



AMERICAN EXPRESS COMPANY

THE DIRECTOR'S CAP

I. PLAN SUMMARY

HOW THE PLAN WORKS

When the Company adopts "The Director's CAP", the following will occur:

- o The Company will be owner and beneficiary of joint life insurance policies, insuring the lives of two Directors\* with each policy. Each such joint policy will have a total face amount of approximately \$2,000,000 per policy, with \$1,000,000 payable in connection with each director. The \$1,000,000 payment for the first director will be made either upon the death of the second director or upon the 10th anniversary of the first director's death, whichever occurs earlier. The \$1,000,000 payment for the second director will be made promptly after the second directors death.

An effort will be made to pair two Directors who are close in age.

The \$1,000,000 payable in connection with each director who is fully vested in the Plan after five (5) years of service will be disbursed as follows:

- a) \$500,000 to one or more charities recommended by each director.
- b) \$500,000 to the American Express Foundation.
- o Sums payable in connection with directors who have served as directors of the Company for less than 5 years prior to their death will be disbursed according to the Vesting Schedule described in the attached Plan's Participation Requirements set forth below.
- o The Company will pay the premiums for each life insurance policy. At the time of the second death of the two Directors, the Corporation will receive the tax-free death benefits.

\* The term Director shall include those former Directors of the Company who are serving as Advisors to the Board on the date that the Plan becomes effective. However, a total of \$500,000 will be payable in connection with each such Advisor, as follows: \$250,000 to charities recommended by the Advisor, and \$250,000 to the American Express Foundation.

- o Each eligible Director will submit an advisory recommendation requesting that the Company make a \$500,000 charitable donation to the charity or charities selected at the time of the Director's death, and \$500,000 charitable donation to the American Express Foundation. Under current tax laws, the charitable donations made by the Company to both the external charity and the American Express Foundation are not considered income to the directors. Similarly, the tax benefits from the charitable donations accrue to the Company, not to the Director.

#### BENEFITS TO THE BOARD MEMBER

- o Each Board member can recommend a major contribution to a favorite charity or non-profit organization.
- o The Board member will be recognized as the source of the recommendation, with no personal financial commitment.

#### BENEFITS TO THE CHARITABLE ORGANIZATION

- o Earmarks substantial, definitive endowments for future receipt.
- o Provides the charitable organization with "additional contributions" - amounts which otherwise might not have been committed.

#### BENEFITS TO THE COMPANY

- o Provides a meaningful strategy for the Company and its Board members to jointly participate in charitable activities.
- o Provides an additional means for the Company to attract and retain quality Board members.
- o Supports the public image of the Company and the Director as committed to improving the quality of life in our communities.

#### FINANCIAL IMPACT ON THE COMPANY

- o Cash Flow - In the early years, premium payments will result in negative cash flow. However, over the term of the program, a positive cash flow should be generated.
- o Earnings - In the early years, there will be a small, negative impact on earnings, but over the length of the program, there will be a substantial positive impact on earnings.

## II. PLAN PARTICIPATION REQUIREMENTS

### ELIGIBILITY

- o All current Directors and Advisors who formerly were directors of American Express Company are eligible to participate in "The Director's CAP". Persons who are elected to the Company's Board of Directors after the date of adoption of the Plan will become eligible upon election.
- o Joint life insurance policies will be obtained on the lives of the eligible Directors/Advisors as soon as possible after eligibility has been established, although single life policies may be used in the case of an uneven number of directors.

### VESTING

- o Directors/Advisors will be fully vested in the Plan upon the completion of five (5) full years of service as Director/Advisor. Directors who are fully vested may recommend a \$500,000 charitable donation, while charitable donations on behalf of directors who have served for less than 5 years will be disbursed as follows:

(Amounts payable in respect of Advisors are 50% of those expressed in the vesting schedule.)

<u>Years of Service</u>	<u>Amount to AE Foundation</u>	<u>Amount to External Charity</u>
0 - 1	\$ 900,000	\$ 100,000
2 - 3	800,000	200,000
3 - 4	700,000	300,000
4 - 5	600,000	400,000
5 -	500,000	500,000

- o Service as a Director/Advisor prior to the date of the adoption of the Plan shall be considered as eligible service for purposes of computing the 5 year vesting. However, former directors, whose service has ceased prior to the date of the adoption of the plan and who are not Advisors, shall not be eligible to participate in the plan.

### RECOMMENDATION OF CHARITABLE BENEFICIARY

- o Each Director may recommend one or more charities to receive up to \$500,000 and Advisors may recommend up to \$250,000. However, no more than two charities may be recommended by any one Director/Advisor, and the amount of the recommended contribution must be not less than \$100,000 to any one charity.

- o Each charity recommended by a Director/Advisor must be a tax-exempt organization under Section 501 of the Internal Revenue Code.
- o Each recommendation of a charitable beneficiary by the Director/Advisor may be revised. However, the Company reserves the right to select a different beneficiary if the Company determines that the activities of the recommended organization are not or cease to be compatible with the goals and objectives of the Company's philanthropic program.
- o Directors/Advisors may inform each charity recommended by a Director that the charity may expect to receive a cash gift following the death of the director.

#### CHANGE IN GOVERNING LAWS

- o In the event that the relevant tax laws or other laws or regulations change during the life of the program in a manner that causes additional expense to the Company or diminishes the expected tax or other benefits to the Company, management may recommend to the Board that the plan be modified or terminated.

#### MISCELLANEOUS PROVISIONS

- o A participant's rights and interest under the Plan may not be assigned or transferred.
- o The expenses of the Plan shall be borne by the Company.
- o The Plan may be amended at any time and from time to time by the Board as the Board shall deem advisable.
- o The Plan shall be administered by the Board, except that the Board may authorize any one or more of their number or the Secretary or any other officer of the Company to prepare and distribute periodic reports, make disbursements and to do other acts in administering the Plan.

#### SUMMARY

"The Director's CAP" represents a unique opportunity for American Express Company to provide substantial future contributions to organizations recommended by its Board members and supported by our Foundation. This can be accomplished with little or no long-term cost to American Express Company, while simultaneously providing Board members an opportunity to have substantial positive impact on behalf of a favorite charity or other non-profit/educational organization.