11-1-2007

AIG Joe Cassano to Bill Dooley 2007 compensation email

Bill Dooley

William Shirley

From: Shirley, William
Sent: Wednesday, November 21, 2007 6:04 PM
To: Cassano, Joseph
Subject: Deferred Comp

Joe,

I attach a draft of the memorandum for Bill Dooley.

I added a final paragraph regarding your personal situation as you requested. Note that it indicates that you would not only forego a bonus this year, but would not participate in the special deferred comp arrangements. We didn't discuss this latter point, but it seemed in keeping with what you said. Also, note that I've drafted alternatives for when you'd recoup the forgone bonus – I wasn't sure whether payment would be tied to the super senior book coming back on a mark-to-market basis or, alternatively, on the book not suffering realized losses.

Bill

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MEMORANDUM

To: Bill Dooley

From: Joe Cassano

Date: November __, 2007

Subject: 2007 Compensation

I'd like to discuss with you the following approach to handling 2007 year-end compensation for FP. This approach takes into account the unrealized market valuation loss that we've booked under GAAP in respect of our super senior portfolio.

There are two main points: First, no bonus will exceed $1.25 million. Second, employees who, in the absence of the super senior valuation loss, would have received bonuses in excess of $1.25 million will be entitled to future payment of special 2007 deferred compensation (outside the existing deferred compensation plan), as follows:

> The amount of special deferred compensation for each employee will equal the amount by which his or her bonus would have exceeded $1.25 million in the absence of the super senior valuation loss.
>
> The special deferred compensation will be at risk to FP's business to the same extent as deferred compensation under the existing deferred compensation plan. Thus, the special deferred compensation will also form part of FP's capital base.
>
> The vesting of the special deferred compensation will not be immediate, but will occur one-third at the end of 2008 and two-thirds at the end of 2009. Thus, employees who leave the company will forego all (if they depart during 2008) or part (if they depart during 2009) of the special deferral.
>
> Payment will be made at the end of 2010 (bullet).
>
> During the three-year term, the special deferred compensation will earn interest (Libor paid quarterly) and will share pro rata with the existing plan in any annual equity kicker.

An amount that will give AIG a 70/30 participation in the economics of this arrangement will be set aside and will also be paid to AIG at the end of 2010, subject to its also being at risk to the business on a subordinated basis. This amount will thus also form part of FP's capital base.

I note that the capped bonuses paid this year will be subject, like bonuses in any year, to mandatory partial deferral under the existing deferred compensation plan (i.e., bonuses in excess of $250,000 will be subject to partial deferral).

One final note, regarding my compensation: I would propose that I not receive any bonus this year, or participate in these special 2007 deferred comp arrangements, but that you, Martin and I have an informal agreement, discussed with the FP board, regarding how my bonus compensation in future years will be adjusted assuming the super senior book comes back. Before year-end we would agree the amount that I would have received as a bonus this year in the absence of the super senior valuation loss; then, in future years, assuming the super senior book [recovers its mark to market] [has not suffered realized losses], I will be paid this amount in addition to the bonus compensation that I will otherwise receive. The point here is that while I am able to agree to this sort of arrangement for myself, I really need something more for my team as described above.