

### **SPE Prepay Solutions: 1992 and 1993**

... Fastow ranked investment banks according to Tier 1, Tier 2, and Tier 3 status, with Tier 1 being the banks that received the largest fees from doing business with the Gas Bank. If these banks wanted to retain their Tier 1 status, they had to participate or they would be dropped down to Tier 3 status when the Gas Bank went looking for additional funding.

**DECISION CHOICE.** *If you were a Tier 1 investment banker earning large fees from doing business with Enron and Andy Fastow asked you to participate in a “prepay” with guaranteed profits would you:*

- (1) accept the offer;*
- (2) reject the offer and risk losing future fees from Enron; and/or*
- (3) notify Arthur Andersen about these secret side agreements? Why?*