

From: Angelo_Mozilo [REDACTED]
Date: 10/20/2006 04:57:27 PM
To: Susan_Bow [REDACTED]
Subject: Fw: Terms of Continuing CEO Pay Package, as Approved by Board This Morning
Number of attachments: 1

REDACTED

— Forwarded by Angelo Mozilo/Managing Directors/CF/CCI on 10/20/2006 01:56 PM —

"Zimmerman, Ross" [REDACTED]
10/20/2006 11:49 AM

To: Angelo_Mozilo [REDACTED]
cc: [REDACTED]
Subject: Terms of Continuing CEO Pay Package, as Approved by Board This Morning

Good morning, Angelo. Mike Dougherty has asked me to send to you an overview of the terms of a continuing CEO pay package, as approved unanimously this morning by the non-employee members of Countrywide's Board. The attached document provides a summary of the most material terms of the approved pay package, and also provides a comparison of these approved provisions to the terms proposed by Towers Perrin. The term sheet includes signature lines for you and Mike Dougherty at the bottom of page 3.

Feel free to call or write with any questions you have regarding the attached document. Thanks. Ross.

Ross Zimmerman, Esq.
EXEQUITY, LLP
1880 W. Winchester Road
Libertyville, Illinois 60048
[REDACTED]

Countrywide Financial Corporation

Overview of Pay Package for Angelo Mozilo, as Approved by Countrywide's Board of Directors

Background

In response to the impending expiration of Angelo Mozilo's current employment agreement, Countrywide's Compensation Committee proposed a pay package and related terms for an extension of Angelo's service as CEO. Angelo engaged a compensation consultant (Towers Perrin) to help develop an alternative continuing pay package.

Towers Perrin submitted a pay proposal, and the Compensation Committee convened to consider the proposal. In consultation with the Committee's compensation consultant (*EXEQUITT*), the Committee unanimously adopted a revised package. The outside members of Countrywide's Board of Directors convened on October 20, 2006 and unanimously approved the revised pay package endorsed by the Compensation Committee.

This document summarizes the revised pay package approved by the Compensation Committee and the Board. In addition, this document highlights any material differences between the approved package and the Towers Perrin recommendation.

The appendix to this document provides a side-by-side comparison of the peer group proposed by Towers Perrin for benchmarking pay and the group approved by the Compensation Committee and the Board.

Pay Positioning

Towers Perrin Proposal: The proposal suggests targeting 65th percentile pay levels.

Terms Approved by Board: Angelo's total pay package would be targeted at 73rd percentile levels within a defined group of peer organizations. In general, performance would have to at least meet 50th percentile levels in order to merit targeted earned values.

Peer Group

Towers Perrin Proposal: Towers Perrin recommended removing three organizations from the prior peer group (Sun Trust, BB&T, and Fifth Third Bancorp), and suggested inclusion of three new companies: Goldman Sachs, Merrill Lynch, and Bank of America.

Terms Approved by Board: The Board accepts some of the proposed changes to the peer group, but not all. In particular, the Board agrees that Merrill Lynch is a reasonable reference organization (but not Goldman Sachs or Bank of America), and agrees to remove BB&T and Fifth Third Bancorp, but opts to leave Sun Trust in the peer group.

Base Pay

Towers Perrin Proposal: \$1,900,000

Terms Approved by Board: \$1,900,000, with annual reviews of potential changes.

Annual Bonus

Towers Perrin Proposal: Targeted value of \$5,000,000, with a 300% maximum cap (\$15,000,000). Targeted ROE is 15%. ROE performance dictates the percentage of Net Income pool to be paid as annual bonus.

Targeted performance would generally be set at 50th percentile performance expectations among the peer group, and the maximum payout would be attainable upon achievement of 90th percentile performance expectations among the peer group.

Terms Approved by Board: Accept the basic performance metrics (ROE and Net Income pool concepts). However, the targeted payout would be \$4,900,000, and the maximum opportunity would be 250% of target (\$10,000,000). Design mechanics would be the same as those proposed by Towers Perrin. Performance requirements would be recalibrated annually in response to changing financial conditions.

In order to preserve full deductibility of potential payments under the bonus program, any amount payable in one year exceeding \$8,000,000 (the current cap under the shareholder-approved plan) would be deferred until the earliest point at which payment could be made in a fully deductible manner.

Long-Term Incentives

Towers Perrin Proposal: Grant-date value equal to \$10,000,000. Award value split equally between stock appreciation rights (SARs) and performance-based restricted stock units (RSUs). Vesting of RSUs would be contingent on achievement of 12% ROE.

Terms Approved by Board: Targeted grant-date value of \$10,000,000. The Board is comfortable with the underlying design of the award vehicles, as proposed by Towers Perrin. Similarly, the design mechanics would be the same as those proposed by Towers Perrin.

"Contract Renewal" Bonus

Towers Perrin Proposal: \$15,000,000 grant of RSUs, with 50% guaranteed, and 50% vesting predicated on achievement of median total shareholder return among peer companies over three years.

