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HEARD ON THE STREET

Regulators Catch Greenberg On Tape: 'Push It Up a Bit'

By IAN MCDONALD
Staff Reporter of THE WALL STREET JOURNAL
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As chief executive of [American International Group Inc.](#), Maurice R. "Hank" Greenberg rarely used email. But regulators now are using audio tapes of his words against him.

On the tapes, Mr. Greenberg ordered AIG traders to buy the company's shares and prop up their market price at least twice earlier this year, according to a civil complaint filed by New York state regulators. The tapes also are being used in a separate federal criminal probe into whether the once-powerful insurance executive sought to manipulate AIG's share price, according to people familiar with the matter.

"I don't want the stock below \$66 so keep buying," Mr. Greenberg told a trader on Feb. 3, two days after AIG said natural disasters would boost fourth-quarter underwriting losses, according to a transcript of the tape cited in the suit. When the trader asked if there was a limit to the amount of shares he should buy, Mr. Greenberg said on the tape: "If you have to go to half a million [shares], go to half a million."

The complaint doesn't note whether trades were actually made. AIG shares closed at \$66.28 on the New York Stock Exchange that Thursday.

A spokesman for Mr. Greenberg's legal team said late yesterday that they are reviewing the complaint and "will respond in due course denying any fraudulent conduct by Mr. Greenberg, and we will vigorously defend the case."

The lawsuit cites the trading details as evidence that Mr. Greenberg, the firm's chief for nearly four decades before resigning under pressure in March, "was intensely focused" on daily share moves and "repeatedly directed AIG traders to aggressively purchase AIG stock for the purpose of propping up its price." But the suit's catalog of allegations supporting the civil charges doesn't mention trading again.

The suit, filed in a New York state court, accuses AIG, Mr. Greenberg and former AIG Chief Financial Officer Howard I. Smith of using questionable accounting maneuvers to manipulate the company's financial results.

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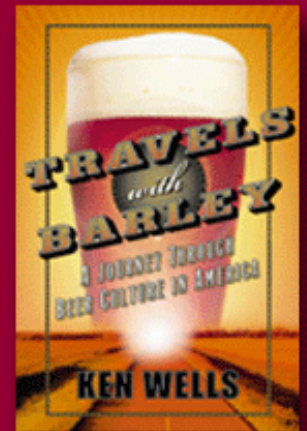
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The complaint includes two examples where Mr. Greenberg told an AIG trader to buy AIG shares as they sagged in February. His orders were captured on audio tape, as trading desks typically tape their phones, apparently one of the few instances where direct orders of Mr. Greenberg, a rare email user, are spelled out verbatim.

Mr. Greenberg called AIG's trading desk "from his private jet" on Feb. 18, according to the complaint. This was four days after the company disclosed the multiple probes into its accounting practices, a stretch where AIG's shares had slid from nearly \$73 a share to below \$70.

Mr. Greenberg told a trader to buy as much as 250,000 shares. When he called back later to find the trader had purchased just 25,000 shares, Mr. Greenberg said: "I want you to be a little bit more aggressive," according to the complaint, adding: "If you have to go up to half a million shares, go up to half a million."

AIG's board has approved buybacks in an aggregate number under conditions deemed appropriate by AIG executives, a person familiar with the matter says. Typically, Mr. Greenberg or another AIG executive would order buybacks of 250,000 shares and occasionally 500,000 shares, this person said.

Just before the close of trading on Feb. 18, Mr. Greenberg told the trader to keep buying AIG shares after the 3:50 p.m. EST cutoff for company purchases of its own shares. Securities laws seek to prevent firms from pushing their share price up with a flurry of buying at day's end.

"[Y]ou can keep buying a little more stock, it's alright. I wanna push it up a bit if we can," Mr. Greenberg said on the tape, according to the lawsuit. The stock traded at \$68.93 in 4 p.m. trading that day, down from \$69.68 the previous day.

During his reign, Mr. Greenberg was proud of the steady climb of AIG shares. Regulators note that he also benefited personally, calculating that at one point "the value of Mr. Greenberg's holdings increased or decreased approximately \$65 million for every dollar AIG stock moved."

Since AIG's disclosure of the probes on Feb. 14, its shares are down nearly 24%.

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