



Shudder on the Street

Financial Industry Nervously Watches AIG-Feinberg Pay Showdown

By RICH BLAKE

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Reports that five of AIG's top executives had notified the company they would bolt if Obama's pay czar slashed pay too aggressively left many on Main Street saying go ahead and get lost.

On Wall Street the alleged showdown is being followed as anxiously as a "Lost" cliffhanger.

"At this point, everyone in the securities industry is watching [the AIG situation] and many are worried how far the government will go," said Andrew Goodstadt, a lawyer at Thompson Wigdor & Gilly.

Goodstadt currently represents another group of approximately 20 employees at Wilton, Connecticut-based AIG Financial Products. Many of them are also ready to walk, he said.

"My clients are loyal to AIG and want to stick it out," says Goodstadt, "but they are also prepared to leave if the government or the company forces their hand."

It was not clear how the standoff would be resolved, although as of Monday none of the five executives in question, including AIG's general counsel, had actually resigned. Two had rescinded their notifications, according to one AIG source.

Another AIG source said the entire episode is merely a procedural formality and not a power play. An AIG spokesman, Mark Herr, had no official comment. The five executives submitted written notices on Dec. 1 saying they were prepared to leave by year's end, the Wall Street Journal reported.

AIG has apparently already lost around half of its 25 highest paid employees from last year. Their compensation is subject to a review by Kenneth Feinberg Obama's top adviser on executive pay.

In October Feinberg, the White House's special master for executive compensation announced the total salaries of top executives at seven bailed-out financial companies, including AIG, would collectively be slashed by some 90 percent.

Cash compensation was to be capped at \$500,000, although if he wants to, Feinberg can make any exceptions he wants if he rules there is "good cause." This first round of compensation cuts applies to November and December 2009 only; salary amendments for 2010 are going to have to be negotiated all over again in a few weeks.

Paid on Merit?

Despite the government's attempt to rein in compensation in a way that would not be seen as too heavy

handed, some AIG executives are not taking the measures lying down.

The new CEO of AIG, [Robert Benmosche](#), reportedly got testy in meetings with Feinberg last month and made some threats of his own to quit, although he subsequently sent an internal letter to AIG employees making it clear he was not going anywhere.

"I and the Board are indeed frustrated," Benmosche wrote in the letter, which was obtained by ABC News. "I remained totally committed."

Over the past 15 months AIG has received \$180 billion in federal aid. It is 80 percent owned by U.S. taxpayers.

Still, some argue that some AIG executives should still see big paydays.

Ron Geffner, an attorney with Sadis & Goldberg, said that "people should be paid on merit."

Regardless of the political pressures and populist outrage, there are certain individuals, Geffner said, "whose skills are needed at these troubled institutions. and we must recognize that they come at cost."

To do otherwise would only serve to limit the likelihood of a quicker recovery, Geffner said.

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