Terms Approved by Board: Neither the Committee nor the Board is comfortable with the positioning of the proposed award, or with the amount suggested. Instead, the package approved by the Committee and the Board includes a reimbursement of Angelo's foregone supplemental retirement (SERP) payments that would have been paid to him if he were to retire currently.

Under the SERP, each such annual payment would be \$3,000,000. The Committee and the Board are comfortable with a \$10,000,000 reimbursement of this foregone three-year SERP annuity.

The SERP reimbursement would be subject to the same basic award design mechanics as are suggested by Towers Perrin in connection with their proposed "contract renewal" award (vesting 33% per year, with 50% of award value guaranteed, and 50% predicated on attaining 50th percentile total shareholder return performance).

Possible Extension of CEO Term

At least six months prior to the end of the contract term the parties can agree to extend Angelo's term as CEO, upon such terms as are mutually acceptable.

Summary of Provisions

Pay Vehicle	Towers Perrin (TP) Proposal	Compensation Committee Consensus
Base Pay	\$1,900,000	\$1,900,000
Annual Bonus	Target: \$5,000,000 Max: \$13,000,000 Share of Net Income pool based on ROE performance	Target: \$4,000,000 Max: \$10,000,000 Design mechanics same as TP proposal
Long-Term Incentive	\$10,000,000 grant-date value; 50% in SARs, 50% in RSUs dependant on ROE	\$10,000,000 grant-date value; design mechanics same as TP proposal

	performance	
Other	\$15,000,000 "contract renewal" award of RSUs; 50% guaranteed, 50% vesting over three years based on TSR performance	\$10,000,000 replacement for three years of foregone SERP payments; design mechanics same as TP proposal
Total Annualized Value	At Target: \$21,900,000 At Max: \$31,900,000	At Target: \$19,233,000 At Max: \$25,333,000

Consent to the design parameters described in this Term Sheet acknowledged by:

 Angelo R. Mozilo Mike Dougherty, on behalf of Countrywide Financial's Compensation Committee and Board of Directors

Appendix: Comparison of Proposed Peer Groups

Proposed Peers Organized by Pay

Towers Perrin Proposed Peers		Approved Peer Group	
Peer Group by Total Pay	Total Pay (\$)	Peer Group by Total Pay	Total Pay (\$)
Lehman Bros	\$ 35,143	Lehman Bros	\$ 35,143
American Express	\$ 22,671	American Express	\$ 22,671
SLM	\$ 17,810	SLM	\$ 17,810
Washington Mutual	\$ 17,736	Washington Mutual	\$ 17,736
Capital One	\$ 14,814	Capital One	\$ 14,814
US Bank	\$ 12,538	US Bank	\$ 12,538
Wells Fargo	\$ 12,201	Wells Fargo	\$ 12,201
US Bank	\$ 12,338	Wachovia	\$ 11,087
Wells Fargo	\$ 12,301	PNC	\$ 8,981
Wachovia	\$ 11,087	Bank of NY	\$ 7,876
PNC	\$ 8,981	KeyCorp	\$ 7,008
Bank of NY	\$ 7,876	National City	\$ 6,088
KeyCorp	\$ 7,008	Burl Trail	\$ 4,432
National City	\$ 6,088		
Average	\$ 17,217	Average	\$ 18,181
Countrywide 2006	\$ 36,917	Countrywide 2006	\$ 36,917
75th Percentile	\$ 23,888	75th Percentile	\$ 17,778
Towers Perrin Proposal	\$ 21,900	Towers Perrin Proposal	\$ 21,900
Corp Committee Consensus	\$ 18,233	Corp Committee Consensus	\$ 19,233

Added to original group: [redacted]
 Removed from original group: [redacted]

Proposed Peers Organized by Assets

Towers Perrin Proposed Peers		Approved Peer Group	
Peer Group by Assets	Assets (\$B)	Peer Group by Assets	Assets (\$B)
Wachovia	\$ 621	Wachovia	\$ 621
Wells Fargo	\$ 482	Wells Fargo	\$ 482
Lehman Bros	\$ 410	Lehman Bros	\$ 410
Washington Mutual	\$ 344	Washington Mutual	\$ 344
US Bank	\$ 208	US Bank	\$ 208
Bank of NY	\$ 180	Bank of NY	\$ 180
US Bank	\$ 148	National City	\$ 148
American Express	\$ 114	American Express	\$ 114
National City	\$ 102	Bank of NY	\$ 102
American Express	\$ 114	SLM	\$ 88
Bank of NY	\$ 102	KeyCorp	\$ 82
SLM	\$ 88	PNC	\$ 80
KeyCorp	\$ 80	Capital One	\$ 80
PNC	\$ 80	Average	\$ 264
Capital One	\$ 80	Countrywide	\$ 178
Average	\$ 264		
Countrywide	\$ 178		

Added to original group: [redacted]
 Removed from original group: [redacted]