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### SEC Countrywide Deposition of Angelo Mozilo Volume 1

Angelo Mozilo

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1:1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4 ) File No. LA-03370-A

5 COUNTRYWIDE FINANCIAL )

6 CORP. )

7 WITNESS: Angelo Mozilo

8 PAGES: 1 through 176

9 PLACE: Securities and Exchange Commission

10 5670 Wilshire Boulevard

11 Los Angeles, California

12 DATE: Friday, November 9, 2007

13

14 The above-entitled matter came on for hearing, pursuant  
15 to notice, at 9:30 a.m.

16

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19

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23

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3:1

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5:1

P R O C E E D I N G S

2 MS. DEAN: We are on the record at 9:30 on November  
3 9th.

4 Whereupon,

5 ANGELO MOZILO

6 was called as a witness and, having first been duly sworn,  
7 was examined and testified as follows:

8 MS. DEAN: Please state your name and spell it for  
9 the record.

10 THE WITNESS: Angelo R. Mozilo A-N-G-E-L-O R.  
11 M-O-Z-I-L-O.

12 MS. DEAN: Mr. Mozilo, my name is Lynn Dean. I'm a  
13 staff attorney here with the Securities and Exchange  
14 Commission. To my right is Lorraine Echavarria. She is an  
15 assistant regional director with the Commission. We are here  
16 today to take your testimony in an informal investigation in  
17 the matter of Countrywide Financial Corporation which is our  
18 Los Angeles file number 3370 to determine whether there have  
19 been any violations of certain provisions of the federal  
20 securities laws. However, the facts developed in this  
21 investigation might constitute violations of other federal or  
22 state, civil or criminal laws.

23 Before we went on the record, I asked you if you  
24 had ever been deposed before and you said you had but I would  
25 like to go over a couple of ground rules. The situation is a

6:1 little bit unique because we are using the tape recording  
2 device instead of a certified shorthand reporter. If you  
3 don't understand any of my questions please tell me and I  
4 will make my best effort to rephrase it so it is  
5 intelligible.

6 If you need to take a break for any reason let me  
7 know and I will instruct the Court reporter to go off the  
8 record. Even though we are taking your testimony in our  
9 offices today, you should consider yourself to be testifying  
10 as if you were testifying in a Court of law. The oath you  
11 took to tell the truth is the same as the one used in Court,  
12 and the Commission may submit today's testimony as evidence  
13 to a Court in a later proceeding.

14 For this reason, you should make every effort to  
15 give the best, most complete and honest answers that you can  
16 to our questions here today. With respect to the reporter,  
17 I'd ask that you give complete oral responses to my  
18 questions. It's tempting, I know, to nod or gesture, but the  
19 reporter can't take any of that down. Since we're being  
20 recorded on a tape machine, there's just no way for us to  
21 correct the record if you don't respond audibly.

22 Also to that end, if you think you know where I'm  
23 going with a question, I'd ask that you just wait and let me  
24 finish it anyway for two reasons. One, we get a better  
25 record if only one of us is talking at a time and, also, you

7:1 may think you know where I'm heading and I may throw in a  
2 curve ball at the end. So it's best for everybody if you  
3 just wait for me to finish. It also gives your counsel a  
4 chance to think about whether or not he has any objection.  
5 Do you understand those ground rules?

6 THE WITNESS: I do.

7 MS. DEAN: Before we went on the record today, I  
8 gave you a copy of the Commission form 1662 which at this  
9 time I will ask the Court reporter to mark as Exhibit 1.  
10 Have you had an opportunity to review Exhibit 1?

11 (SEC Exhibit 1 was marked for  
12 identification.)

13 THE WITNESS: I have.

14 MS. DEAN: Do you have any questions about Exhibit  
15 1?

16 THE WITNESS: I don't.

17 MS. DEAN: Is there anything that would impair your  
18 ability to provide truthful and accurate testimony today?

19 THE WITNESS: No.

20 MS. DEAN: Mr. Mozilo, are you represented by  
21 counsel here today?

22 THE WITNESS: I am.

23 MS. DEAN: Would counsel please identify themselves  
24 for the record and state in what capacity you represent Mr.  
25 Mozilo here today?



8:1 MR. MCLUCAS: Bill McLucas from WilmerHale in  
2 Washington, D.C. representing Mr. Mozilo personally.

3 MR. PASTUSZENSKI: Brian Pastuszenski from Goodwin  
4 Procter, Boston, Massachusetts representing Mr. Mozilo in his  
5 official capacity.

6 MS. ROYCE: Inez Friedman-Royce also from Goodwin  
7 Procter representing Mr. Mozilo in his official capacity.

8 MR. GREEN: Joel Green from WilmerHale representing  
9 Mr. Mozilo in his personal capacity.

10 MS. DEAN: Thank you. Mr. Mozilo, have you  
11 reviewed any documents or records in preparation for your  
12 testimony today?

13 THE WITNESS: I have.

14 MS. DEAN: What documents have you reviewed?

15 THE WITNESS: One was the list of the years that I  
16 started the Tempe Five One program. I did review some e-  
17 mails that were presented to me by counsel.

18 MS. DEAN: Can you just tell me generally what the  
19 subject matter those e-mails was?

20 THE WITNESS: They varied. E-mails relative to  
21 some business direction that I gave to the people who worked  
22 for me. I think it's important relative to that question  
23 understand how I operate. I traveled extensively. This is a  
24 company that started out with two people and now it's 55,000  
25 and we have offices on three continents.

9:1                   So I have to travel extensively. The only way that  
2 I can with the time differences is to make sure I'm doing  
3 things in a timely manner is through e-mails. So I do an  
4 extensive amount of e-mailing. It was primarily looking at  
5 what did I mean by a certain direction I gave and it was  
6 press releases that we had issued to the public, monthly  
7 operational reports that we sent to the public.

8                   We were a company that I would deem more  
9 transparent than any public company, certainly financial  
10 services company, in that we sent out a monthly operation  
11 report telling them where we are and what our view is, plus  
12 some financial numbers. So I reviewed those extensively as  
13 well as the press releases. It was e-mails, various press  
14 releases, some speeches I may have given. I think primarily  
15 the dialogue was in the investor and scripts. Every quarter  
16 we give our financials but I also do commentary on the  
17 company, environment.

18                   MS. DEAN: You said that you were looking at e-mail  
19 regarding business direction that you had given to some  
20 people at Countrywide. Was this on a particular subject  
21 area?

22                   THE WITNESS: No, these are extensive. As I said  
23 ever since e-mail has been in existence I've used that as a  
24 form of just making sure there was clarity of communication.  
25 Dealing with people all over the world, at least I try to

10:1 make sure that I'm clear in what I want done rather than  
2 relying on other people interpreting for me.

3           They range from thanking employees for their  
4 support during good times and bad times, to specific  
5 directions on departmental issues, production issues. I look  
6 at production reports on a regular basis. So it ranges. All  
7 aspects. Any aspect of the business that is 40 years old it  
8 ranges.

9           MS. DEAN: Can you tell me what a production report  
10 it?

11           THE WITNESS: A production report is -- our primary  
12 business, two primary businesses. One is originating loans.  
13 Countrywide is the largest lender in single family houses in  
14 the country, in the world. It would be how many loans did we  
15 close in a particular month of all types, FHA, VA,  
16 conventional and what channel it comes from. So we deal  
17 directly with the consumer and then we have a wholesale  
18 channel.

19           We deal with mortgage brokers. We have a  
20 correspondent channel where we deal with banks and other  
21 lending institutions that sell us loans. So it's a report  
22 that would tell me how many loans, what the dollar amount of  
23 those loans were for each of those channels.

24           MS. DEAN: I didn't actually hear what you said. I  
25 think you said consumer, wholesale and correspondent?

11:1 THE WITNESS: Correspondent, yeah. Correspondent  
2 would be a bank or thrift or other mortgage banker that has  
3 no desire to service the loans. The originate them but they  
4 don't service them. That's the second part of our business  
5 is servicing loans. We service about 9,000,000 mortgagors  
6 and that means collecting their payments, paying their taxes,  
7 paying their insurance, handling delinquencies, foreclosures,  
8 bankruptcies.

9 MS. DEAN: You also said you looked at some press  
10 releases. Were they on a particular topic?

11 THE WITNESS: No, the press releases are general in  
12 nature but the counsel wanted a clarification of what a word  
13 may have meant or what a phrase may have meant.

14 MS. DEAN: Were they press releases related to  
15 earnings releases?

16 THE WITNESS: Yeah, earnings releases.

17 MS. DEAN: You indicated that you had reviewed some  
18 monthly operation reports. Can you tell me do those have a  
19 name internally at Countrywide?

20 THE WITNESS: It's an operational release that goes  
21 out to the public.

22 MS. DEAN: Operation release?

23 THE WITNESS: Yeah.

24 MS. DEAN: Who drafts those?

25 THE WITNESS: It's generated from primarily the

12:1 financial part of the company, CFO and his group. Then  
2 reviewed by investor relations as well. Then through the  
3 head of operations, COO and then filters up to me for review.  
4 That comes out every single month. It gives them some basic  
5 information about trying to give the investors basic  
6 information where we're going, trends, and then has a 13  
7 month flowing trend so they can see what's happened in the  
8 last 13 months. That goes out every single month and then  
9 the quarterly.

10 MS. DEAN: Is there earnings guidance in that  
11 operation report?

12 THE WITNESS: No.

13 MS. DEAN: So it's a backward look as opposed to a  
14 forward look?

15 THE WITNESS: It's a backward look, yes.

16 MS. DEAN: You indicated --

17 THE WITNESS: Sorry, so I can just point out to  
18 you. We've done hundreds of these things. We may use an  
19 occasional one if there is an event or series of events that  
20 we think the investors should know about and we think they  
21 should know it before we put out the quarterly.

22 We may put a comment in there, the president may  
23 put a comment in there about interest rates going up may have  
24 done something or interest rates going down may have done  
25 something, but not specific as to the earnings guidance. It

13:1 may make a subjective comment about a trend.

2 MS. DEAN: You indicated that those were generated  
3 by the CFO and people in his group and also reviewed by  
4 investor relations. Who's the individual relations?

5 THE WITNESS: David Bigelow B-I-G-E-L-O-W.

6 MS. DEAN: Just for the record, who's the CFO?

7 THE WITNESS: CFO is Eric Sieracki S-I-E-R-A-C-K-I.

8 MS. DEAN: The president and CEO?

9 THE WITNESS: David Sambol S-A-M-B-O-L.

10 MS. DEAN: Thanks. I think you also indicated that  
11 you reviewed some speeches that you might have given. Were  
12 those speeches on any particular subject area?

13 THE WITNESS: It was just press releases. When I  
14 say speech it was a commentary that was in the script. When  
15 I gave the quarterly I break it up and I do the initial part  
16 of it and try to give them an environmental scan of some of  
17 my thoughts. It's just my thoughts at the time and subject  
18 to change. We run a very material business and it can change  
19 in two days or three days. Basically, what I try to portray  
20 what I'm thinking at that time.

21 MR. MCLUCAS: I think he's referring to the  
22 analyst.

23 MS. DEAN: I got that. I asked about speeches and  
24 he said really what he was looking at was the scripts for the  
25 analyst calls. I think that was clear.

14:1 THE WITNESS: You understood that correctly.

2 Generally the speeches if you look at the speeches I give  
3 that you'll see they tie into those commentaries.

4 EXAMINATION

5 BY MS. DEAN:

6 Q I'm just going to ask you some personal background  
7 information. It may seem tedious but I just want to get it on  
8 the record. Have you ever been known by any other names?

9 A No.

10 Q Can you give me your date and place of birth?

11 A

12 Q What is your Social Security Number?

13 A

14 Q Can you identify your primary residence?

15 A

16 Q Do you own any other homes?

17 A I do.

18 Q Where are they?

19 A Homes and I have real estate investment properties.

20 Q I'm specifically looking at places you might  
21 reside.

22 A Just two others. I have a home in Santa Barbara  
23 which you need the address of that?

24 Q Please.

25 A A home in La Quinta. I

15:1 really can't tell you the address because I don't remember  
2 the address. I have a had time finding this.

4 Q How much time do you spend at the house in Santa  
5 Barbara?

6 A About five days a year.

7 Q Okay. How much time do you spend at the house in  
8 La Quinta?

9 A About five days a year.

10 Q So primarily you're living in Thousand Oaks. Is  
11 that correct?

12 A Yeah, I'm on the road all the time.

13 Q Can you tell me your residence phone number at the  
14 house in Thousand Oaks?

15 A Yes, I can.

16 Q Your work phone number?

17 A

18 Q Do you have a cell phone?

19 A I do.

20 Q Can you tell me your cell phone number?

21 A

22 Q How long have you had that number?

23 A Probably a couple of years I think.

24 Q So at least since 2005?

25 A I think so, yeah.



16:1 Q Okay. Who else lives with you at the house in  
2 Thousand Oaks?

3 A My wife.

4 Q What's her name?

5 A Phyllis.

6 Q Do you have children?

7 A I have five children.

8 Q They're not living with you though?

9 A No.

10 Q I'm presuming they're adults?

11 A They're older than you are.

12 Q Okay then I won't ask you about that. Let's see  
13 you said that you use e-mail a lot.

14 A I do.

15 Q I know you have a work e-mail at Countrywide,  
16 correct?

17 A Correct.

18 Q Can you tell me what that is?

19 A

20 Q Do you have a private e-mail you sometimes use?

21 A Rarely. I have a private e-mail. It's rarely used.

22 I mean, I haven't probably looked at it in a couple of years  
23 but I think I remember the address. It's

24 I believe.

25 Q Okay, I'm not going to ask you your handicap.

17:1 A It's my ethnic background.

2 Q Very good. Do you have any professional licenses?

3 A No.

4 Q Did you go to college?

5 A Sorry, I do. I have a real estate broker's license

6 which you have to have in the State of California. It's the

7 only state you need a real estate broker's license to have a

8 mortgage banking company.

9 Q How long have you had that?

10 A 1969.

11 Q Have you ever been subject to any discipline with

12 respect to that?

13 A No.

14 Q Can you tell me where you went to college?

15 A I went to Fordham University.

16 Q What year did you graduate?

17 A 1960.

18 Q Do you have a graduate degree?

19 A I went to graduate school but never finished.

20 Q What graduate school did you go to?

21 A NYU.

22 Q What were you studying there?

23 A Real estate law.

24 Q When were you at NYU?

25 A 1960 through part of 1961.

18:1 Q Let's see. We know you've been employed at  
2 Countrywide since 1969. I don't want to spend a ton of time  
3 on the background. Can you just tell me what your current  
4 job titles are at Countrywide?

5 A Chairman and CEO.

6 Q How long have you been chairman of Countrywide?

7 A I think my partner was chairman. It was probably in  
8 May of 2000, 1998.

9 Q May of 1998?

10 A I think so. That's when I became CEO. I'm assuming  
11 that's when I became chairman.

12 Q Prior to May of 1998, what was your job title at  
13 Countrywide?

14 A I believe I was president.

15 Q Then in 1998 you became chairman and CEO?

16 A Yeah, I basically ran the operations from 1969. I  
17 was the operational guy. I ran the inside and outside of the  
18 company.

19 Q Can you just describe -- I know this is a big topic  
20 area but just describe for me generally what your job  
21 responsibilities are as the CEO of Countrywide?

22 A Well, the primary responsibility is make sure the  
23 company is okay, that it's maintained its financial integrity  
24 and its reputational integrity. In terms of understanding of  
25 what's going on in each of its businesses. We have very

19:1 distinct business. The mortgage banking business which I  
2 raised in since age 14 I understand quite well. We also have  
3 a fairly large insurance company called Balboa Insurance.  
4 I'm in touch with that.

5           When you have the fires we had and the tragic  
6 Katrina and that kind of thing I get more deeply involved.  
7 Other than that, the CEO of that company runs it. We have a  
8 fairly large bank that has been with me for 25 years, Carlos  
9 Garcia. We have strategic meetings I attend, strategy  
10 meetings and you'll see e-mails from me to them just getting  
11 status reports. Are there any issues I should know about?  
12 In thinking about it in going through this process when you  
13 take a company that started out with two people up to 55,000,  
14 you really have to trust other people to run the operation.  
15 So it's more of getting a status report just to let me know  
16 if there are danger signs. If there were problems ahead that  
17 I should be aware of so that I can make the proper  
18 adjustments.

19           Q    Okay so you say you get a lot of e-mail status  
20 reports. Can you list for me the reports that you get on a  
21 routine basis?

22           A    Yes, I get the production report. I get the  
23 monthly operational review report. I get and I don't know  
24 the official name of it but the breach report. This is  
25 primarily dealing with identity theft.

20:1 Q Is that B-R-E-A-C-H?

