in connection with their alleged purchase of the Zero Coupon Convertible Senior Notes, if any, and the percentage of responsibility, if any, that Mr. Ferraz Pereira bears with respect to any alleged loss incurred by the Plaintiffs.

Eleventh Defense

11. Plaintiffs fail to state a claim against Mr. Ferraz Pereira upon which relief can be granted.

Twelfth Defense

12. Section 11 of the Securities Act of 1933 does not afford a remedy to purchasers who bought securities pursuant to Rule 144A. Claims by any such purchasers of the Zero Coupon Convertible Senior Notes are barred as a matter of law.

Thirteenth Defense

13. Based on information and belief, all purported purchasers of the Zero Coupon Convertible Senior Notes including all purchasers identified by Plaintiffs in the Complaint were qualified institutional investors pursuant to Rule 144A of the Securities Act of 1933, and as such had particular knowledge and expertise which enabled them to understand and interpret

registration statements and financial data such as those allegedly issued in connection with the Zero Coupon Convertible Senior Notes, and therefore as to such investors said registration statements and financial data did not contain any alleged false or misleading statements, nor was there an omission of a material fact required to make the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes not misleading.

Fourteenth Defense

14. Mr. Ferraz Pereira is not liable to Plaintiffs because the conduct of officers and employees of Enron, and other third parties, was a superceding or intervening cause of any damage, loss, or injury allegedly sustained by Plaintiffs.

Fifteenth Defense

15. Mr. Ferraz Pereira is not liable to Plaintiffs because the depreciation in the market price of Enron securities resulted from factors other than the alleged misstatements and omissions in the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes.

Sixteenth Defense

16. Mr. Ferraz Pereira is not liable in whole or in part due to the intervening fraud, contributory negligence, or comparative fault of the Plaintiffs, other Defendants, or other third parties over whom he had no control. The acts of such parties constitute intervening or superseding causes of the damages, if any, incurred by Plaintiffs.

Seventeenth Defense

17. Plaintiffs' claims are barred, in whole or in part, by the applicable statute of limitations.

Eighteenth Defense

18. Plaintiffs' claims are barred, in whole or in part, by the doctrine of *in pari delicto*, and, in particular, the Plaintiffs' status as underwriters as to the Zero Coupon Convertible Senior Notes, as set forth more fully above, bars their claims under this doctrine.

Nineteenth Defense

19. Plaintiffs' claims for injunctive or other equitable relief have been dismissed by the Court's Order. In the unlikely event that they are revived or re-pled, Plaintiffs are barred from seeking injunctive or other equitable relief, in whole or in part, by the doctrine of laches.

Twentieth Defense

20. Plaintiffs, through acts, omissions, and/or conduct, are equitably estopped, in whole or in part, from obtaining the relief sought.

Twenty-First Defense

21. Plaintiffs failed to take measures to adequately mitigate, reduce, or otherwise avoid their alleged damages, and are thus barred from recovering such damages, if any.

Twenty-Second Defense

22. Any recovery of damages allegedly incurred by Plaintiffs is subject to offset in the amount of any tax benefit actually received by Plaintiffs as a result of their investments.

Twenty-Third Defense

23. Based on information and belief, Mr. Ferraz Pereira further alleges as a defense that neither Plaintiff Staro, nor Plaintiffs JMG Capital Partners, LP, JMG Triton Offshore Fund, Ltd., TQA Master Fund, Ltd., and TQA Master Plus Fund, Ltd., were actual purchasers of any Zero Coupon Convertible Senior Notes and therefore none of these entities may state a claim upon which relief can be granted under § 11.

Twenty-Fourth Defense

24. The Complaint purports to be brought on behalf of a subclass of Plaintiffs consisting of purchasers of the Zero Coupon Convertible Senior Notes. However, neither Staro nor JMG nor TQA can adequately represent the interests of such a subclass because, among other things, as alleged *supra*, each acted as a statutory underwriter and/or none of them were the actual purchasers of any Zero Coupon Convertible Senior Notes. Therefore, Plaintiffs have failed to identify a single person or entity that can adequately act as a class representative.

Twenty-Fifth Defense

25. JMG by its own admission made only three purchases of Zero Coupon Convertible Senior Notes after the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes was in effect, but each of those purchases was followed on the very same day by a sale of the exact same number of Zero Coupon Convertible Senior Notes for the exact same price. JMG's remaining transactions with respect to the Zero Coupon Convertible Senior Notes that occurred after the effective date of the Registration Statement allegedly relating to the registration of the Zero Coupon Convertible Senior Notes all consisted of sales of said Notes that were purchased by JMG in its capacity as a qualified institutional buyer under Rule 144A *prior* to the effective date of said Registration Statement. Therefore, JMG has suffered no damages from any purchase of Zero Coupon Convertible Senior Notes that took place after the effective date of said Registration Statement. JMG has thus failed to state a claim upon which relief can be granted under § 11.

Twenty-Sixth Defense

26. Plaintiffs lack standing to assert the claim they have sought to pursue against Mr. Ferraz Pereira.

Twenty-Seventh Defense

27. When Plaintiffs purchased the Zero Coupon Convertible Senior Notes the total mix of information in the market adequately reflected Enron's actual financial condition, such that the price of the Zero Coupon Convertible Senior Notes reflected the effect of the transactions and events that Plaintiffs contend were concealed or misrepresented.

Twenty-Eighth Defense

28. Mr. Ferraz Pereira hereby adopts and incorporates by reference any and all other defenses asserted by any of the other Defendants to the extent that Mr. Ferraz Pereira may share in such a defense.

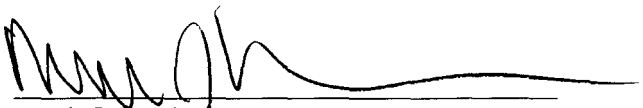
WHEREFORE, DEFENDANT PAULO V. FERRAZ PEREIRA respectfully requests that this Court enter a judgment:

1. dismissing with prejudice all claims asserted against Mr. Ferraz Pereira;

2. awarding the costs of defending this action, including reasonable attorney's fees, costs and disbursements; and

3. granting all other relief this Court deems just and proper.

Respectfully Submitted,



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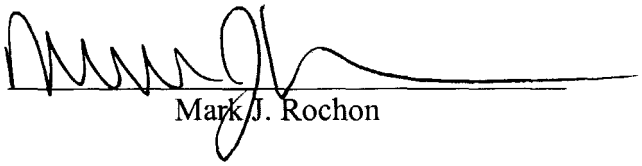
JURY DEMAND

A trial by jury is demanded on all issues so triable.



Mark J. Rochon

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served by sending a copy via electronic mail to serve@ESL3624.com on this 17th day of June, 2003.

I further certify that on the same day, a copy of the same has been served via U.S. mail, first-class, postage pre-paid, on the following parties who do not accept service by electronic mail:

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