

## THE SMOKING GUN

By PAUL THARP

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In a stunning admission he tinkered with his firm's analysts, Citigroup chief Sandy Weill seems to have played a major role in the firm's research shenanigans.

But some think it may not damage him - due to a tangle of intrigue that could neutralize Weill's own damning words.

### **SANDY'S SMOKING GUN:**

**Citigroup Chairman Sandy Weill has been criticized for his involvement in analyst Jack Grubman's upgrade of AT&T shares in 1999.**  
- NYP composite photo

The 69-year old Citigroup chairman has been besieged by probes into whether he encouraged his analysts to cover up weaknesses of certain companies and hype their stocks just to reel in investment banking business from the firms.

For weeks in the mushrooming conflict-of-interest probes, Weill had emphatically denied he meddled with or tried to sway analysts' reports to

investors.

But yesterday Weill flip-flopped and admitted he did ask his former star analyst, Jack Grubman, to "take a fresh look" at upgrading AT&T - a firm where Weill sat on the board.

Weill stopped short of saying he actually pressured Grubman to produce a more favorable review of AT&T.

But a month after Grubman did take his "fresh look" and upgrade AT&T stock, the company handed over its \$10.5 billion public offering of its wireless unit to Citigroup, a deal that earned Weill's firm \$45 million. Many analysts were skeptical of Weill's claim that he didn't influence Grubman.

"Imagine your boss comes over to you and asks you to take a 'fresh look' at a company where he

sits on the board - that's not putting pressure on the guy?" Gary Jenkins, of Barclays Capital's head of credit research, told Bloomberg.

The latest bombshell in the Weill saga triggered a major selloff of Citigroup, causing it to lose more value than any stock traded in the U.S. yesterday - wiping out a total \$972.7 million of investor value.

It also raised more investor demands for Weill to immediately start looking for a successor and step down from the board.

Analysts think it's unlikely the Citigroup board will pressure Weill, since it is dominated by close colleagues and friends loyal to Weill.

Weill's disclosure is the first time he publicly admitted involving himself in the day-to-day business of the company's stock analysts.

New York Attorney General Eliot Spitzer has been investigating Weill and other conflict of interest allegations on Wall Street.

Spitzer had uncovered a series of e-mails written by Grubman - and described in the Wall Street Journal yesterday - in which Grubman says Weill pressured him into the AT&T upgrade to help Weill win allies for a boardroom coup.

AT&T's chief Michael Armstrong also sat on the Citigroup board and was close with Weill. In exchange for the AT&T upgrade, Armstrong would vote in a Citigroup board battle to oust Weill's archrival in the bank, John Reed, according to the e-mails.

Grubman wrote an e-mail on Jan. 13, 2001, that "Sandy needed Armstrong to nuke Reed."

Grubman immediately sought to step away from the e-mails, saying in a statement yesterday that he lied when he wrote about the board battle in his e-mail. Grubman got a \$32 million golden parachute and a hefty legal defense deal from Citigroup after it fired him four months ago.

Insisting he invented the tale about the board room intrigues, Grubman said:

"Regrettably, I invented a story in an effort to inflate my professional importance and make an impression on a colleague and a friend."

Weill said in a memo to employees yesterday that the Grubman e-mails are "false and inflammatory."

"Regulators have already received unequivocal sworn testimony from the author of the e-mails that they are 'fabrications' with 'zero basis' in reality," Weill's memo said.

"I did suggest to Jack Grubman that he take a fresh look at AT&T in light of the dramatic transformation of the company and the industry. I always believed that Mr. Grubman would conduct his own research and reach independent conclusions that were entirely his own."

Previously, Weill had said he "never told any analyst what he or she had to write - and I never

would."

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