2 A Yes, where there's been a breach of our systems. I  
3 get that not specifically monthly but I get that when -- we  
4 have a whole division that deals with that when they feel  
5 there are things happening that I should be aware of or  
6 comment on. I'll meet with them from time to time.  
7 Initially, I met with them a lot because the whole issue of  
8 identity theft was new to us.

9 Now we've developed systems and firewalls and that  
10 kind of thing, and it becomes less. It is still an issue but  
11 less of an issue. I'll get a delinquency report, a flash  
12 report, once a month which tells me delinquency trends,  
13 foreclosure trends. These reports have been given to me over  
14 a series of a long period of time. So with the base part of  
15 our business in production and servicing, those were  
16 important reports to me because it's the heart of the  
17 business.

18 The key to everything is driven by that. The other  
19 report I get particularly since we had a situation with the  
20 bank that I get a report each day on deposit flows in our  
21 financial centers. Those are the regular reports I get.

22 Q How long have you been getting daily reports on the  
23 deposit flows for the financial center?

24 A Since it was -- we had a situation with the LA  
25 Times printed an article that eluded to Countrywide going

21:1 bankrupt, and then listed every bank branch that we had with  
2 the phone numbers, and then went out with a photographer. It  
3 was a shock to us. It happened on a Monday morning. Since  
4 that happened, we wanted to make sure we understood what was  
5 happening at every branch in the country. We have 200 now.  
6 So I get that report because that's all been recovered but it  
7 was very disturbing at the time.

8 Q That would have been in August of this year,  
9 correct?

10 A It could have been. It seemed longer ago but maybe  
11 it was around that time.

12 Q You said financial centers but what you're really  
13 talking about is the banks, correct?

14 A The reason I call them financial centers is for a  
15 reason. If you saw them it's not a typical branch. We do not  
16 take deposits in the particular way. There's no cash. We do  
17 not make change. If you brought in a deposit, you put it in a  
18 canvas bag and we'd zip up the bag in your presence.

19 It would be sent to -- we just have two branches in  
20 the country, one in Plano, Texas and one in Arlington,  
21 Virginia because that's where I purchased this little  
22 \$65,000,000 bank years ago. So they are embedded. There is a  
23 little kiosk inside our mortgage branch. He's a loan  
24 processor doing mortgages we just push the desk back, create  
25 about 300 square feet and put a little kiosk that looks like

22:1 a little bank teller window with two people behind that and  
2 that's it.

3           They just take -- the only two products we have is  
4 a CD and a money market. The average age of our depositors  
5 is 70 and above. It's really those people who live off of  
6 CD's and are very concerned with each tick of an interest  
7 rate. What was very bad about that article was that these  
8 poor people, 75 year old people, with their life savings  
9 frightened to death that Countrywide was going bankrupt  
10 taking their money out of insured accounts. That's how  
11 frightened they were. It was very sad. Most of these people  
12 have come back.

13           The CD market is primarily a holder senior market.  
14 You would never walk into it and say this doesn't look like a  
15 bank.

16       Q     Just so I can clean up the record a little bit.  
17 You've identified five reports that you get. I just want to  
18 talk about --

19       A     Five regular reports. I get lots at different  
20 times.

21       Q     The production report is monthly, correct?

22       A     Yes.

23       Q     The operational report also monthly?

24       A     Weekly. I'm sorry monthly you're right.

25       Q     The breach report I think you said periodic.

23:1           A     Yeah, it's periodic. As events dictate it because  
2     we don't have continuous, thank God, breaches. It's when  
3     these things come up where it becomes something I should be  
4     aware of.

5           Q     The flash report. How frequently do you get that?

6           A     Every month. Flash delinquency report.

7           Q     Who prepares that?

8           A     It is prepared by the loan administration  
9     department headed by Steve Bailey and the breach report is  
10    prepared by Steven Taw T-A-W.

11          Q     And he's part of a unit that deals with just  
12    identity theft?

13          A     Correct.

14          Q     The production report I think you already told me.  
15    The operation report you indicated who prepared that. Who  
16    prepares the production report?

17          A     Production report I believe comes out -- it's a  
18    collection of efforts and I believe the issuer of that is  
19    Mark Elbaum E-L-B-A-U-M.

20          Q     What's his job title?

21          A     Managing director.

22          Q     Of?

23          A     He really is the staff guy that works with the  
24    president and COO. So I don't know exactly what title he  
25    has.



24:1 Q Okay but he's on the operation side?

2 A Correct.

3 Q You also said you attend some strategic meetings.

4 A Yes.

5 Q Can you elaborate on that a little bit?

6 A We have a variety of -- the company have to have  
7 the strategy -- it's basically a set direction for  
8 management, everybody underneath management. The strategic  
9 meetings have a variety of objectives. So a meeting may  
10 strictly be devoted to expenses period. Reduction of head  
11 count particularly in this market we're in today, closing a  
12 branch is timing or it could relate to the bank, strictly  
13 bank activities, what our plans are for the bank.

14 We had many strategic meetings over the last couple  
15 of years when we began migrating the mortgage bank company  
16 which is the largest in the world into the bank. At the same  
17 time we were migrating from the fed and the OCC as our  
18 regulator to the OTS. Those were tasks that required a lot of  
19 coordination. Also dealing with the regulators to this  
20 transition.

21 It may involve production in terms of are we going  
22 to expand or contract. It may involve strategically relative  
23 to products. Are we going to get out of pay option loans and  
24 go into another product or what is our product distribution  
25 going to be, what's happening in sub prime and why is it

25:1 happening and what do we have to do in terms of our  
2 guidelines to change those.

3 It runs the gamut of anything you see in the  
4 business doesn't just happen by accident. Every action was  
5 preceded by some strategic meeting that had whoever was  
6 involved. Generally all the executive managing directors  
7 which I think are six or seven of them are involved in every  
8 meeting. The managing directors involved would be those that  
9 are operating that particular segment of the business.

10 Q Okay. Let me just unpack that a little bit. That  
11 was helpful. Can you identify who the executive managing  
12 directors are that attend every one of these strategic  
13 meetings?

14 A David Sambol, Carlos Garcia, Eric Sieracki, Kevin  
15 Bartlett. I believe one is Jack Schakett. I believe that's  
16 it.

17 Q And then yourself?

18 A And then myself.

19 Q Do you attend every one of these strategic  
20 meetings?

21 A If I'm traveling -- I may be interrupted by a  
22 travel schedule but generally yes. They may have one when I'm  
23 gone but I'm given in advance the agenda.

24 Q I just want to try to understand. Is this a regular  
25 meeting? Is there sort of a standing committee that meets

26:1 monthly and it addresses different topics --

2           A     No, not for the strategic meeting because strategy  
3 doesn't change monthly. You put a strategy into effect and  
4 until there is need for a change. What takes place every  
5 single Monday morning and that's the meeting I generally do  
6 not attend is -- David Sambol orchestrates that meeting with  
7 Kevin Bartlett is the hedge meeting, that's the internal name  
8 for it.

9                     Because of the volatility of our business where  
10 interest rates are moving in a minute by minute basis, our  
11 responsibility is to make certain that we are hedging the  
12 balance sheet of the company. I think an example I think  
13 anyone would understand would be if you bought a house and  
14 you and the realtor decide to use Countrywide and the first  
15 question you ask is what is the interest rate and I want a  
16 commitment that that will be my interest rate when I close.  
17 So let's assume it's a 30 year fixed at six and a half  
18 percent. I've made that commitment to you. You have no  
19 obligation to close that loan but I have an obligation to  
20 close that loan at that price. By the time you close  
21 interest rates could be seven percent but I've got to close  
22 at six and a half. I have to hedge that whether you close  
23 that or not.

24                     Now I do calculate in that I'm going to have a  
25 certain cancellation factor but that would be a classic

27:1 example of the hedge on the origination side. These are  
2 called micro hedges and derivatives are used to do that,  
3 various kinds of derivatives. On the servicing side where we  
4 have \$1.5 trillion dollars in mortgages that we're servicing  
5 and it's a \$20 billion dollar item on our balance sheet, that  
6 is also subject to gains and losses based on where interest  
7 rates are going.

8 So we have to put a hedge on that position which is  
9 a hedge that's financial diametrically opposed to the hedge  
10 I'm putting off for originations. If interest rates go up,  
11 I've got a problem with originations but I'm great on  
12 servicing. If they go down, I'm okay on origination but not  
13 so good on servicing and I won't go into the reasons why.  
14 But they're diametrically opposed hedges using -- different  
15 instruments used to hedge that and that's a very, very  
16 important meeting that takes place every Monday. I started  
17 many, many years ago -- bless you.

18 Q Thank you.

19 A I was involved in those meetings early days. My  
20 partner was really the head of that. When he passed away, I  
21 got involved with it and then turned it over to Stan Curland  
22 who took that role over for a number of years, and then when  
23 Stan left then Dave took that over. These are all CPA's.

24 In that meeting would be our chief economist, our  
25 credit risk people, derivative people which are basically

28:1 quants and they have a standing -- the terms of strategy is  
2 set in stone. This is where we want to be each time. We  
3 want to hedge both sides of it. The only decision is  
4 somewhat of a subjective decision is where we think rates may  
5 be going.

6 So we'll have standard hedge we put on and then the  
7 difference from one week to another -- a subjective judgment  
8 is the rates appear to be going up or they appear to be going  
9 down, and that will have some impact on how much we hedge.  
10 That meeting is every single Monday.

11 Q Do you get a report at the end of that meeting?

12 A No, I don't.

13 Q Is there any sort of written report generated out  
14 of that?

15 A There are written reports. Oh, yes. They're  
16 extensive written reports. They are basically eye charts.

17 Q But they are not distributed to you.

18 A No.

19 Q Did you ever look at any of the hedge reports?

20 A I have but it is what it is. I have to really  
21 depend on the skill set of my quants to do that and I don't  
22 impose myself. I'm not an economist by training and,  
23 therefore, I would not impose myself on what direction I  
24 believe interest rates are going to go for that purpose. I  
25 mean I have my own opinion but I wouldn't impose my opinion

29:1 on that process.

2 Q Did you say the chief economist is someone named  
3 Mike Quants?

4 A No, I said the quants. The quantitative people who  
5 think about --

6 Q Oh. All right.

7 A No, it's Jeff Speakes. He comes out of Clairemont.

8 Q So Mike Quants which I heard was actually my  
9 quants. My quantitative people?

10 A Right. Just like Mike Keys. You think you're  
11 saying Mikey. That's why I use e-mails.

12 Q I know from having looked at your trading plans  
13 you've used JP Morgan and Bear Stearns to do trades under the  
14 10(b)(5)(1) plan. Do you have any other brokerage accounts  
15 in which you trade Countrywide stock?

16 A No, let me qualify that. I rarely have sold stock.  
17 I did that in 1991 but I don't remember who I did it through.

18 Q In 2004, 2005 or 2006?

19 A No.

20 Q No other --

21 A I still have the original stock I bought in 1968.

22 Q Okay. I asked you this when we were off the  
23 record. Have you ever testified in an investigation by the  
24 Securities and Exchange Commission or its staff?

25 A Yes, I have.

30:1 Q What was the name of that investigation if you  
2 recall?

3 A The name of it?

4 Q Yeah.

5 A I didn't know it had a name.

6 Q What company was involved?

7 A Countrywide.

8 Q Okay. When was that?

9 A I believe it was in 1991.

10 Q Do you remember what the issue was?

11 A The issue was -- I'll never forget it like I won't  
12 forget this. It was that I had made a decision -- I didn't  
13 have any money at the time and I had some stock. I'll be very  
14 frank with you. Clinton had said that -- I'm not Republican.  
15 Clinton had announced that he was going to increase taxes.  
16 The only money I had -- the only potential money I had was  
17 Countrywide stock.

18 So I sold -- made sure I was okay and I sold some  
19 shares. Didn't think much about it. Bottom line was it  
20 didn't make any difference because you're too young to  
21 remember but Clinton proposed the tax retroactively anyway.  
22 So I didn't avoid the tax. I had to pay the tax.

23 Then I subsequently got a call. I remember it must  
24 have been in the winter time from the SEC in Washington.  
25 They said we have a question about your sale in stocks and I

31:1 said okay. They said we'd like to talk to you about it in  
2 Washington. I said fine. I said I'll be there. He said no,  
3 no you've got to get an attorney. I said why do I need an  
4 attorney? He said you have to bring an attorney.

5 On my board I had a gentleman named Ed Heller who  
6 was with Fried Frank at the time. I called him up and he said  
7 okay we'll get you an attorney and I went to Washington. The  
8 issue was in the MD&A of our 10K or 10Q was a comment made --  
9 it wasn't attributable to me. It was just a comment made by  
10 the company -- and I wasn't chairman nor CEO at the time but  
11 that it was believed that interest rates were going to go  
12 down.

13 If you remember when Clinton got in interest rates  
14 went up. So that materially impacts the income of the  
15 company. That was like six months before I had sold. They  
16 said you said this yet this happened and you sold stock. I  
17 was just trying to get some money personally. I've got five  
18 kids. It went nowhere. I went there and testified and this  
19 is what 2008. Have you heard from them? Okay. I haven't  
20 heard a word. That was it.

21 Q You testified in D.C.?

22 A Yes.

23 Q Have you ever testified in any investigation by any  
24 other federal agency other than the SEC?

25 A No, not to my memory.



32:1 Q Have you ever testified in any investigation by any  
2 state agency?

3 A No.

4 Q Have you ever testified in any investigation by any  
5 stock exchange?

6 A No.

7 Q Have you ever testified in any investigation by the  
8 National Association of Securities Dealers?

9 A No.

10 Q Have you ever been named as a Defendant or a  
11 respondent in any action brought by the Securities and  
12 Exchange Commission?

13 A No.

14 Q Have you ever been named as a defendant or  
15 respondent in any action brought by any other federal agency?

16 A No.

17 Q Have you ever been named as a Defendant or  
18 respondent in any action brought by any state agency?

19 A No.

20 Q Have you ever been named as a Defendant or  
21 respondent by any action brought by any stock exchange?

22 A No.

23 Q Have you ever been named as a Defendant or  
24 respondent in any action brought by the National Association  
25 of Securities Dealers?

33:1 A No.

2 Q Have you ever been named as a Defendant in any  
3 lawsuit?

4 A Yes.

5 Q Can you identify for me which lawsuits? Let's limit  
6 it to the next five years. Any lawsuit within the last five  
7 years in which you have been identified as a Defendant?

8 A Personally?

9 Q Uh-huh.

10 A Personally, I don't know if I was identified -- two  
11 depositions. One was this accident occurred in front of a  
12 house I have that I rarely am there, where the person's child  
13 that was hit by the car said that there was a plant in front  
14 of my house that obstructed her view and therefore I had  
15 culpability. That was ultimately deemed not appropriate  
16 because it wasn't my plant. It was City property and not my  
17 property. That was settled by the insurance company and I  
18 never heard anything more about it.

19 The other was more recent. It was about two or  
20 three years ago and it related to a small shopping center  
21 that myself and my partner own in Laverne, California where  
22 an air conditioner allegedly malfunctioned and gases emitted  
23 where one employee said that they were severely harmed by  
24 those gasses and sued me and my partner. Again, I took a  
25 deposition and the deposition lasted five minutes because I'm

34:1 so passive and he runs it. It was settled by the insurance  
2 company and that was the end of that. That was about two or  
3 three years ago. That's the only two I can recall.

4 Q You've never testified in any share holder  
5 derivative lawsuit against Countrywide?

6 A No.

7 Q You've never testified in any securities class  
8 action involving Countrywide?

9 A I don't believe so. I don't remember.

10 Q Have you ever been indicted?

11 A No.

12 Q Have you ever been convicted of any crime other  
13 than a traffic violation?

14 A No.

15 Q Have you ever filed for bankruptcy?

16 A No.

17 Q I asked you about your job duties as the CEO and  
18 chairman of Countrywide. I'd like to just get a sense of  
19 what your typical day is like, and I know no day is typical,  
20 but how many days a week do you actually spend out at  
21 Countrywide in Calabassas on an average?

22 A It really depends. Now it's every day because I  
23 cut back my travel schedule but I'd say average I try to  
24 travel over the weekends and try to be in the office by the  
25 end of the week. I'd say over the 40 years, if you averaged

35:1 all that out, three to four days a week.

2 Q Let's talk about some specific time frames. From  
3 September to December last year, how many days a week on  
4 average do you think you were in the office?

5 A Three to four days. I worked weekends. In the  
6 office I'd say three days.

7 Q And then from January of this year to March of  
8 this year?

9 A I'm on company business seven days a week but I  
10 happen to be in the air. You asked me physically in the  
11 office and not doing business?

12 Q Right. I'm not asking how much time you spend  
13 working on Countrywide in general. I know being a CEO is a  
14 full time job but physically present in Calabassas?

15 A I'd probably say four days. Three to four days on  
16 average.

17 Q The record is not clear just so I was conversing.  
18 So from September of '06 to December of '06, you'd say three  
19 days or three to four days?

