

### **Nigerian Barges for Sale: October through December 1999**

... So many quick deals had to be made to support Enron's stock price that Fastow needed participation from companies not under his direct control. He first targeted Merrill Lynch, the nation's largest brokerage firm. Merrill Lynch earned \$40 million in investment banking fees from Enron in the previous two years. Fastow requested that Merrill Lynch create a company called "Ebarge" to purchase three electricity-generating power barges off the coast of Nigeria that no one else wanted. A \$28 million sale price would generate \$12 million in profits for Enron, improve Enron's cash flow from operations, and enable the business unit to meet its projected targets.

**DECISION CHOICE.** *If you were a Merrill Lynch investment banker earning large fees from doing business with Enron and were contacted by Andy Fastow to participate in Ebarge 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?*