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The Washington Times

Treasury plans to start selling shares of AIG

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The Treasury Department plans to start selling its dominant share of insurance giant American International Group, one of the largest recipients of corporate bailout funds during the 2008-09 financial crisis, as it slowly backs out of the private sector.

AIG and the federal government revealed plans Wednesday to offer 300 million shares to investors - 200 million of which are owned by taxpayers - in an offering currently valued at about \$9 billion.

The government, which still owns a 92 percent stake in the company, plans to shed up to 15 percent in this initial offering. Wednesday's closing price valued the stock at \$30.65 per share - down from more than \$40 a share at the beginning of the year.

Analysts praised the decision, despite concerns the stock price is in danger of dropping below the government's break-even point of \$28.72 a share. The offering was also much smaller than AIG officials had been hoping for earlier in the year.

"The fact is the U.S. government didn't invest in AIG to make money," said Scott Watkins, senior analyst with Anderson Economic Group in Lansing, Mich. "They did this to stabilize the financial system and to stop the great potential for loss elsewhere in the economy. The desired effect has already been achieved."

Recently, the government has been scaling back its emergency investments made during the financial crisis, in banks, investment firms and struggling automakers.

In November, when General Motors made an initial public offering at \$33 a share, the government cut its ownership stake nearly in half dropping to about 33 percent in the automaker for a total of \$13.5 billion.

The AIG bailout, organized in the last months of the George W. Bush administration, offered the company a line of credit worth up to \$182 billion to cover potential losses after the company made disastrous bets in so-called "credit-default swaps" as the market meltdown accelerated in the fall of 2008.

In the end, the company received \$68 billion in direct federal bailout aid, second only to Fannie Mae among U.S. corporations receiving taxpayer funds.

From an investment perspective, the government may have waited too long to sell, as it now holds just \$47 billion worth of AIG stock. At the beginning of the year, share prices topped \$60, but have lost a third of their value since.

Within a year, the banking analyst firm Keefe, Bruyette & Woods Inc. expects the price to further shrink to \$23 per share.

At the company's annual meeting Wednesday, some AIG shareholders expressed anger at the timing of the sale.

"I think the directors have mismanaged this," Kenneth Steiner, who holds 600 shares of AIG, told the Reuters news agency. "What happened here is a real shame."

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