20 A Three to four days would be my guess.

21 Q Would that also be true for January to March of  
22 this year?

23 A Probably the same pattern. Some days I could be in  
24 there five to six days and some days I'm on the road. It  
25 depends.

36:1 Q You said that now you're there every day.

2 A Right.

3 Q When did that start?

4 A It started on August 2nd. Pretty much on August  
5 2nd when it became first apparent to us that the global  
6 credit markets was shutting down. We really had no real  
7 indication of that until August 2nd when the treasurer made  
8 me aware that we were having some issues with rolling our  
9 commercial paper which we had never had.

10 We were an A rated company and had no issues with  
11 liquidity and our basic forms of liquidity was commercial  
12 paper, repurchased lines and medium term notes. That was  
13 sort of how we fund ourselves. We didn't understand. We  
14 couldn't understand what was happening. We didn't know if it  
15 was an anomaly or something. It just sort of -- it just  
16 wasn't working normal.

17 Although we did complete our funding on August 2nd,  
18 August 3rd became a little more difficult, August 4th and  
19 then we just went into a mode of everybody was in. We worked  
20 seven days a week trying to figure this thing out and trying  
21 to work with the banks. At the same time unfortunately our  
22 repurchase lines were coming due billions and billions of  
23 dollars. Those are our funding sources.

24 Q Can you just say that last phrase again?

25 A Repurchase.

37:1 Q No, you said your repurchase lines were coming due  
2 and then you said something about your funding sources?

3 A The three funding sources that we have because  
4 remember at that point our bank was relatively small and our  
5 funding sources did not come from deposits. If you're a bank,  
6 they come from deposits. If you're a mortgage bank as we  
7 were for all these years, it comes from commercial paper,  
8 repurchase lines which basically you're putting assets in  
9 those lines until such time it is an opportune time to sell  
10 them and then you ultimately sell them out and roll those  
11 lines.

12 Medium term notes are financing you put out and  
13 typically medium term notes are two years, three years, four  
14 years, five years that are your operational sources. That's  
15 your opening up new branches and that sort of thing. These  
16 are multiple billions of dollars. The commercial paper was  
17 the first sign that something was wrong. It wasn't rolling.

18 So David Sambol and myself and Eric Sieracki and  
19 Carlos Garcia began coming together and Kevin Bartlett  
20 working until 11:00 to 12:00 every night trying to figure out  
21 what was happening and trying to get in touch with the banks.  
22 We were told then the banks were having problems getting  
23 their fundings. So we had worked night and day to secure and  
24 renew these repurchase lines which was very critical to us  
25 once we realized the commercial paper market was shut down.

38:1                   We had every indication up until about August 15th.  
2     So it's a very short period of time. August 2nd meltdown  
3     starts. By eight, nine, 10 days later, 12 days later we get  
4     assurances that we are going to be able to renew these lines.  
5     We worked through the weekend with the bank, Citibank and JP  
6     Morgan Chase and Monday morning it was apparent that the  
7     banks were not going to come through for us. The  
8     negotiations we did were dead.

9                   As you can see today what's happening with the  
10    write down of assets. We had lines with Merrill and Layman,  
11    Bank of America, Chase and Wachovia and all these people. So  
12    their problems were real and our problems were real. On  
13    August 15th we made a decision to -- let me just back up for  
14    a second. These commercial paper lines, when we negotiated  
15    them many, many years ago we created what they call back up  
16    lines.

17                   We paid for them that in the event that the  
18    commercial paper could not be renewed that we could pull down  
19    these back up credit lines. They are rarely pulled down.  
20    There is no expectation it would ever be done but this was a  
21    force that we had never seen before. August 15th we made a  
22    major decision that we were going to pull down the credit  
23    lines which we had never -- it's \$11.4 billion dollars.

24                   So that takes you through July 31st or August 1st  
25    through the -- from August 15th it was just a matter of

39:1 shrinking the company down.

2 Q I have a lot of follow up questions to what you  
3 just said. Let me just make sure I understand how you're  
4 defining the three funding sources. You said the repurchase  
5 line. Can you explain to me what a repurchase line is?

6 A We originate your loan Lynn, individual loan. We  
7 take that loan and put it in -- it use to be called warehouse  
8 lines. We'll put it in a line of credit which we have. We  
9 purchase lines. It's just a line of credit no different than  
10 your credit cards. Put it in and we'll start building up  
11 these loans. Until we decide this is the market we want to  
12 hit, this is the amount of securities -- you put in  
13 securities.

14 We take them out of that security. We repurchase  
15 the loans out of that line, securitize it and pay off the  
16 line. It sort of rotates like that. You're putting a loan in  
17 and repurchase the loan back. It's a repo line. Very  
18 commonly used throughout the financial service industry.  
19 Repurchase agreements.

20 Q Can you just define for me what you mean by  
21 commercial paper?

22 A Commercial paper has been around for years and  
23 years. It's a security that is purchased by institutions,  
24 some times individuals. Generally very short term and it's a  
25 note that somebody will buy -- institutions will typically



40:1 buy commercial paper. It could be a one day commercial  
2 paper, 24 hours. It could be one week. It could be one  
3 month. It could be one year. It's rarely longer than that.

4 It has a return that you get and it's a higher  
5 return that you'll get on a government bond. Depending on  
6 your rating -- if your rating is very low by the rating  
7 agencies, then you're going to pay a very high rate of  
8 interest. So the investors make their judgment as to whether  
9 they want to -- it's just another form of investment.

10 Q You said -- specifically what you said is that you  
11 were having trouble rolling commercial paper.

12 A Yeah, what you do is you have a commercial paper  
13 coming do -- I'm sorry. I didn't let you finish.

14 Q No, you knew exactly where I was going.

15 A Commercial paper -- let's say it's the end of a  
16 month and on the 30th it comes due. What you generally do is  
17 you then go out and sell again and put out another piece of  
18 commercial paper that matches that for another month. That's  
19 called rolling. You roll it from one month into the next  
20 month.

21 Q When you were unable to roll the commercial paper,  
22 essentially what that means is you were unable to resell it  
23 essentially for another --

24 A We were unable to liquify it.

25 Q Okay. You also said you needed to secure and renew

41:1 your repurchase lines. How would you do that?

2 A Well, they come due and you negotiate. You call  
3 and you can negotiate -- whether it be a year, two years,  
4 three years, you know that commitment. Some times a five  
5 year commitment. We just got one for five years and the  
6 total dollar amount you could put in there. So it's rate of  
7 interest, the total amount of that repurchase line. It could  
8 be five billion, 10 billion and the duration of it. How long  
9 is it going to be for.

10 Again, they all really come down to is we have one  
11 asset and that's a mortgage. We call it hypothecating and  
12 what you're doing is you're really putting out a security  
13 against borrowing. No different than you put your house --  
14 you're hypothecating your house to me when I make your  
15 mortgage and your mortgage has a term and has an interest  
16 rate. Well, these are the same.

17 It just filters down and that's how -- so these  
18 come due on a regular basis and then you begin negotiating to  
19 renew them. It was in that process in trying to negotiate to  
20 renew them that the -- and not that there was a problem doing  
21 it because it was a problem not with Countrywide. There was  
22 a problem with the world. The world markets had shut down  
23 from London to Germany. Our lines of credit come from all  
24 over the world, and nobody was willing to do anything because  
25 they didn't know themselves where they would be. As we kept

42:1 on hearing the bank saying look, I have problems all over the  
2 place here. I can't commit to you now.

3 Q Okay.

4 A Which pretty much exists today.

5 Q That situation is ongoing?

6 A Ongoing.

7 Q Do you anticipate that Countrywide is going to have  
8 to take out any additional loans to meet its operational  
9 obligations?

10 A Well, let me put it this way. It always has to take  
11 out loans and that's what we do. As long as we're making  
12 loans, we have to borrow constantly to do that.

13 Q Let me -- you know that was a poorly worded  
14 question. I do understand the basic business model and I know  
15 you are taking loans in order to fund the loans that you're  
16 making. I suppose what I really meant to say was do you  
17 anticipate that you will have to take out any more  
18 extraordinary loans along the lines of the \$11.5 million  
19 dollar --

20 A That's an only one time deal. Only that once.  
21 You've got one shot at it. We'll get no back up. We don't  
22 have any commercial paper anymore so there's no back up  
23 lines. That's a one time deal. There's nothing  
24 extraordinary that will be done or that can be done.  
25 However, I think your question is appropriate because it's

43:1 anticipated that as the bank grows, our fundings will come  
2 from the bank deposits since our bank is now going to be the  
3 main source rather than us go out and borrow from banks who  
4 get their money from deposits. We're bringing in deposits  
5 today at the net rate of probably two and a half billion  
6 dollars a month.

7           So you can see over a period of a year we'll have  
8 \$25 billion dollars if this continues and it's a much more  
9 reliable source of funds for us. So our borrowings from the  
10 secondary market or from places where we traditionally did it  
11 will diminish over time and our bank will replace it.

12           Q     Okay.

13           A     Does that help you?

14           Q     It does. Are there any committees at Countrywide,  
15 any standing committees that you're a member of?

16           A     We don't use that term standing committee. I  
17 attend every major meeting with the exception of that risk  
18 meeting. So we don't use that word standing. I attend every  
19 strategic meeting. For example, in this crisis, I probably  
20 attended 60 or 70 meetings. I wasn't a standing member but  
21 I'm CEO. I have to do my best to stay apprised. When there  
22 are critical issues facing the company, I have to be at the  
23 center of that.

24           MR. PASTUSZENSKI: Are you talking about board  
25 level committees or?

44:1 MS. DEAN: No, it would sort of identify -- there's  
2 an operations group. There's a production side. I mean he's  
3 getting reports. I was just wondering if there were routine  
4 meetings or committees.

5 THE WITNESS: There are meetings and I will get the  
6 notice of meetings. I will decide what meeting that's topical  
7 for me to get involved with. I think this company may be  
8 different than my role as CEO. I mean I gave birth to this  
9 company. I've done everything. I was CFO. I've done  
10 everything. I pretty much know where I should be and where my  
11 people can handle it.

12 BY MS. DEAN:

13 Q How were those notices of meetings disseminated?

14 A E-mail.

15 Q Do you keep any sort of a calendar? Either a  
16 written calendar or a calendar in Outlook?

17 A I personally don't keep it but my secretary keeps a  
18 calendar.

19 Q What's your secretary's name?

20 A Kay Gerfen G-E-R-F-E-N.

21 Q It's Kay K-A-Y?

22 A Yes.

23 Q Do you have more than one assistant?

24 A In her absence, I have another assistant by the  
25 name of Claire Bunnell. However, she only fills in when Kay

45:1 is on vacation or sick.

2 Q So any appointment record or any record of any sort  
3 of meetings you attended, to the extent that they were kept,  
4 they'd be kept by Kay?

5 A That's correct.

6 Q Do you access your calendar? Is it a written  
7 calendar or is it electronic?

8 A It's written.

9 Q It's written.

10 A Well, it's both. I notice on her desk she has a  
11 written calendar. I have a calendar on Lotus notes. In  
12 there it's kept there and it's both current and it's -- I  
13 have a speech I have to in December and one I have to do in  
14 March. It's out there. To trick me, they put a year in  
15 advance.

16 Q Okay. I'll have the reporter mark this as Exhibit  
17 2. Counsel, I have sort of almost enough copies. Mr.  
18 Mozilo, I am now handing you what has been marked as Exhibit  
19 2. For the record, it is a multiple page document headed on  
20 the first page Countrywide Financial Corporation policy on  
21 trading and securities effective as of June 24, 2005. It's  
22 been Bates stamped CFC2007-00066 through 00071. Mr. Mozilo,  
23 have you ever seen this document before?

24 (SEC Exhibit 2 was marked for  
25 identification.)

46:1 A Yes.

2 Q Did you receive a copy of this document in your  
3 capacity as the CEO of Countrywide?

4 A Yes.

5 Q Did you have any role in the drafting of this  
6 document?

7 A No.

8 Q Were you required to sign any acknowledgment that  
9 you received this document?

10 A I don't recall. Is there a signature?

11 Q Not on this document but I was wondering whether  
12 there was a separate acknowledgment form.

13 A I don't recall if there was.

14 Q Did you read this policy when you received it?

15 A Yes.

16 Q Did you have any -- I know I asked you about  
17 preparing. Did you have any role in approving the document?

18 A No.

19 Q Do you know who did prepare it?

20 A It was prepared by our legal department and I  
21 assume it was a collaborative effort by Sandy Samuels who is  
22 our general counsel and Susan Bow who is very much involved.  
23 She handles all board issues and SEC issues. I think she  
24 probably played a major role in it. It might have been  
25 Michael Udovic who is also involved with Susan in these

47:1 matters.

2 Q Did you say -- I'm sorry I had a moment where I  
3 just did not hear you. Did you say Susan Bow is responsible  
4 for board issues and SEC?

5 A Yeah, she handles all the board meetings. She  
6 takes all the minutes. She's the secretary. She sets up the  
7 committee meetings. She disseminates a lot of issues such as  
8 these, making sure everybody is apprised as to what their  
9 responsibilities are.

10 Q Okay. You said it also could have been prepared or  
11 contributed to by Michael Udovic. Michael Udovic is also an  
12 attorney in the legal department?

13 A He is.

14 Q Does he have a specific function within the legal  
15 department?

16 A I couldn't tell you specifically what his job  
17 description is but he's a former SEC person. I'm sure that  
18 he's deeply involved in SEC issues. I couldn't lay out his  
19 job description. He's Susan Bow's assistant.

20 Q And you're assuming he might have had something to  
21 do with it?

22 A I'm assuming that.

23 Q Because it's SEC related?

24 A Yeah.

25 Q But you don't have any specific knowledge one way



48:1 or the other?

2 A No.

3 Q I'd just like to call your attention to a couple of  
4 provisions in the document. If you look at the first page  
5 under the heading one where it says background. I'll just  
6 read it for the record: "The U.S. Federal Securities Laws  
7 impose significant penalties for violations of insider  
8 trading laws. Generally, this means that directors,  
9 officers, and employees are prohibited in trading in the  
10 securities of Countrywide or in the securities in other  
11 companies while in possession of material non-public  
12 information." Do you see that?

13 A Yeah.

14 Q Were you familiar with that provision of the  
15 Countrywide Financial Corporation policy on trading and  
16 securities?

17 A Absolutely.

18 Q Let me just give you a time frame. Were you  
19 familiar with that provision in September and October of  
20 2006?

21 A Yes.

22 Q Okay. What did you understand that to mean?

23 A It meant that first of all we have an official  
24 black out period which we put on notice. Secondly, aside  
25 from the black out period I have specific knowledge from time

49:1 to time that nobody else might have. I have to make certain  
2 that I am never trading on knowledge that I have that is  
3 material and the public does not have.

4 Q Okay. Just to call your attention to one other  
5 section on the first page. Under number two, the heading is  
6 policy regarding material non-public information. It reads:  
7 "It is the policy of Countrywide that no covered person as  
8 defined below who is aware of material non-public information  
9 relating to Countrywide may buy or sell securities of  
10 Countrywide or engage in any other action to take advantage  
11 or pass on to others that information." Were you familiar  
12 with that provision?

13 A Yes, I was.

14 Q I think you just explained to us that you were  
15 familiar generally with the notion of material non-public  
16 information, correct?

17 A Correct.

18 Q If you look on the second page, Bates stamped  
19 ending in 67, there's a definition of covered persons under  
20 the number three. It's at the top of the second page.  
21 Covered persons is defined here as directors, officers,  
22 employees, contractors, representatives and similarly  
23 situated persons of Countrywide, its subsidiaries and  
24 affiliates. Do you see that?

25 A Yes.

50:1 Q Did you understand that you were a covered person  
2 under the terms of the Countrywide insider trading policy in  
3 September of 2006?

4 A Yes.

5 Q On that same page, there's a second 3.2 which is  
6 headed material information. There is a definition there  
7 that I won't read into the record just because it's long of  
8 what constitutes material information. Had you read this  
9 section of the trading policy prior to September 2006?

10 A I did.

11 Q Were you familiar generally with the definition of  
12 material information?

13 A Yes.

14 Q Did you understand that material information could  
15 include things like earnings information, any significant  
16 change in operation, any break down of assets or additions to  
17 reserves for bad debt or liquidity problems?

18 A Yes.

19 Q Let's see. On page three of this document, the  
20 ones that's been Bates stamped ending in 68, there's a  
21 section 4.1 relating to black out periods. You mentioned  
22 black out periods in an earlier answer. You were generally  
23 familiar with this section of the Countrywide insider trading  
24 policy in September 2006?

25 A Yes.

51:1 Q You knew that there were periods of time  
2 surrounding earnings releases in which it was not permissible  
3 for you to trade in Countrywide securities, correct?

