

CASSANO'S GOLDEN PARACHUTE AND THE RETENTION BONUSES

As you likely know, Joseph Cassano is the guy who created the AIGFP mess.

He was fired on March 11, 2008—probably at the same time or slightly after the retention bonuses for the other guys who screwed up AIGFP were negotiated. That means Cassano's termination contract may provide some insight into those bonus contracts.

For example, this paragraph sheds some light on how AIG treated one of the three categories of those who would get bonuses—those "terminated without cause."

You are retiring effective March 31, 2008. You will retain your rights to all payments due under the AIG Financial Products Corp. 2007 Special Incentive Plan (the "SIP'), and your retirement will be treated as a 'Without cause' termination of employment for purposes of the SIP, unless I (or my successor) and the General Counsel of American International Group, Inc. both determine, in good faith on or before September 30, 2008, that Cause (as defined below) for the termination of your employment existed at the time of your retirement. Cause means your intentional misconduct, fraud, knowing violation of the Company's Code of Conduct or conviction of or entry of a plea of guilt or no contest to a felony. In the event such a determination of Cause is made, you will have the right to contest that determination.

Make no mistake, Cassano was being fired in this contract, and it was clear at the time his division was utterly screwed up. Yet even as he

was being fired, Cassano was being categorized in such a way that made him eligible for his past bonuses (I'm presuming the 2007 SIP is not part of the bonuses handed out last week).

That means, of course, that those 11 people who are still getting million dollar "retention" bonuses even though they're gone also may have been fired. We don't know whether they were or were not (there are two other categories they may have fallen under, in addition to "terminated without cause"). But it's possible that you and I just paid \$4.6 million to some guy who was fired.

But this passage also suggests the probable limits AIG put on bonuses received by those terminated without cause: if they're found guilty of fraud or felony, they lose their bonuses. So what is DOJ waiting for?

Now look at the language describing Cassano's "consulting" payments.

You will provide consulting services to the Company as reasonably requested by the Company for a period of nine months, commencing on April 1, 2008 and the Company will pay you a consulting fee of one million dollars (\$1,000,000.00) per month. You will be solely responsible for making all payments required to be made to any taxing authority with respect to the payments described in this paragraph. The Company may terminate the consulting agreement if the General Counsel and I (or my successor) both determine, in good faith, that you are not satisfactorily performing your duties under the consulting agreement or have breached your duties under this agreement.

Presumably, they were making these payments to Cassano for the same reason they're making the "retention" payments to those AIGFP people—they need help figuring out WTF was going on in

AIGFP, and these people are the only ones who know anything about it. Mind you, AIG stopped paying Cassano his monthly million around the time things really crashed in September, so it may be that Cassano was less than forthcoming about what he had done there. (Which suggests he's trying to hide where the bodies are buried.)

Note, though, that this consulting part of the contract has much looser terms than the bonus part does. While AIG was able to stop paying these contracting rates, they probably have less flexibility for the bonuses.

Finally, Cassano's contract resolves pretty clearly about the "retention" contracts. Presuming they are substantially the same as this one, they're going to require arbitration, not court settlement, for almost any dispute.

In addition, if there is a dispute concerning this agreement that cannot be resolved amicably by the Parties (including whether there was Cause for termination of employment as set forth above), such dispute will be resolved in arbitration in New York City under the rules of the American Arbitration Association (except claims relating to your obligations not to solicit, not to compete and to protect confidential information, which can be enforced in court).

So (again, presuming something like this paragraph is in the "retention" contracts) a dispute about "retention" bonuses? Resolved in arbitration. A dispute about whether a fired employe was terminated with or without cause? Arbitration. A dispute about whether or not these banksters are trading on knowledge gained while working for AIGFP? You go to court.