
Treasury to sell last of its stake in Citigroup

By Editor Test *Wed, Dec 8, 2010*

A person briefed on the transaction said it would be priced at \$4.35 a share, a 2% percent discount. At that price, taxpayers could profit by \$12 billion on the Treasury's investment in Citigroup.

Two years after bailing out Citigroup, the U.S. Treasury is selling its remaining shares in the company. The move, announced Monday, effectively ends the federal rescue of the giant bank and frees the bank from modest federal pay restrictions.

The Treasury said that it would start selling 2.4 billion shares of Citigroup common stock. A person briefed on the transaction said it would be priced at \$4.35 a share, a 2% percent discount. At that price, taxpayers could profit by \$12 billion on the Treasury's investment in Citigroup.

Proceeds from the Citigroup sale would be the single biggest profit yet from the government bailout programs. Two years ago, many doubted the wisdom of using taxpayers' money to rescue Citigroup, which became the biggest user of several of emergency support programs that the Federal Reserve put in place during the crisis.

But federal officials, worried that the failure of Citigroup might bring down other firms, injected \$45 billion into the company in the autumn of 2008, and creating an enormous insurance policy covering potential losses on more than \$301 billion of real estate assets.

In return, the government assumed ownership of nearly a third of Citigroup. It also secured a small piece of potential profits through securities known as warrants.

After several other big banks repaid their bailout funds, Citigroup officials pressed for permission to do the same. Last December, Citigroup was allowed to return \$20 billion of its bailout funds, and the government announced plans to unwind its remaining \$25 billion common stock investment.

Last April, the government began to sell its nearly 7.7 billion shares. Through October, the government had sold about 5.3 billion shares to private investors, at an average price of just over \$4 apiece. With dividends and other payments, that meant the government had fully recouped its initial \$45 billion investment.

This Monday, the Treasury informed Citigroup that it planned to sell the remaining 2.4 billion shares all at once. Morgan Stanley, which had handled the previous stock sales, is leading the offering.

© 2010 RIJ Publishing LLC. All rights reserved.