4 A That's correct.

5 Q Finally, on page that is Bates stamped 70, there's  
6 a section 4.3 that refers to 10(b)(5)(1) trading  
7 arrangements. Were you familiar with the concept of a  
8 10(b)(5)(1) trading arrangement in or around September 2006?

9 A Yes.

10 Q Had you in fact had 10(b)(5)(1) trading  
11 arrangements at Countrywide prior to September 2006?

12 A Started in March of 2002.

13 Q Did you understand that it was not permissible to  
14 enter into a 10(b)(5)(1) trading plan when you were in  
15 possession of material non-public information?

16 A Yes, I did.

17 Q Did you also understand that it was not permissible  
18 to enter into a trading plan when a black out period was in  
19 effect?

20 A Correct.

21 Q Do you need a break?

22 A No, I'm fine.

23 Q Let me know . It's not meant to be torture.

24 A Do you have another definition for this?

25 Q Will you mark this as Exhibit 3 please? Mr.

52:1 Mozilo, I am now handing you what has been marked as Exhibit  
2 3 which is a document entitled Countrywide's code of business  
3 ethics. It's been Bates stamped CFC2007-00072 through 00079.  
4 Take as much time as you like but my first question to you is  
5 going to be do you recognize this document?

6 (SEC Exhibit 3 was marked for  
7 identification.)

8 A I do.

9 Q What do you recognize it to be?

10 A It's a message relative to corporate ethics.

11 Q Did you have any role in preparing this document?

12 A No, other than just reviewing it to make sure it  
13 reflected what I believe to be the culture of Countrywide I  
14 didn't. I didn't formulate it.

15 Q So it was generated by someone in the legal  
16 department and you had the opportunity to review it before it  
17 was finalized, correct?

18 A Uh-huh.

19 Q I just have one question about this. On page 74,  
20 there's a section headed insider trading. I just wanted to  
21 know whether you were familiar generally with that section of  
22 the document?

23 A Yeah, I think it ties into the other memo that we  
24 saw in terms of insider trading. I'm familiar with the  
25 concept. I don't know when I reviewed this. When was this

53:1 issued?

2 Q I don't know. That's a good question.

3 A Okay. What's a good answer?

4 Q I --

5 A There's no date on it. Obviously I did review it  
6 and I felt comfortable with the message going out to the  
7 employees. When the company was growing so rapidly, a lot of  
8 new people coming in not familiar with working with public  
9 companies. I just felt it was important that we have strong  
10 ethical standards in Countrywide. The problem with growing so  
11 rapidly is there's -- you have preclusion of the culture and  
12 that's always been a concern of mine. Make sure your culture  
13 is where we are today and just want to make sure they  
14 understood where we were coming from.

15 Q You said you remember reviewing this, although  
16 neither of us really knows when it was generated. Do you  
17 have any idea was it within the last five years? Was it  
18 within the last three years?

19 A This is strictly a guess on my part. Certainly  
20 within the last five years.

21 Q Okay. Let's mark that as Exhibit 4. Mr. Mozilo, I  
22 am now handing you what has been marked as Exhibit 4 which  
23 for the record is an excerpt from the Countrywide employee  
24 handbook. It's section F on insider trading. It's been Bates  
25 stamped CFC2007-00080 through 00081. Do you recognize this

54:1 document?

2 (SEC Exhibit 4 was marked for  
3 identification.)

4 A This specific document, no but I see it comes from  
5 the employee handbook. I don't recognize the document but it  
6 reflects what my beliefs are.

7 Q Okay. Did you have any role in preparing it?

8 A No.

9 Q Would you have had any role in reviewing it before  
10 it was disseminated to employees?

11 A No, it was just a reflection of what you saw  
12 preceding. We understood what our culture was. For me to  
13 keep on reading over and over what it is, no. I did not see  
14 this.

15 Q Okay. So somebody presumably in the legal  
16 department.

17 A Probably HR and legal combined.

18 Q And you wouldn't have felt any need to review it  
19 simply because you were already familiar generally with the  
20 insider trading policy?

21 A Yes, that's right. I was and that my concern was  
22 that everybody else be familiar with it. I have asked that  
23 these things be included, as well as other aspects of the  
24 handbook, does have issues that I thought were important for  
25 employees to understand.

55:1           For example, one of the key elements of the  
2   handbook, or at least has been, but that any employee that  
3   comes to work for Countrywide understands they could be let  
4   go tomorrow because of the volatility of our business, and  
5   this is not an expectation you come in here and you're here  
6   for life. It was a major problem with Countrywide as we went  
7   through these termination periods, constantly hiring and  
8   terminating.

9           People made claims saying I was here for life. I  
10  built my whole family life on this and this sort of thing. So  
11  we had a big focus on that. The handbook has -- it's a 40  
12  year old company over the years. Things that we run into  
13  okay let's put this in the handbook and that in the handbook.  
14  In terms of formulating the language, I had nothing to do  
15  with it.

16         Q    Okay. Let's mark this as Exhibit 5. Mr. Mozilo,  
17  I'm now handing you what has been marked as Exhibit 5. For  
18  the record, it's an April 24, 2006 memorandum from the  
19  Countrywide benefits department. It's been Bates stamped  
20  CFC2007-00112 through 00113. My first question to you is do  
21  you recognize this document?

22    (SEC Exhibit 5 was marked for  
23    identification.)

24         A    no.

25         Q    If you look on the second page -- actually, if you



56:1 look on the first page, the two line there says it's to a  
2 distribution list. Do you see that?

3 A Uh-huh.

4 Q If you turn to the second page there is actually a  
5 distribution list typed out. About six from the bottom of  
6 that distribution list is the name Angelo Mozilo. Do you  
7 recall receiving a copy of this document at any time?

8 A I don't recall receiving it but I'm sure I did.

9 Q Are you familiar generally with the mandatory pre-  
10 clearance and reporting procedures for Section 16 officers at  
11 Countrywide?

12 A Absolutely.

13 Q Can you tell me what that policy is?

14 A One is you don't need material information, that  
15 you're not within a black out period, that you don't have  
16 material information and you have to check through the legal  
17 department to make sure that any trade is approved by them,  
18 that they don't have any knowledge -- in fact my question to  
19 them always do you know something that I don't know because  
20 it could be some legal issue pending that I don't know about.  
21 If there is none and I met all these other requirements, am I  
22 clear to trade? Not trade. I don't trade.

23 Setting up the 10(b)(5)(1), that one day am I clear  
24 to do it. Going through all these check points they then  
25 inform -- in this case Bear Stearns currently that

57:1 10(b)(5)(1) is going to be put into effect. Bear Stearns  
2 then contacts counsel. Has everything been cleared? Are we  
3 through a black out period? Once that is cleared, then they  
4 put it into effect. That's my understanding of it.

5 Q I just want to call your attention to one section  
6 of this document. On the first page the third full paragraph  
7 which is underneath the list of names and phone numbers, it  
8 reads for the record: "Under our policy, you are also  
9 subject to a black out period within which trading in  
10 Countrywide securities, including trading on a limit order  
11 that was established prior to the start of a black out  
12 period, is prohibited. You are permitted, however, to enter  
13 into a 19(b)(5)(1) plan which is a formal written plan with  
14 your broker that has been acknowledged by Countrywide and  
15 pre-cleared by the EVP-HR benefits." Do you see that  
16 language?

17 A I do.

18 Q I think you just mentioned that you were aware that  
19 there had to be some pre-clearance through I thought you said  
20 legal.

21 A That's correct.

22 Q Was there also a need to pre-clear through the  
23 human resources department?

24 A I don't ever recall going through the benefits  
25 department because I assumed the legal department did that,

58:1 that they cleared it and I didn't go to a -- I don't even  
2 know half these people in here. I just know Chuck Kwan and  
3 Becky Bailey. I would only assume that they did that.

4 Q So you dealt with the legal department and you, in  
5 turn, assumed that they dealt with HR?

6 A Right because HR was not -- could not give me a  
7 legal opinion. I didn't perceive them to be the authority on  
8 whether or not I could rely upon to do a transaction. If I  
9 relied on the HR department, Becky Bailey.

10 Q Have you ever made any trades in any Countrywide  
11 securities that were not made pursuant to a rule 10(b)(5)(1)  
12 plan?

13 A Back in '91, '92 was that one trade. Just to give  
14 you a little background, I never paid much attention to the  
15 stock. This is how this whole thing came about. Some time  
16 the beginning of 2002, AYCO which is now owned by Goldman  
17 Sacks was our financial advisor. The company had hired them  
18 to advise their executives. They came to me and said you  
19 have a substantial amount of options that are expiring. 10  
20 years I did nothing and I didn't know they were expiring.  
21 They said your choice is to sell them all at once which is an  
22 extraordinary amount of shares.

23 By the way, the stock had gone up by that time  
24 about 20,000 percent. It never traded above eight times  
25 multiple. The company was a tremendously performing company.

59:1 They say you can sell it all at once and because there's no  
2 need for me to -- all my net worth was in Countrywide except  
3 for a \$40,000 house I lived in. They said my advice to you  
4 is you have a big family and start disbursing your assets  
5 around.

6 They said how do you want to do it? Do you want to  
7 sell it all at once? We have this plan called 10(b)(5)(1). I  
8 said I don't want to sell it all at once because that leaves  
9 a very bad message for the CEO to be selling this stock all  
10 at once, hundreds of thousands of shares in one day and I  
11 don't want to be stuck where I have to think every day I'm  
12 going to sell it. The 10(b)(5)(1) is the answer to that.  
13 Whatever happens you have no control over it and it sells no  
14 matter what's happening and I said that's the way I want to  
15 go. I became familiar with the 10(b)(5)(1).

16 To my knowledge is the only way I've sold shares is  
17 through 10(b)(5)(1) with the exception of another trade in  
18 July of this year. Around July 12th of this year, I  
19 exercised and held 18,100 shares of Countrywide. It was  
20 restricted stock. Once it vests you have to do it. I paid  
21 \$315,000 in tax, exercised and held at \$36.00 a share on July  
22 12, 2007. So clearly my view of it there was nothing but a  
23 great future for Countrywide until two weeks later when the  
24 world came apart. Those are the only two that I can remember  
25 outside of a 10(b)(5)(1) buy or sell.

60:1 Q You said that you were contacted by AYCO. Was  
2 there an individual at AYCO?

3 A I was trying to remember this. The first contact I  
4 had was Paul O'Neil who I found out later was the son of Paul  
5 O'Neil, the treasury secretary. He was a representative that  
6 was assigned to me. I don't believe that he was the one that  
7 entered into the 10(b)(5)(1). I don't believe he was the one.  
8 I believe that when his dad retired from the government, he  
9 went to work for his dad in Pittsburgh and was assigned to a  
10 gentleman by the name of John Connors. John Connors has been  
11 the one individual who has sort of guided me through all my  
12 financial planning ever since.

13 Q Did you say when you were assigned to John Connor?

14 A I think it had to be this first 10(b)(5)(1) I  
15 believe because I don't remember Paul talking to me about  
16 that. I think Paul was more involved with my taxes and that  
17 sort of thing. I think it was John Connors.

18 Q So your recollection of that would be it was in or  
19 around 2002?

20 A Yeah.

21 Q Okay.

22 A Six years ago.

23 Q So you think the person who contacted you to advise  
24 you that your options were expiring was John Connors?

25 A Yeah, I think so.

61:1 Q And you had a conversation with John Connors. Was  
2 that by phone or e-mail?

3 A My recollection is he came to the office with this  
4 sheet of paper because I said I never paid attention to that  
5 aspect of it because I was focusing on making sure the  
6 company was okay. He came to me with a sheet of paper giving  
7 me all of these options I had over the years. This is 10  
8 years later so I had not thought about it.

9 He said these are expiring now. These are expiring  
10 then and you have to do something. He came with a report  
11 that listed out all my grants, the amount of those grants,  
12 the strike price of those grants and the expiration date,  
13 when they became vested and the expiration date of the  
14 option.

15 Q So you met with him face to face and he showed you  
16 that report. This would have been some time in 2002, right?

17 A I believe so.

18 Q Okay. At that time did you have a discussion with  
19 Mr. Connors about instituting a single 10(b)(5)(1) plan that  
20 was just intended to take care of the options that were about  
21 to expire?

22 A That's correct.

23 Q So you didn't have a more global --

24 A No.

25 Q Discussion about it regarding future --

62:1           A     No, I was always sensitive to CEO selling shares.  
2     Also since I gave birth to the company and felt that the  
3     future was so great I wanted to hold onto these shares as  
4     long as possible. The only other guiding factor here is I'm  
5     going to be 70 years old and I've got a short time on this  
6     planet. I've got five children. I've got nine grandchildren.  
7     That was another aspect to it because I came to the  
8     realization that I'm not going to be around that long. Plus  
9     you have to remember the contract had me retiring in 2006.  
10    So everything was geared toward that retirement. How many  
11    shares did I want left over? What was my interest in the  
12    company at that time. So we sort of set up a bogey about  
13    7,000,000 shares that would be left over. He said are you  
14    comfortable with that? I said I'm comfortable with that. As  
15    time went on, that became our monitor, just get to that  
16    7,000,000 shares left over after I'm out.

17           Q     Let me just make sure I understood all of that.  
18    You had a discussion with him about these expiring options  
19    and you also at the time were intending -- you thought you  
20    were going to be retiring in 2006?

21           A     It was in my contract. I knew I was retiring in  
22    2006.

23           Q     So the idea was to set up a 10(b)(5)(1) that would  
24    liquidate all of your options except for 7,000,000 shares?

25           A     No, I apologize for that. To answer your question,

63:1 at the time we did that my only focus was on the expiring  
2 options. It wasn't until subsequent meetings that this began  
3 to evolve into a much more global planning process.

4 Q Do you recall when you arrived at the decision that  
5 what you wanted to do was get to that 7,000,000 shares left  
6 over?

7 A It was in February of '07.

8 Q Okay. Let me just back up just a second. How do  
9 you principally communicate with John Connors? Face to face?  
10 By phone? By e-mail?

11 A Primarily there has been some e-mail and some  
12 telephonic but principally he sets up several meetings a year  
13 with myself and then myself and my wife. It's face to face  
14 primarily.

15 Q I think you said originally that AYCO had actually  
16 been retained by Countrywide to --

17 A That's correct. They were trying to retain  
18 employees and they got all kinds of benefits but that was  
19 that era for looking for ways to retain -- not only retain  
20 but make sure that the employees were not only getting  
21 benefit from financial planning but that they didn't get  
22 themselves in trouble.

23 Q Did you have any role in selecting AYCO?

24 A No.

25 Q Who made that decision?



64:1           A     I believe it was HR.

2           Q     Do you know who the person in HR would be who would  
3 have been responsible for conducting the search and retaining  
4 AYCO?

5           A     This would be strictly a guess.  The person that's  
6 been there for some time is Leora Goren.

7           Q     L-E-O-R-A.  And then Goren.

8           A     G-O-R-E-N.

9           Q     Do you know when AYCO was retained?

10          A     This would be a guess but around 2000.

11          Q     Do you know when they were -- do we need to stop?

12                MS. DEAN:  Let's go off the record.

13                (Whereupon, a brief recess was taken.)

14                BY MS. DEAN:

15          Q     Mr. Mozilo, before we broke we were talking about  
16 John Connors and AYCO and I was about to ask you if you know  
17 when AYCO was acquired by Goldman Sacks?

18          A     I don't remember.  I would guess it was after our  
19 involvement because Hank Paulson had come to an event and he  
20 asked me about AYCO and asked me what I thought of them.  I  
21 said I thought they were terrific because they weren't trying  
22 to sell you -- the only financial advisory firm that wasn't  
23 trying to sell you anything because they had no sales arm.  
24 Just pure advice.

25                If you purchased them Hank and were using them to

65:1 sell Goldman product, then we're gone or I'm gone because I  
2 don't think you can play both sides of that, giving advice  
3 and selling something at the same time. I think that makes  
4 you exclusive. He said I understand that. That had to be  
5 four years ago, three or four years ago something like that.

6 Q Okay. So they did ultimately end up acquiring them  
7 but are they actually now on the selling side?

8 A No, they stuck to their word.

9 Q I think right before we broke too you were telling  
10 me that you exercised some options on July 12th of this year?

11 A Some time in July. The 12th sits in my head but  
12 I'm not sure that's the date.

13 Q That was 18,100 shares that you held, correct?

14 A Yes, I still hold them.

15 Q So you still have those shares. That sale you  
16 identified as -- strike that. That transaction which was the  
17 options exercise was one that you identified as being outside  
18 a 10(b)(5)(1) plan.

19 A Correct.

20 Q Was there any other transactions?

21 A Not to my recollection.

22 Q Okay. To your knowledge the July 2007 is the only  
23 one that was outside the 10(b)(5)(1) plan?

24 A And the one in 1991.

25 Q The one that we talked about before that got you

66:1 called into D.C. Did you obtain pre-clearances from  
2 Countrywide legal before entering into or modifying your  
3 October 27, 2006 10(b)(5)(1) plan?

4 A Yes.

5 Q Please let me finish.

6 A I'm sorry.

7 Q Did you obtain pre-clearances from legal before  
8 entering into your December 12, 2006 10(b)(5)(1) plan?

9 A Yes.

10 Q Did you obtain a pre-clearance from Countrywide  
11 legal before modifying your December 12, 2006 on February 2,  
12 2007?

13 A The amendment, yes.

14 Q We were talking about John Connor. I just wanted to  
15 close that out. You said that you meet with him several  
16 times a year. Is that right?

17 A Correct.

18 Q Are those meetings on any sort of regular basis?

19 A The only meeting that is on a regular basis is the  
20 meeting around November for tax purposes. That is every year.  
21 Other than that, it is based on when he believes we should  
22 get together.

23 Q So you don't initiate the meetings, he does?

24 A He initiates it.

25 Q Did you speak to Mr. Connor -- strike that. Let's

67:1 mark as Exhibit 6 a copy of your December 29, 2004  
2 10(b)(5)(1) sales plan. Mr. Mozilo, I've now handed you what  
3 has been marked as Exhibit 6. The Bates numbers on this  
4 document are CFC2007-00001 through 00015. Mr. Mozilo, are  
5 you familiar with this document?  
6 (SEC Exhibit 6 was marked for  
7 identification.)

8 A I am.

9 Q Is this, in fact, your December 29, 2004  
10 10(b)(5)(1) sales plan?

11 A I believe it is. It looks like it.

12 Q Now this is a plan that was set up for you in your  
13 capacity as an individual, correct?

14 A Correct.

15 Q You do have some other sales plans that are  
16 actually in the names of a trust or foundation, correct?

17 A What's this in the name of?

18 Q If you look at the top --

19 A Yeah, because the -- it's based on the account. I  
20 have a Mozilo family trust is where all the assets are now in  
21 Countrywide. I believe that trust was in effect since 1988.  
22 So I think what happened is when I opened the account at Bear  
23 Stearns, I opened it up in my name. That's probably what it  
24 was. Then we put everything into the Mozilo family trust  
25 account. Let me give you some background here.

68:1 Q Sure

2 A My account was at JP Morgan Chase. That's where I  
3 did the first 10(b)(5)(1). The individual who was handling  
4 my account moved over to Bear Stearns and asked if he could  
5 continue with this plan. So we ultimately got everybody to  
6 agree to move it over to Bear Stearns. I think when they  
7 opened the account they just did it in a simple way and put  
8 Angelo Mozilo. It had no legal meaning or anything else.  
9 Eventually, everything -- this account was then merged into a  
10 new account called Mozilo family trust May 12, 1988.

11 Q Do you know when that happened, when the accounts  
12 were merged?

13 A I don't know.

14 Q Would it have been some time after 2004?

15 A Some time after December 2004.

16 Q Okay. Now this plan calls for selling a total of  
17 5,428,964 shares of Countrywide stock, correct?

18 A Of exercising, right, those options at that  
19 exercised price and selling the shares.

20 Q Did you have any role in drafting this plan?

21 A No.

22 Q Can you tell me why you entered into this  
23 particular sales plan?

24 A I think the document itself is explanatory. If you  
25 look at the expiration date of these options, they had to be

69:1 sold before June 30, 2006 and 7/11/06 they expired and that  
2 was the end of it. Again, to try to create a sales plan  
3 where a lot of stock is being dumped on the market at one  
4 time that could create perceptions just weren't true, that it  
5 was best that they do it over a period of time. That's why it  
6 was done this way.

7 Q Okay. So the purpose of this plan was just to sell  
8 options that would have otherwise expired if they weren't  
9 sold by July 11th?

10 A Yeah, it would have expired and I would have been  
11 forced to exercise and hold, pay the tax and hold. Because  
12 so many of my assets, the vast majority of my assets were in  
13 Countrywide -- this was part of the planning process to  
14 diversify into other assets. The diversification was into  
15 bonds. I bought Federal Home Loan Bank and Federal Fund  
16 Credit bonds.

17 Q With the proceeds from the sales plan?

18 A Correct.

19 Q Did you have any role in drafting any part of this  
20 document?

21 A No.

22 Q Do you know who did?

23 A My recollection is this was a collaborative effort  
24 between our legal department, John Connors and in this case  
25 Bear Stearns. This is a Bear Stearns contract. It's not a

70:1 Countrywide contract or my contract. This is a contract that  
2 is -- my understanding is created by a brokerage firm because  
3 they're the ones that have to execute under the contract and  
4 the contract has to be -- so it is their contract.

5 Q So it's your understanding the terms of it, to the  
6 extent they were -- let me back up and say do you know if any  
7 of the terms of this were negotiated?

8 A Of this contract I believe so because my  
9 recollection was I was being told that there was a difference  
10 in contract between what JP Morgan Chase had. We used that  
11 as the initial contracts. We had no knowledge at that time  
12 that Bear Stearns -- that elements of that JP Morgan contract  
13 that were not acceptable to Bear Stearns, and that had to be  
14 vetted out. I had nothing to do with it. They told me we  
15 got it resolved and sign it.

16 Q And that would have been resolved between the  
17 representative from Bear Stearns, someone in the Countrywide  
18 legal department and John Connor?

19 A Correct.

20 Q Do you know who in the Countrywide legal department  
21 was negotiating on your behalf?

22 A It would be Susan Bow and possibly Michael Udovic  
23 possibly.

24 Q As far back as 2004?

25 A Do I think he was still here? Maybe he wasn't.

71:1 Q He may have actually been at the LA Times in 2004.  
2 A The LA Times?  
3 Q A long time ago.  
4 A He's a good guy.  
5 Q Let me just ask you a couple questions about the  
6 document. If you turn to the last three pages there are some  
7 signatures, the page that has been Bates stamped ending in  
8 13.  
9 A Yes, signature page.  
10 Q Is that your signature?  
11 A Yes, it is.  
12 Q Then if you turn to the very last page, the one  
13 that's been Bates stamped ending in 15. There's a signature  
14 at the top of the page, employee signature. Is that also  
15 your signature?  
16 A That is my signature.  
17 Q Then there's an approval below that on behalf of  
18 the company and I was wondering if you knew whose signature  
19 that was?  
20 A No.  
21 Q It's not familiar to you as you sit here today?  
22 A No, I was going to say Sandy but it didn't look  
23 like that. I don't know.  
24 Q When did you decide to enter into the December 29,  
25 2004 10(b)(5)(1) plan?



72:1           A     I don't know exactly.  It was a process between  
2     John Connor and myself identifying which issues that I had to  
3     address.  My guess is that process takes about 60 days from  
4     the time discussing it to its produced.  30 to 60 days I  
5     guess.

6           Q     Can you tell me in general how those discussions  
7     go?  Does Mr. Connor just suggest to you some options that  
8     are expiring and you give the go ahead to sell them or is it  
9     more substantive than that?

10          A     Relative to this it's easy.  We have to do it.  
11     Let's figure out how we want to spread it out so there's no  
12     shocks to the market.  We have to file form fours.  Everybody  
13     in the world knew this was under a plan because you have to  
14     file that.  We're dealing with expiring options.  Then the  
15     conversation went more along the lines of financial planning  
16     as to when I was retiring and what was our objectives when I  
17     did retire and what cash flows would I need because my  
18     compensation would change dramatically and what would my  
19     savings throw off versus my SERP.  I have a SERP plan.  So it  
20     was more of that.  All financial planning discussions.

21          Q     You said you had a SERP plan?

22          A     SERP.

23          Q     Can you spell that?

24          A     S-E-R-P.

25          Q     What does that stand for?

73:1           A     It's a supplemental employee retirement plan that  
2     came about as a result of the change in the tax law several  
3     years ago where the retirement plans that companies had were  
4     materially impacted by that tax law. In order to bring  
5     parity back to it, they created -- they call these  
6     supplemental retirement plans which supplemented the initial  
7     plan that got it back to where it's expected to perform under  
8     the previous tax law. That's my recollection. I'm not an  
9     expert in it. Basically for anybody's purposes of retirement  
10    it's a pension plan.

11           Q     Let me just ask you a couple more questions about  
12    the document specifically. If you look at the first page of  
13    Exhibit 6 there's a section VI which reads for the record:  
14    "As of the date on which seller executed this sales plan,  
15    seller was not aware of any material non-public information  
16    concerning the issuer or its securities. Seller entered into  
17    this sales plan in good faith and not as part of a plan or  
18    scheme to evade compliance with the federal securities laws."  
19    Do you see that?

20           A     I do.

21           Q     Did you read that when you entered into this plan?

22           A     I'd have to read it to know it.

23           Q     Was it in fact true that on December 29, 2004 you  
24    were not in possession of any material non-public information  
25    concerning Countrywide?

74:1           A     No, I think as we go through this process, Lynn,  
2     you'll find at all times I made sure that I knew of nothing  
3     that was material the public didn't know and I followed the  
4     procedure to the best of my knowledge, the black out periods  
5     and all the required steps because the money was not  
6     important to me. My reputation is.

7                I started this company and my reputation was  
8     paramount. I didn't have to read this to know what my --  
9     because all the preceding stuff, the black out periods you  
10    had me go through. This was just a repeat of that. There's no  
11    difference to me in establishing this plan, the rules I had  
12    to comply with as if I was going to sell stock on that day.  
13    I have the same rules apply.

14           Q     So in other words this language was true as of  
15    December 29, 2004?

16           A     Correct.

17           Q     Okay. There's another provision I just wanted --  
18    there's actually two. If you look at the bottom of the page  
19    that's been marked 03 and the top of the page ending in 04,  
20    there are some groups of shares identified there with a  
21    strike price. It looks like on the page starting on 04 it  
22    starts at group number two. If you look at the page that's  
23    identified at 02 there is no group number one. I just was  
24    wondering if you knew were aware of whether there was in fact  
25    a group number one or whether this is just a typographical

75:1 error?

2 A Maybe there's a logic here that was put in here  
3 that we don't understand. If you had -- they say group two is  
4 a million shares. Group three was a million. There's  
5 4,248,964, right? This is 4,000,000?

6 Q You're missing a million shares.

7 A I think it's either a typo or just an assumption.

8 Q It's fine. You just don't have an explanation for  
9 it as you sit here today. To your knowledge, this is the  
10 actual plan that you entered into?

11 A Yeah, it is.

12 Q Okay. Then one other thing on that page that ends  
13 in 04, in the first full paragraph after the bullet points  
14 there are some instructions with respect to how many shares  
15 can be sold --

16 A I just want to see because this kind of stuff  
17 bothers me. Let me see a second here. Okay. These are just  
18 dates. I was just trying to see if something -- if there was  
19 an assumption that one million was going to be exercised -- I  
20 don't know.

21 MR. GREEN: Lynn, I think it's a typo because we've  
22 seen other copies that have group one.

23 THE WITNESS: Other copies of the same.

24 MS. DEAN: Let's go off the record for a second.

25 (Whereupon, a brief recess was taken.)

76:1 MS. DEAN: While we were off the record we had a  
2 discussion about the document that was marked Exhibit 6 and  
3 counsel represented that he may have seen other versions of  
4 this, possibly unexecuted versions that did contain a group  
5 one. What I'd like to do is just ask counsel to take a look  
6 at the files and just make sure that the version we have that  
7 we think is the final executed version is in fact the final  
8 executed version. If we could just put in a request and  
9 double check and make sure that this really is the final  
10 version I'd appreciate it.

11 BY MS. DEAN:

12 Q On the page that ends in 04, the first paragraph  
13 after the bullet points there are some instructions with  
14 respect to how many shares of stock that can be sold in a  
15 particular day and how many can be sold in a particular  
16 month. Do you see that?

17 A Yes.

18 Q There's a limitation of 315,000 shares in any  
19 particular calendar month. Do you see that?

20 A I do.

21 Q What was the purpose of those limitations?

22 A Again, my concern about spreading it out that I  
23 didn't want anybody -- one of them was I didn't want to move  
24 markets. So it was related to the amount of shares, overall  
25 shares of Countrywide traded on a given day, you know, I

77:1 didn't have a particular bench mark of like five percent or  
2 six percent, but I wanted to make sure it was not something  
3 that would move a market and cause pain to some share  
4 holders.

5           It was sort of trying to get those numbers and work  
6 them out. They'd suggest those guidelines in terms of we  
7 don't think these would move markets. They're within the  
8 frame work of what could be sold in a given day based upon  
9 the millions of shares that are traded. I think that was  
10 the -- I know that was the guiding light throughout all the  
11 10(b)(5)(1)'s. That was my reason for not selling it all at  
12 once.

13           I could have sold it all at once. I knew I was  
14 going to be gone in 2006, or at least I thought I was, and so  
15 I could have just go ahead and sold everything. I just didn't  
16 think it was a prudent thing for a CEO to do. In my own  
17 personal opinion for what it's worth, I don't think a CEO  
18 should sell them any other way but under a 10(b)(5)(1).

19           Q     Before you entered into this particular plan, I  
20 know you talked about it with John Connors. Did you talk to  
21 anyone else about your decision to sell these shares?

22           A     No, I mean honestly I had conversations with legal  
23 about the agreement and timing and that sort of thing but no,  
24 in terms of this concept was fully developed by John. He's  
25 really the font of all this information. Again, I run

78:1 Countrywide. His responsibility is to make sure I'm okay.  
2 Because of the comfort I had, I didn't pay any attention to  
3 it. He presented these things, sounded reasonable to me and  
4 I did it.

5 Q So in terms of process once you met with John and  
6 decided you were going to exercise the options and sell,  
7 would you then just instruct Susan Bow to undertake whatever  
8 steps were necessary to get the plan put in order?

9 A John and Susan together. John was the one in  
10 contact with Bear Stearns and JP Morgan. He just wanted to  
11 make sure everything went okay. I never had a conversation  
12 with the brokerage house about it.

13 Q Then one last question on this one. Did you get  
14 pre-clearance through Countrywide legal with respect to your  
15 decision to enter into this plan?

16 A Get their approval?

17 Q Well, we talked earlier about the fact that there  
18 was a pre-clearance policy that required you to vet your  
19 decision through HR and you said you use to talk to legal  
20 about it.

21 A Yes, absolutely.

22 Q So you did follow that process?

23 A In every single case I talked to Susan primarily.  
24 Maybe in the early days it was Sandy. I don't remember but  
25 always with legal saying this is the plan. Is there any

79:1 reason why I cannot execute the plan. I know what I know but  
2 I have to know what you know and I would get clearance with  
3 them. I'd say okay you have to clear that with John Connors  
4 and make sure he understands it. You'll get a call from the  
5 brokerage firm who will ask you the same questions. That's  
6 the way it was done. I might have or might not have got a  
7 call from John Connors later on and say we're in motion. I  
8 may have got a call. I'm not sure.

9 Q Okay thank you. Let's mark this one as Exhibit 7.  
10 Mr. Mozilo, I am now handing you what has been marked as  
11 Exhibit 7. It's a copy of a sales plan dated October 27,  
12 2006 between Angelo Mozilo and Bear Stearns. It's been Bates  
13 stamped CFC2007-00016 through 00030. My first question is do  
14 you recognize this document?

15 (SEC Exhibit 7 was marked for  
16 identification.)

17 A I do.

18 Q What do you recognize it to be?

19 A My 10(b)(5)(1) dated October 27, 2006 sales plan.

20 Q Was this plan prepared for you in your capacity as  
21 an individual?

22 A Yes.

23 Q Now this plan calls for a sale of a total 3,989,588  
24 shares as identified on the first page. Do you see that?

25 A I do.



80:1 Q Why were you intending to exercise and sell these  
2 particular shares in October 27, 2006?

3 A Because I have a right to do that. They're my  
4 shares.

5 Q Okay but was there some reason that you --

6 A Yes, we began looking at -- I think at this time --  
7 I had some inkling that I may be going beyond -- the contract  
8 said I'd stay on as CEO to 2006 and as chairman 2009. So in  
9 trying to look at this thing and said okay how many options  
10 do I have? How many additional options are going to be  
11 vesting? Since my life is definitely over in 2009, what do I  
12 want left over? This is when I got into the \$6,000,000,  
13 \$7,000,000 option stock. That's when we began talking about  
14 this. Let's back up and say what would be reasonable now to  
15 sell and he'd have this list. He had these grants in 2001.  
16 They're expiring. 10 year options.

17 Let's begin including those in there even though  
18 they're not expiring because of this plan that we have  
19 financial plan and diversify your assets. I said great. It  
20 was okay how many shares. There was nothing scientific about  
21 this except try to do it in a manner which was not going to  
22 disturb the markets. I could have sold everything.  
23 Everything was vested. I could have sold it that day. The  
24 day I filed this I could have sold 20,000,000 shares and  
25 chose not to. One, I believe I had a responsibility to my

81:1 share holders and secondly, I believe the future of the  
2 company was fantastic. I had to think about my family and  
3 that was it. There was nothing scientific about this.

4 Q Okay. So at some point prior to entering into this  
5 particular savings -- sorry this particular sales plan, you  
6 had a conversation with John Connor in which you made the  
7 strategic decision that you wanted to divest yourself of any  
8 shares in excess of 7,000,000 in Countrywide, correct?

9 A Yeah, around six or seven million.

10 Q The point of that is you were getting close to  
11 retirement and you were just essentially trying to diversify,  
12 correct?

13 A I was going to die. The preference is you never  
14 exercise an option by the share holders and you die. That's  
15 the preference. Any time you do this, you know, the point  
16 being look -- as I explained to counsel this morning and they  
17 didn't like the story. The fact is if the company had not  
18 performed, if I had not made any money, I would not be  
19 sitting here. That's about how much money the company made,  
20 how much money I made. That's what this is about.

21 So the company had done extremely well. I think  
22 it's important that you understand this is Fortune did an  
23 article Countrywide stock went up 25,000 percent in the first  
24 25 years. Just this year USA Today rated Countrywide the  
25 11th best stock in the 25 years that USA has been in

82:1 existence. Better than Microsoft. Better than Warren  
2 Buffett. Better than all these companies and eight times  
3 earnings. 92 percent of my compensation all of this time was  
4 based on performance.

5 I wasn't given anything. It was based on stock  
6 options that had given me the strike price at the time,  
7 whatever the value was at the time, and bonuses if I hit  
8 certain thresholds. I happen to be fortunate to come where I  
9 came from, to have a company that did so well, to surround  
10 myself with some great young people and in a business that  
11 did very well for a long period of time. So that's the whole  
12 framework here.

13 Against that back drop they're saying this is what  
14 we believe. Now, of course, this has changed because the  
15 stock went from 46 to 12, right. So this all has to be  
16 looked at again. These options are under water now today. I  
17 could have sold them at \$45.00 a share. I didn't because I  
18 really believe in the company as I still do. I still believe  
19 in the company and I think the company's fortunes will return  
20 one day. That was my motivation of doing it. I tried to do it  
21 in an orderly responsible way. That's what drove all it.

22 By the way, I want to correct something. Do you see  
23 this Angelo Mozilo, what this was was this, that what Bear  
24 Stearns decided to do was to simplify the process. This was  
25 them, not me, to open accounts simply in the name of Angelo

83:1 Mozilo. Immediately funds went into the account and they  
2 swept it out into the Mozilo family trust account. So I think  
3 it's too even today.

4 Q So to the extent that you -- in terms of the  
5 general operation of these plans, you would have to deposit  
6 the shares from the trust account into an account for the  
7 purposes of --

8 A No, I think the way it worked was that the company  
9 would take the options and -- the funds -- the company  
10 would -- the sales would take place. The company would  
11 immediately extract. The company extracted taxes, state and  
12 federal taxes and the strike price, the \$9.00 a share. The  
13 net of that was transferred into the Angelo Mozilo account.  
14 Then those funds were swept into the Mozilo family trust  
15 account. I think that's how it worked.

16 Q Okay. When did you -- prior to entering into this  
17 October plan -- I'm sorry. At some time between the sales  
18 plan that was dated December 29, 2004 and this October 27,  
19 2006 plan, you had the conversation that you discussed with  
20 Mr. Connor where you talked about wanting to liquidate some  
21 of your shares and get down to this \$7,000,000 figure. Do  
22 you know when that conversation took place?

23 A It was over a long period of time. It was a  
24 constant conversation. I kept on questioning in terms of  
25 where am I going to be financially. You've got to remember

84:1 initially I was gone by 2006 and now I was at the point where  
2 maybe I wasn't going to be gone by 2006. So the whole  
3 process began changing. Then I don't know when we came up  
4 with this six or seven million shares and that sort of became  
5 our bogey.

6 In terms of actual shares it's way over that now  
7 because with the contract that was entered into December in  
8 '06. When it came to light in February '07 as to what all  
9 this meant in terms of the new shares I was getting. It went  
10 way above that. We started thinking about what we were going  
11 to do next. That's how that February amendment came in  
12 because the contract in December which was taking a while to  
13 negotiate created 30,000 additional SARS and so that added to  
14 that.

15 At that time the stock was \$40.00 some odd dollars  
16 a share. So it was a huge amount of money. We have to start  
17 accelerating this because the December plan doesn't work now.  
18 So the February amendment was to try to get that down. It  
19 didn't get it down to where -- it was still way above that.  
20 That is sort of the process of the way it took place. I  
21 wasn't paying attention to it.

22 Q Let me just sort of unpack that a little bit. I  
23 think I followed it but I want to make sure it's clear for  
24 the record. In summer of '06, your contract with Countrywide  
25 was renegotiated or finalized in a sense, correct?

85:1 A Yeah, some time in December I believe.

2 Q And that changed your expiration date, if you will,  
3 from '06 to 2009, correct?

4 A Correct.

5 Q So you now have a contract with Countrywide that  
6 runs through December 2009?

7 A Correct.

8 Q As part of that contract negotiation, you received  
9 additional options?

10 A Not options. I think they got away from options.  
11 Again it's not an area of focus but I believe this is my  
12 memory that they no longer wanted options because they were  
13 very concerned about this whole back dating issue and said we  
14 don't want anymore options. They gave me I believe their  
15 SARS or restricted stock.

16 If I stayed the first year and have certain  
17 performance -- half is performance and half is just staying.  
18 For the first year I get 10,000 and next year if I stayed I'd  
19 get 10,000. I get half if I stay, 5,000 shares if I stay and  
20 5,000 if I perform. I think it's 30,000 if I stayed until  
21 2009 and performed.

22 Q When you entered into the option sales plan --  
23 strike that. When you entered into the 10(b)(5)(1) sales  
24 plan dated October 27, '06 that's been marked as Exhibit 7,  
25 did you know that you weren't going to receive additional --

86:1 A No.

2 Q Rights to Countrywide stock in December of '06?

3 A No.

4 Q When did you know that? When did you first know  
5 that?

6 A I think I knew it in December. We were still  
7 negotiating in December because I had substantially reduced  
8 the whole package going in for the next three years. I felt I  
9 just wanted to take the company through a transition. I felt  
10 that I was okay and that I wanted something very real. So I  
11 reduced my base salary by a million dollars. I reduced the  
12 whole compensation package in terms of bonuses and that sort  
13 of thing significantly. 100 percent performance based. High  
14 hurdles. My objective there was to really -- I had the board  
15 prepared to have me out of there by December and it didn't  
16 work. I felt responsible for it, at least for part of it.  
17 Therefore, I negotiated a pretty easy contract for them.

18 Q So at some point in December of '06 you know that  
19 you're going to get some additional shares that you're going  
20 to invest over time through the end of 2009. Is that what  
21 prompted you to enter into the December 12, 2006 plan or was  
22 that a function --

23 A No.

24 Q Of just options --

25 A I didn't know December 12th. It was just options

87:1 expiring.

2 Q Okay.

3 A I think it was -- again, I'm not sure this took  
4 place but it was some time in January I think that I got a  
5 call from John Connor and said you know, we had this set up.  
6 We had this other stuff now.

7 We should really take another look at it and try to  
8 accelerate this thing because we're going to be way over what  
9 you want to do and you're going to have a big stake in this  
10 company long before you lose control, long after you lose  
11 control and I said okay. He came in with a suggestion and I  
12 said fine. Let's do it.

13 Q I'm just trying to establish the chronology here.  
14 So everything you've said has been very helpful. You know at  
15 some point in December that you're going to get some  
16 additional shares and it wasn't until January that you had  
17 the conversation with Mr. Connor --

18 A I didn't know what I was going to get in December.  
19 I was still negotiating. This was a last minute deal. I  
20 don't believe I knew anything -- I can tell you at a certain  
21 point in December -- I don't know when he signed the  
22 contract. When did he sign it? Do you know?

23 MR. PASTUSZENSKI: The third week?

24 BY MS. DEAN:

25 Q The third week of December?



88:1           A     Yeah, so whenever I signed it that's when I knew  
2     but I wasn't paying attention to the bogey part.  It was  
3     right at the end of December.  So I didn't know.

4           Q     So now you do know.

5           A     The fact is I didn't even know I was going to sign.

6           Q     But you do in the third week of December.  So now  
7     in January you have a conversation with Mr. Connor --

8           A     I believe it's in January.  These are just guesses.

9           THE REPORTER:  You need to let one another finish  
10    please.

11           BY MS. DEAN:

12           Q     Yeah, I appreciate that you're trying to get the  
13    story out.  At some point after you signed the new contract  
14    in December of '06, Mr. Connor apparently realized, even if  
15    you didn't, that you are now going to be in possession of  
16    rights of a lot more shares of stock, correct?

17           A     Correct.

18           Q     At that point he contacts you you think in January  
19    and that's when you decided to amend the December sales plan  
20    and that amendment went effective February 2nd.  Is that  
21    correct?

22           A     That's correct to the best of my knowledge.

23           Q     At the point of that amendment -- strike that.

24           MS. DEAN:  Counsel, do you need to confer with the  
25    witness?

89:1 MR. MCLUCAS: Yeah, I was just going to mention  
2 talking for one moment.

3 MS. DEAN: Okay. Let's go off the record.

4 (Whereupon, a brief recess was taken.)

5 BY MS. DEAN:

6 Q Before we went off the record, we were just talking  
7 generally the sequence of events from October of '06 to  
8 February with respect to your 10(b)(5)(1) plans. I think we  
9 got the chronology out, that you signed a new contract in  
10 December which is what prompted you to modify the December  
11 plan in February, correct?

12 A That's correct.

13 Q I just want to sort of take you through some of  
14 these documents now just to have you authenticate them which  
15 I know is a tedious process but that's the only reason I'm  
16 sticking them in front of you.

17 A Lynn, can I just interrupt you for a minute and get  
18 through this background. There were two other factors. While  
19 we were going through this knowing that this is sort of  
20 through the year of 2006, knowing that my cash flow had  
21 changed dramatically and also the fact that I was retiring.  
22 My wife and I were planning on finding places to live.

23 We began a process of identifying three places  
24 where we wanted to live. One is in Santa Barbara where she  
25 wanted to retire and spend the rest of our lives and one was

90:1 in the desert because Santa Barbara is not so great during  
2 the winter, and the third was try to be close to our children  
3 in Pasadena.

4           So cash flow became an issue as to what we were  
5 doing. So part of this planning process was also to make  
6 certain that I had a supplement of income. Now I have a lot  
7 of money but that's my savings and it's cultural and I don't  
8 ever want to touch my savings. My wife will live to a 105  
9 hopefully and I want her to have enough money and my kids to  
10 have money.

11           So I don't want to touch it. Part of this process  
12 was to make sure I had continuous cash flows because we did  
13 buy three houses. The end result was a tremendous expense and  
14 required enormous cash flow. So cash flow was part of it.  
15 The other part of it was one of the directors came to me one  
16 day, Bob Donato, and said Angelo, you have too many shares in  
17 this company. You're over weighted in the company and you  
18 have to start -- in my opinion he was a stock guy. He ran  
19 Paine Webber's operation here in Los Angeles. He said I  
20 recommend that you start accelerating because you're going to  
21 be gone by 2009 and you should accelerate. I said okay I  
22 appreciate that.

23           That had some influence on me as I went through the  
24 process. So those were the -- cash flow and I just wanted to  
25 get that out for the record.

91:1 Q Okay. When did you have that conversation with Bob  
2 Donato?

3 A I believe it was in -- because he knows about the  
4 SEC and he said Angelo I was the one who told you to  
5 accelerate this. It was either around the negotiation with  
6 the contract in December or right after the negotiations. I'm  
7 not sure. It was around that time frame.

8 Q I just want to be clear. Did you contact Mr.  
9 Connor and suggest that you need to accelerate your sales or  
10 did Mr. Connor contact you?

11 A As I said before, he contacted me.

12 Q But when he contacted you, you had already had this  
13 conversation with Mr. Donato and that was a factor in your  
14 decision making?

15 A Yeah, I think it was in the back of my mind. It was  
16 not that I would be guided particularly by him but this was  
17 sort of a unique situation and validated what Connors was  
18 telling me.

19 Q Okay. I think we covered this. You didn't have  
20 any role in drafting Exhibit 7, correct?

21 A No.

22 Q And it was drafted on your behalf. To the extent  
23 it was negotiated at all, it would have been done by the  
24 Countrywide legal department, correct?

25 A That's correct.

92:1 Q Is that your signature on the page that's Bates  
2 stamped ending in 29?

3 A Yes, it is.

4 Q You know there's a gap between this sales plan  
5 which started on October 27, 2006 and the prior sales plan  
6 which actually ended in May of 2006.

7 A Correct.

8 Q Can you explain to me why that gap existed?

9 A Yes.

10 Q What happened there?

11 A What happened there it was an indication. I had a  
12 succession plan in place. A fellow that worked for me for 20  
13 years was -- over the years I had not officially designated  
14 him but I thought he was the person that succeeding me. He  
15 was the former CFO and I had made him president COO. He came  
16 to me as a very young man. He was a CPA auditor.

17 Around that period of time or a month before, maybe  
18 even a couple of months before, there was an indication that  
19 there may be a problem. Whether or not he really wanted to  
20 succeed me was a shock to me so we tried to work through  
21 that. To me that was material. It was not public because I  
22 didn't know where it was going to end up. It started with me  
23 and then it was really to the board. The board to make the  
24 determination was that they really wanted him as my successor  
25 based upon some of the things that he wanted as my successor.

93:1                   So all that negotiation was going on between the  
2 board and him, but I knew there were issues. I knew of some  
3 of them but not all of them. So I just felt it was not  
4 appropriate time until such time as we made a decision that  
5 that succession plan was going to work or not work. So I  
6 didn't enter into the plan until we went public with the fact  
7 that he was terminated.

8           Q     Okay.

9           A     That was the gap or otherwise I would have just  
10 continued on.

11          Q     When you decided to enter into this October 27,  
12 2006 sales plan, did you discuss it with anyone other than  
13 John Connor or the Countrywide legal department?

14          A     No.

15          Q     Did you pre clear this plan with Countrywide legal  
16 department?

17          A     I did.

18          Q     Did you receive drafts of this sales plan?

19          A     I don't believe so. I mean it's possible but I  
20 don't recall that. It became quite perfunctory so I mean  
21 they were all the same. The only thing I may have said is I  
22 may have had a conversation with John validating these are  
23 the grants we want to include but that's about it.

24          Q     Who is Jerry Healy?

25          A     Jerry Healy was in the HR department in benefits. I

94:1 think Becky Bailey replaced him.

2 Q Who is Kristina Fink?

3 A I have no idea.

4 Q So you've never met her and you never discussed  
5 your 10(b)(5)(1) plan with her?

6 A No.

7 Q The language that we talked about with respect to  
8 the prior plan in section (b)(1) that the seller is not aware  
9 of any material non-public information. That language is  
10 also present in Exhibit 7. Was that language true as of the  
11 date that you signed the document?

12 A It was true that I had no knowledge.

13 Q Okay. At the time that you entered into your sales  
14 plan on October 27, 2006, did you have any reason to believe  
15 that Countrywide's share price would increase between October  
16 27, 2006 and October 12, 2007?

17 A No.

18 Q At the time you entered into the sales plan, did  
19 you have any reason to believe that Countrywide's share price  
20 would decrease between October 26, 2006 and October 12, 2007?

21 A No, that was never in my mind. The purpose of  
22 these plans was financial planning.

23 Q So this particular plan, this October 27, 2006  
24 plan, was simply the result of financial planning and not  
25 based on any information that you might have had about

95:1 Countrywide's future performance?

2 A That's correct. That's the first opportunity we had  
3 to start again to continue the plan. We had to stop for a  
4 long period of time.

5 Q This plan like the other plan had a limitation on  
6 the number of shares that can be sold in a particular month.  
7 At the page that's been Bates stamped 19, there's an  
8 indication that only 315,000 shares can be sold underneath  
9 one calendar month. Can you tell me what the reason for that  
10 limitation was?

11 A Again, our best guess is if you want to use a  
12 monitor on it the monitor was the number of shares being  
13 traded per day overall and this would not impact and move a  
14 market. It was within that frame work. Could it have been  
15 200,000 more? Sure it could have been but I just try to keep  
16 it within a --

17 Q Keep it within a?

18 A Within the frame work where it would not move  
19 markets.

20 Q Let's mark this as Exhibit 8. Mr. Mozilo, I'm  
21 handing you what has now been marked as Exhibit 8 which is an  
22 e-mail string. The e-mail at the top of the string, the most  
23 recent e-mail is between Kristina Fink and Jerry Healy and  
24 it's dated October 19, 2006 at 7:22 a.m.

25 There's several embedded e-mails and the last one



96:1 in this string is dated October 18, 2006 at 12:11 p.m.  
2 between Jerry Healy and Kristina Fink. The Bates stamp on  
3 this are CFC2007-00309 through 00313. Now Mr. Mozilo, I know  
4 that you've never actually seen these documents before but I  
5 just wanted to ask you a couple of questions about the  
6 content. On the top e-mail the one that's dated October 19,  
7 2006 between Kristina Fink and Jerry Healy, there is a  
8 reference in the first paragraph that reads: "Now we are  
9 waiting to hear back from Angelo. If it is okay with the  
10 draft as is, I will contact you to conduct due diligence  
11 prior to sending out a signature copy. If he makes some  
12 changes, I will send you another draft for your review." Do  
13 you see that?

14 (SEC Exhibit 8 was marked for  
15 identification.)

16 A Uh-huh. I see a misspelling.

17 Q Yes, I think it was if he is okay.

18 A No.

19 Q What's the misspelling?

20 A Form instead of from. She may have been focused on  
21 something else.

22 Q Does this particular language refresh your  
23 recollection in any way as to whether or not you may have  
24 reviewed drafts of your October 27, 2006 10(b)(5)(1) plan?

25 A No.

97:1 Q So as you sit here today, you just don't remember  
2 that you actually did or didn't review it?

3 A No, I would only assume that this went back to John  
4 for his review. Again, I was guided by him. I don't even know  
5 what changes they're talking about.

6 Q Okay. There's also -- just out of curiosity here  
7 there's -- never mind. Strike that. On the page that --

8 A If you look at Kink I think Kink works for Bear  
9 Stearns.

10 Q Right. You mean Fink?

11 A Fink rather.

12 Q Yeah. But you've never had any discussions with  
13 Kristina Fink, correct?

14 A Correct.

15 Q And you've never received any e-mail from her to  
16 your knowledge?

17 A No.

18 Q If you look at the two pages that are Bates stamped  
19 ending 310 and 311, the e-mail that's on page 311 was  
20 apparently sent on October 18th at 2:09 p.m. The reference  
21 is on the bottom of the prior page. It looks like it's an e-  
22 mail from Kristina Fink to Jerry Healy. Do you see the one  
23 I'm talking about?

24 A This is 310?

25 Q If you look at the very bottom of 310, there's an

98:1 e-mail from Kristina Fink to Jerry Healy on October 18th at  
2 2:09 p.m. and then the text of the e-mail is on 311.

3 A It says I don't see it. Adam has agreed?

4 Q No, no, there's a header which is kind of cut off  
5 from the e-mail and if you turn to the next page the body of  
6 the e-mail is right there. Is there language that states --  
7 do you see that?

8 A Is there language that states it will be filed  
9 quarterly within the plan.

10 Q Okay. My apologies. I should really refer you to  
11 one e-mail down, the one that's on that same page 311 on  
12 October 18, 2006 at 4:49. Do you see that e-mail?

13 A Uh-huh.

14 Q It reads: "This is fine. I believe we had agreed  
15 that form 144 would be filed with each exercise rather than  
16 quarterly." Do you see that?

17 A Uh-huh. Yes, I do.

18 Q Then the e-mail above it reads: "Is there language  
19 that states it will be filed quarterly within the plan?" Do  
20 you see that?

21 A I see that.

22 Q Then in the response to that e-mail which is from  
23 Jerry Healy at Countrywide to Kristina Fink on October 18,  
24 2006 at 5:23 p.m. Do you see that?

25 A Is that on 311?

99:1 Q It's on page 310.

2 A Okay.

3 Q It reads: "I don't see it. Adam had agreed it was  
4 better not to disclose at one time in one place the large  
5 number of shares involved." Do you see that?

6 A I see that.

7 Q So there's a discussion here about whether or not  
8 the form 144 is going to be filed with each exercise of the  
9 options or whether it's going to be filed quarterly.

10 A Right.

11 Q Then Jerry Healy's position is that Adam had agreed  
12 that it was better not to disclose all the sales at one time.  
13 Do you see that?

14 A I do.

15 Q Do you know why --

16 A I have no idea. I never even knew this discussion  
17 went on.

18 Q Okay so you have no idea why this issue was being  
19 discussed and you don't know why Adam would have agreed that  
20 it was better not to disclose the --

21 A I have no idea.

22 Q Wait let me finish.

23 A Okay.

24 Q You have no idea why Adam would have suggested it  
25 was better not to disclose all the sales at one time?

100:1 A No, I don't know what difference it would make.

2 Q Who is Gilbert Szito?

3 A I have no idea.

4 Q Let's mark as Exhibit 9 a copy of another e-mail  
5 string with an attached draft of the 10(b)(5)(1) plan. Mr.  
6 Mozilo, I am now handing you what's been marked as Exhibit 9.  
7 For the record, it's an e-mail string between Kristina Fink,  
8 Susan Bow, Adam Gelchich, Jerry Healy and Linda Lundquist  
9 dated October 26, 2007 at 9:45 a.m. with an attached draft of  
10 the 10(b)(5)(1) sales plan.

11 The Bates stamped numbers are CFC2007-00388 through  
12 00403. I know that you're not copied on this e-mail  
13 exchange, but I wanted to ask you about the reference on the  
14 first page. Underneath the e-mail from Susan Bow to Kristina  
15 Fink and Adam Gelcich. Do you see that?

16 (SEC Exhibit 9 was marked for  
17 identification.)

18 A Mr. Mozilo would like to make a change?

19 Q Yes, for the record I'll just read it into the  
20 record. It reads: "Angelo Mozilo would like to make a change  
21 for his proposed 10(b)(5)(1) plan. He would like to increase  
22 the daily sale amount from 52,500 shares to 70,000 shares."  
23 Do you recall asking that your 10(b)(5)(1) plan be changed to  
24 increase the number of shares that could be sold daily?

25 A I don't recall doing it but if it says it here I

101:1 did it and asked for it I guess. Was this executed do you  
2 know? Was it done?

3 Q Yes, actually. If you look at the final version of  
4 the 10(b)(5)(1) plan for October 27, 2006 at page 00019, the  
5 limit order is for 70,000 shares.

6 A So this was not for amending the plan. As it was  
7 going through the process -- again I would assume what was  
8 happening here we were going through this cash flow issue and  
9 what was going to happen when I left. It was all a bi product  
10 of that. It was nothing else but a conversation piece with  
11 John Connors as to where we should be. This may be prompted  
12 by him. I'm not sure.

13 Q Just for the record you said cash flow issue.  
14 You're not talking about a Countrywide cash flow issues,  
15 you're talking about a cash flow you identified as to your  
16 own retirement, correct?

17 A Me personally. This doesn't effect Countrywide.  
18 What this does is improve Countrywide's cash flow issues.

19 Q How so?

20 A Okay. That's why I was always against getting  
21 restricted stock and wanted options. Here's the reason. I  
22 exercised that option -- let's say \$9.62. That \$9.62 goes  
23 right to the company. That's new capital. That's retained  
24 capital by them. That increases their capital. It's a tax  
25 deduction because it's ordinary income to me. They get a tax

102:1 deduction from compensation from me so it helps the  
2 financials and then I get the balance.

3           So it's a great form of increasing cash flow and  
4 increasing capital in the company. That's why options are so  
5 valuable to the company. One it's an incentive because if you  
6 don't get it up there nothing happens plus they get  
7 tremendous financial benefits from this.

8           Q     This particular change I'll represent to you,  
9 although you're welcome to look back at the actual plan, it  
10 didn't increase the number of shares that were sold. It just  
11 accelerated the sale.

12          A     I see.

13          Q     So the number of shares remain constant and the  
14 daily volume went from 52,500 to 70,000.

15          A     The only thing I would say relative to that is that  
16 Countrywide -- the number of Countrywide shares being traded  
17 every day kept on increasing dramatically. So the concern  
18 about moving markets -- I think it was a conversation between  
19 John and myself. Say look Angelo, you shouldn't be worried  
20 about this anymore because you can really sell more. It may  
21 have been out of that. I'm not sure.

22          Q     Okay. So just so I understand. What you're saying  
23 is you think that at the time you were contemplating entering  
24 into this plan, 70,000 shares was not enough to move the  
25 market in terms of daily volume of Countrywide at the time?

103:1           A     No.

2           Q     There's one other thing in here that I wanted to  
3 ask you about. That same paragraph that starts Angelo  
4 Mozilo, the last sentence reads: "If you could make the  
5 changes today and get a revised draft to me I would  
6 appreciate it as Angelo would like to be able to execute the  
7 agreements tomorrow after our black out list." Do you see  
8 that?

9           A     Yes.

10          Q     Do you recall having a conversation with Susan Bow  
11 about wanting to get this plan into place as soon as the  
12 black out period lifted?

13          A     What I always wanted to do was right after the  
14 black out because the next day something could happen that I  
15 would know about and nobody else would know about. So the  
16 information out to the public. Black out period lifts. I  
17 want to do it. I don't want any time to go by where something  
18 of substance could happen where I can disturb this whole  
19 process. So that's basically -- I don't know if that was the  
20 pattern in all of them but it was pretty soon after the black  
21 out period.

22               MR. MCLUCAS: When you say anything could happen,  
23 that is something would happen that would amount to material  
24 non-public information notwithstanding the black out lifted  
25 you couldn't sell?



104:1 THE WITNESS: That's right. I couldn't sell.

2 BY MS. DEAN:

3 Q That was the question I was going to ask.

4 A I wouldn't sell. If I knew anything even if it was  
5 two hours after the black out period was lifted and I knew  
6 something, I wouldn't sell.

7 Q So the idea was to get the plan in place, executed  
8 before you came into possession of any information that would  
9 make it impossible to execute?

10 A Yes, that's the purpose of it.

11 Q Okay. Let's mark as Exhibit 10 a September 27,  
12 2006 memorandum from Becky Bailey to a distribution list.  
13 For the record it's Bates stamped number CFC2007-00102-00103.  
14 Mr. Mozilo, have you ever seen what has now been marked as  
15 Exhibit 10?

16 (SEC Exhibit 10 was marked for  
17 identification.)

18 A I'm sure it passed over my desk and I looked at it.

19 Q If you look at the second page, you're the first  
20 person identified on the distribution list, correct?

21 A Yes.

22 Q You don't specifically recall it but you have no  
23 reason to believe you didn't see it?

24 A That's correct.

25 Q You were aware in October of 2006 that when you

105:1 were negotiating your 10(b)(5)(1) plan that you were in a  
2 black out period, correct?

3 A That's correct.

4 Q Okay.

5 MS. DEAN: Let's go off the record.

6 (Whereupon, a brief recess was taken.)

7 MS. DEAN: We are back on the record at 1:10 p.m.

8 BY MS. DEAN:

9 Q I'd like to mark the next exhibit in order a copy  
10 of another October 27, 2006 sales plan. This one is Bate  
11 stamped numbers CFC2007-00031 through 00038. So Mr. Mozilo,  
12 I've now handed you what has been marked as Exhibit 11 which  
13 is the sales plan that I just identified for the record.  
14 Have you ever seen this document before?

15 (SEC Exhibit 11 was marked for  
16 identification.)

17 A I'm sure I did.

18 Q Okay.

19 A This is foundation.

20 Q Actually, that was going to be my question to you.  
21 If you look at the very first paragraph here, the parties are  
22 identified as: the seller is the Mozilo family foundation  
23 and the other party is JP Morgan Securities. What is the  
24 Mozilo family foundation?

25 A It's a charitable foundation that I established a

106:1 lot of years ago. It's a vehicle by which my family gives  
2 away money to charities.

3 Q If you look on the first page of Exhibit 11  
4 underneath the recitals, the second paragraph indicates that  
5 the seller desires to sell 91,999 shares of stock. Do you see  
6 that?

7 A I do.

8 Q How did the Mozilo family foundation come to be in  
9 possession of 91,999 shares of stock?

10 A I donated it.

11 Q Okay. Was there a particular purpose for which  
12 this plan was set up on October 27th?

13 A I think two reasons. One is very clear. I need  
14 liquidity. I don't give away stock to charities. I give away  
15 cash. I wanted to liquify so I would have cash. I think out  
16 of that account comes a couple million dollars a year to  
17 various charities. Second was I think the overall issue of  
18 having such a concentration particularly in a foundation of a  
19 single company. It was thought that I should diversify the  
20 investments in the foundation.

21 Q Do you know what happened to the proceeds of the  
22 stock sales under this particular plan?

23 A It stayed in the foundation.

24 Q It stayed in the foundation?

25 A And was distributed over time. It's probably all

107:1 gone now in terms of cash.

2 Q Okay. So you liquidated the shares and left the  
3 cash with the foundation and then disbursed the cash from the  
4 foundation?

5 A Yeah, I don't know if all the cash is gone but a  
6 big portion of it is.

7 Q Did you have any role in drafting what's been  
8 marked as Exhibit 11?

9 A No.

10 Q Is the signature on the page that's been Bates  
11 stamped 00027 your signature?

12 A Yes.

13 Q Did you pre-clear this plan through Countrywide  
14 legal?

15 A I did.

16 Q Do you know who negotiated this plan to the extent  
17 it was negotiated?

18 A Negotiated?

19 Q Let me ask the foundational question. Do you know  
20 if this plan was the product of negotiation between Mozilo  
21 family foundation and JP Morgan Securities?

22 A I would say it was a by product of John Connors,  
23 me, JP Morgan and Susan Bow. Those are the parties.

24 Q So those would have been the parties to the  
25 negotiation. Do you know if you received drafts of this

108:1 plan?

2 A I'm not aware of it. I don't remember if I did or  
3 didn't.

4 Q Did you discuss this plan with John Connors before  
5 initiating it?

6 A I did.

7 Q What was the substance of that discussion?

8 A I needed liquidity because I knew I was going to be  
9 giving a substantial money away in December. In December is  
10 when I begin disbursing out of the commitments we've made to  
11 the various institutions, hospitals and educational  
12 facilities. October was a good time to do it. I couldn't do  
13 it any time after that in that same year and the  
14 diversification issue. That was my discussion with John.

15 Q So basically the same reasons that you cited for  
16 the other October 27th plan?

17 A Yeah.

18 Q Do you know John Connors' e-mail?

19 A Yes.

20 Q Is it jconnors@acco.com?

21 A Correct.

22 Q And AYCO is A-Y-C-O.

23 A Correct.

24 Q Has that changed since they were acquired by  
25 Goldman Sacks?

109:1 A No, I use the same e-mail.

2 Q AYCO use to be Arthur Young and Company?

3 A It was one of those consulting things. Arthur  
4 Young and then they had to get rid of it. They're based in  
5 Albany.

6 Q Once you decided to enter into this sales plan on  
7 behalf of the foundation, did you discuss it with anyone  
8 other than Susan Bow or John Connors?

9 A No.

10 Q I think I may have asked this. I'm sorry. Did you  
11 pre-clear it through Countrywide legal?

12 A I did.

13 Q At the time that you entered into the sales plan  
14 that's been marked as Exhibit 11, did you have any reason to  
15 believe that Countrywide share price would increase between  
16 October 27, 2006 and November 21, 2006?

17 A No.

18 Q At the time that you entered into this plan, did  
19 you have any reason to believe that Countrywide share price  
20 would decrease between October 27, 2006 and November 21,  
21 2006?

22 A No.

23 Q Were you in possession of any material non-public  
24 information at the time you initiated this plan?

25 A No, I wasn't.

110:1 Q Let's mark as Exhibit 12 another sales plan.

2 Exhibit 12 is a sales plan dated November 13, 2006. The  
3 seller here is identified as the Mozilo living trust dated  
4 May 12, 1988. The Bate stamp numbers are CFC2007-00039  
5 through 00046. I've now handed you Exhibit 12. Mr. Mozilo,  
6 do you recognize this document?

7 (SEC Exhibit 12 was marked for  
8 identification.)

9 A I recognize the document itself but I'm confused by  
10 this date. Did we ever go over this one? I don't remember  
11 this one. I didn't think I had anything more left in JP  
12 Morgan.

13 Q So --

14 A Is this one we did? I recognize it. I don't  
15 remember it. 100,000 shares?

16 Q Right. As you sit here today do you have any  
17 reason to doubt that you did in fact sign a sales plan dated  
18 November 13, 2006 on behalf of the Mozilo living trust?

19 A Well, there's no signature page here.

20 Q Right. I'm just asking.

21 A Can I just think a second?

22 Q Sure.

23 A This one I just don't recall. I just don't recall.

24 Q Actually, you asked me about a signature. If you  
25 look at the page that's Bates stamped ending in 45 which is

111:1 the second to last page there is a signature block there for  
2 Angelo Mozilo. Is that your signature?

3 A Yeah, that's my signature. I did it.

4 Q So you don't have any independent recollection of  
5 this but you have no reason to believe --

6 A Yeah, that's right.

7 Q Let me finish the question. You don't have any  
8 independent recollection of Exhibit 12 but you have no reason  
9 to believe that it's not in fact your November 13, 2006 sales  
10 plan on behalf of the Mozilo living trust?

11 A Correct.

12 Q How did the Mozilo living trust come to own 100,000  
13 shares of Countrywide stock?

14 A I have no idea.

15 Q Do you know why you entered into this particular  
16 sales plan?

17 A I don't remember.

18 Q I think these are all going to be I don't know but  
19 let's just run through them. Did you have any role in  
20 drafting Exhibit 12?

21 A No.

22 Q Do you recall when you decided to enter into this  
23 plan?

24 A No.

25 Q Did you ever discuss this plan with anyone?



112:1           A     This plan would not have been executed without me  
2     discussing it with John Connors.

3           Q     To your knowledge, was this plan pre-cleared  
4     through Countrywide legal?

5           A     Yes, I'm sure it was.  Every plan I did was cleared  
6     through them.

7           Q     So you don't have any independent recollection of  
8     it but you know that it was your practice do that, correct?

9           A     Correct.

10          Q     Okay.

11          A     Susan Bow signed it on 11/13 the same day.

12          Q     So you're referring there to Susan Bow's signature  
13     on --

14          A     On 45.

15          Q     Let me just finish that.  You're referring to Susan  
16     Bow's signature on the page that ends in Bates stamp number  
17     45, correct?

18          A     Yes.

19          Q     And that leads you to believe that Countrywide  
20     legal had in fact pre-cleared the plan, right?

21          A     That's correct.

22          Q     At the time that you entered into this November 13,  
23     2006 sales plan, did you have any reason to believe that  
24     Countrywide's share price would increase between October 27,  
25     2006 and December 4, 2006?

113:1           A     No.

2           Q     At the time that you entered into this sales plan,  
3 did you have any reason to believe that Countrywide's share  
4 price would decrease between November 13, 2006 and December  
5 4, 2006?

6           A     No.

7           Q     Were you in possession of any material non-public  
8 information at the time that you initiated the November 13,  
9 2006 10(b)(5)(1) plan for the Mozilo living trust that's been  
10 marked as Exhibit 12?

11          A     No, one thing I didn't anticipate that is I never  
12 thought the market value of the stock would go up a billion  
13 dollars. Lynn, is this for me?

14                   MS. DEAN: Let's go off the record.

15                   (Whereupon, a brief recess was taken.)

16                   BY MS. DEAN:

17          Q     Mr. Mozilo, I've now handed you what's been marked  
18 as Exhibit 13 which is a copy of a December 12, 2006 sales  
19 plan between Angelo Mozilo and Bear Stearns and Co. It's  
20 Bates stamped CFC2007-00047 through 00061. My first question  
21 to you is have you ever seen Exhibit 13 before?

22                                   (SEC Exhibit 13 was marked for  
23                                   identification.)

24          A     Yes.

25          Q     What do you recognize this document to be?

114:1 A 10(b)(5)(1) sales plan.

2 Q This plan is for yourself as an individual,  
3 correct?

4 A Correct. Based upon the process I told you about  
5 where it eventually it goes into the Mozilo family trust.

6 Q Right. You explained earlier today that the  
7 options are actually owned by you but the proceeds of the  
8 sales are swept into the trust?

9 A Right.

10 Q This particular plan calls for the sale of a total  
11 of 1,389,580 shares which are identified on the cover page.  
12 Do you see that?

13 A Yes.

14 Q I think -- my question is why initiate this plan on  
15 December 12, 2006 when you had previously initiated a plan on  
16 October 27, 2006? What was the purpose of this plan?

17 A The purpose of the plan -- well, the purpose again  
18 was to -- this was a conversation between me and John  
19 relative to making sure that we're on target to meet that  
20 6,000,000 share bogey. I'm trying to recall this. It was a  
21 year ago. It was apparent at that time that I was staying on.  
22 The exact amount of my options or additional compensation was  
23 not known because it wasn't signed until December 26th but we  
24 knew there was going to be additions. It was just a matter  
25 to continue to sell was the purpose of it.

115:1 Q So this was really an effort to take into account  
2 the fact that you knew you'd be getting additional shares as  
3 a result of the renegotiation of your contract in December of  
4 2006?

5 A That was part of it. I think it was just an overall  
6 planning process. Again, I have to point out that it could  
7 have sold this all at once at any time. I owned it. It was  
8 vested. I knew nothing material. I could have done it. My  
9 choice was to try to do it in a manner which would not  
10 disturb the market. It was within that frame work and also  
11 what was happening in my life in terms of what my future was  
12 going to be at Countrywide.

13 Q Let's mark this as Exhibit 14. Mr. Mozilo, I'm  
14 handing you now what's been marked as Exhibit 14 which is a  
15 November 29, 2006 e-mail from Kristina Fink to Jerry Healy  
16 and Susan Bow at Countrywide. It's Bates stamped CFC2007-  
17 00435 and there's an attached draft sales plan that carries  
18 the balance of the document through page 00450. I really  
19 have one question about this document. Ms. Fink is  
20 forwarding a new draft 10(b)(5)(1) plan and, in fact it  
21 appears to be the draft of the plan that we just marked as  
22 Exhibit 13. It covers the same options. If you look at the  
23 second page, the options that have been identified on the  
24 page that's been Bates stamped 436?

25 (SEC Exhibit 14 was marked for

116:1 identification.)

2 A Yes, I do.

3 Q It looks like it's the same options that are  
4 identified in the final plan. So this appears to be a first  
5 draft of that plan. Would you agree?

6 A Yes.

7 Q Here's my question. I mean you just signed a plan  
8 on October 27, 2006 and it appears to be you initiated  
9 discussions to start a new plan on November 29, 2006. So did  
10 something change between October 27, 2006 and November 29,  
11 2006?

12 A Not that I'm aware of.

13 Q So this is really just part of that process that  
14 we've been talking about?

15 A Yeah, there was no event that caused it.

16 Q Okay.

17 A There was an enormous amount of discussions between  
18 John and I about what my finances were going to look like at  
19 the end of certain periods and trying to orchestrate. Again,  
20 I had so much in Countrywide as to how I was going to get to  
21 the goals we were trying to achieve, cash flow goals. It was  
22 just a constant process. These decisions were made -- he may  
23 call me and say look, I think we should do this and I said  
24 okay let's go ahead and do it because I've got a company to  
25 run. I really relied heavily on his direction and advice.

117:1 Q Did you have a face to face meeting with Mr. Connor  
2 between October 27, 2006 and November 29, 2006?

3 A I don't know for sure. I would imagine so because  
4 it's the same time we go through the tax issues.

5 Q Okay.

6 A And we do that in person.

7 Q But it's your recollection that the reason for  
8 initiating a new sales plan in December really was again not  
9 based on any new information that you had. It was just part  
10 of this process attempting to get to this 7,000,000 --

11 A Yeah, we may say we want more or less. I'm not  
12 sure. This at the time -- these are nothing set in stone.  
13 It's something that I think about from time to time where I  
14 want to be and what I want to do and what expenses I'm  
15 facing, what my family is facing and educational issues.  
16 That's my reservoir. That's what I work for. I worked 40  
17 years in building this company for that so it could provide  
18 me with a future.

19 Q Okay. Just some basic questions about the sales  
20 plan again. Did you have any role drafting it?

21 A No.

22 Q Is it your signature at page ending in 59? At the  
23 top of the page there's a signature?

24 A What document are we looking at?

25 Q I'm sorry we're looking at Exhibit 13. I'm sorry.

118:1 A Okay. Yes, it is.

2 Q Is that your signature as well on the bottom of the  
3 page that's Bates stamped 0060?

4 A Yes, it is. There is an e-mail. These are life  
5 events and so when we got planning -- when my wife and I got  
6 planning for where we were going to retire, we had purchased  
7 a home. It was right at that time that I got hit with an  
8 \$8,000,000 bill to repair this house. I expected to move in  
9 for free after I paid for it. The house turned out to be a  
10 money pit. The house fell apart.

11 As soon as I started to do any work, it began to  
12 fall apart. They hand me an \$8,000,000 bill and frankly I  
13 wanted to panic and there's a memo to that effect that I sent  
14 to John. I said John I'm really concerned here. I have no way  
15 out of this thing. I can't sell it. I'm starting at  
16 \$8,000,000 just for the repairs without any other stuff and  
17 I'm going to have some cash flow issues that we didn't  
18 anticipate. I think that was the basis of that conversation.

19 Q So your counsel has reminded you that you actually  
20 got an e-mail that indicated that you were going to have pay  
21 an additional --

22 A No, I showed up at the site unbeknownst to me and  
23 they handed me an \$8,000,000 bill.

24 Q That would be a shock. At that point you contacted  
25 Mr. Connor and said that you needed to sell additional shares

119:1 because you were going to have this unexpected cash flow?

2 A Yes, well originally what I did was I fired  
3 everybody and shut down the job. That was my first reaction.  
4 I was in shock. When sanity returned, I wrote to John and  
5 said John I've got an issue here and I think we need to  
6 rethink this cash flow issue because I didn't count on this  
7 bill.

8 Q Do you remember when you did this site visit?

9 A At the time I wrote this e-mail. Do you remember?  
10 November 11th.

11 Q So on or about November 11th you wrote an e-mail to  
12 John Connor and that e-mail was a result of you having made a  
13 site visit prior to November 11th in which you learned you  
14 were going to have to expend additional funds on this house.  
15 Which house are we talking about?

16 A 109 Rometo.

17 Q I can't remember what city that was in?

18 A That's in Santa Barbara. If you're interested, I'm  
19 happy to make a site visit.

20 Q So that's the Montecito house?

21 A That's correct.

22 Q I'm sure it's lovely.

23 A It's not. Not to me it isn't.

24 Q So part of the process then with respect to this  
25 December 12th plan was you were thinking that you did need to



120:1 sell some additional shares because you had this additional  
2 cash flow issue?

3 A It was really complicated. I had bought another  
4 house that I thought I was going to retire to which my wife  
5 didn't like. I was in the midst of repairing that house. So  
6 I had two houses going at the same time. I had cash flows  
7 that we had anticipated for that first house but not for the  
8 second one.

9 Q Okay.

10 A Also have that one if you're interested that you  
11 could make a site visit.

12 Q Do you want me to make an offer?

13 A I can't even get a looker.

14 Q Once you decided to enter into the trading plan  
15 that's Exhibit 13, did you discuss it with anyone other than  
16 Mr. Connor?

17 A No.

18 Q Did you pre-clear this plan through Countrywide  
19 legal?

20 A I did.

21 Q I should have asked you this a while back. When  
22 you do these pre-clearances is that something that is in  
23 writing or do you just have a conversation with somebody in  
24 the legal department?

25 A To my knowledge I contact Susan and ask her --

121:1 either it was Sandy or Susan Bow. Is there anything here  
2 before you sign it, before I sign it, is there anything here  
3 that you know that I don't. I know what I know but I don't  
4 know what you know. The answer is no and I say okay let's  
5 go.

6 MR. MCLUCAS: For the record if I might. I don't  
7 know for all of these plans but there is e-mail traffic that  
8 would reflect the communications with Susan Bow on that issue  
9 of the black out ending and the clearance being appropriate  
10 for the 10(b)(5)plan to be implemented. I don't know if we  
11 have it for every one of them but it's reflective of the  
12 pattern of practice.

13 MS. DEAN: As long as we're talking about document  
14 production, I was actually going to reserve this to the end  
15 but since you mentioned I'll mention it too. We did receive  
16 some e-mail with the 10(b)(5)(1) plans that were produced to  
17 us but I'm pretty sure we don't have a complete set.

18 I'm not sure how the decision was made in terms of  
19 what we got and what we didn't get. I have a lot of  
20 transmittals back and forth between Bear Stearn and Susan  
21 Bow. For example, I don't have the documents that you're  
22 referring to which have to do with pre-clearances and the  
23 black out periods. One of the things I was going to suggest  
24 at the end of the day is that we would like to see those  
25 documents.

122:1                   In addition, we don't have any e-mail reflecting  
2       communications from Mr. Mozilo. We have a few e-mails that  
3       were sent to him and nothing that came from him.

4                   MR. PASTUSZENSKI: We haven't been involved in that  
5       production. That's Munger but I don't think Munger  
6       understood that's what you wanted.

7                   MS. DEAN: I understand that. I'm not suggesting  
8       that there was any sort of misconduct. I'm just suggesting we  
9       don't have them and we'd like to get them. I can take that up  
10      with Munger.

11                  MR. MCLUCAS: We'll try to be involved in this side  
12      with Munger collectively both Goodwin and Wilmer on the  
13      production. There's two things we want to do. Number one get  
14      you everything that's relevant. Number two we're going to  
15      endeavor to put all of this together in a chronological  
16      fashion for you to give you effectively as best we've been  
17      able to determine from all the empirical data, the e-mails  
18      and the hard copy for exactly what transpired chronologically  
19      in this whole thing because I think it will lay this out in a  
20      fashion that's a little more coherent and you'll be able to  
21      see what transpired.

22                  MS. DEAN: Okay. Obviously like I said I don't  
23      think anyone deliberately withheld anything. I think there  
24      was a miscommunication with what we wanted. I just wanted to  
25      get that out there that there obviously are documents that we

123:1 haven't seen. For example, this November e-mail that you  
2 just referenced to Mr. Connor. That would be a helpful  
3 document. I'm sure there are others along those lines.  
4 Communications between Mr. Connor and Mr. Mozilo with respect  
5 to these trading plans that we would obviously like to see.

6 THE WITNESS: You don't have any -- most of the  
7 communication was from John to me laying this out. Here's  
8 what you should do. You don't have those?

9 MS. DEAN: We don't.

10 MR. MCLUCAS: I hear you and we will endeavor to do  
11 that.

12 BY MS. DEAN:

13 Q Okay. Having settled that this is still fruitful.  
14 I think I have a pretty good understanding of what Mr.  
15 Mozilo's story is here. It just would be helpful to have the  
16 back up documents as well. With respect to Exhibit 13, were  
17 you in possession of any material non-public information at  
18 the time that you initiated the trading plan that's been  
19 marked as Exhibit 13?

20 A No.

21 Q Did you have any reason to believe that  
22 Countrywide's share price would increase between December 12,  
23 2006 and December 21, 2007?

24 A No.

25 Q Did you have any reason to believe that

124:1 Countrywide's share price would decrease between December 12,  
2 2006 and December 21, 2007?

3 A No.

4 Q Did you participate in the drafting of the  
5 10(b)(5)(1) plan that was marked as Exhibit 13?

6 A No.

7 Q Did you receive drafts of the plan to your  
8 knowledge?

9 A Not to my knowledge.

10 Q I think earlier today you had indicated that you  
11 believed that people in the legal department responsible for  
12 dealing with these 10(b)(5)(1) plans were either Susan Bow or  
13 Mike Udovic, right?

14 A That's right.

15 Q Let's mark as Exhibit 15 an e-mail string with an  
16 attached draft sales plan dated December 11, 2006 at 12:58  
17 p.m. The top e-mail is between Kristina Fink, Gabrielle Ghio  
18 and Mike Udovic at Countrywide. The Bates numbers are  
19 CFC2007-00467 through 00483. Mr. Mozilo, I've only marked  
20 this document for one reason which is that I know you weren't  
21 sure when Mike Udovic might have become involved in the  
22 drafting of the 10(b)(5)(1) plans. If you look at this  
23 particular e-mail, it appears that the embedded e-mail on the  
24 first page, December 11, 2006 from Gabrielle Ghio, she is  
25 giving contact information to Bear Stearns for herself and

125:1 Mike Udovic. Do you see that? The e-mail starts Kristina  
2 thank you for taking the time.

3 (SEC Exhibit 15 was marked for  
4 identification.)

5 A Yes.

6 Q Below that there's some contact information.

7 A Yes.

8 Q Does this December 11, 2006 e-mail in any way  
9 refresh your recollection about the time period in which Mike  
10 Udovic may have taken over with respect to the 10(b)(5)(1)  
11 plans?

12 A No.

13 Q To your knowledge, were he working on these issues  
14 prior to December 11, 2006?

15 A I think so. My memory serves me that they went --  
16 I believe. This is very, very faint in my memory. Susan had  
17 a conversation with me that she was talking about the  
18 10(b)(5)(1)'s with Mike Udovic because of his previous SEC  
19 background to make sure we were okay and doing it right sort  
20 of as a frame of reference. That's what I remember.

21 Q Okay. But you just can't remember the time frame  
22 of that discussion one way or another?

23 A No.

24 Q Did Susan Bow continue to be involved in the  
25 drafting of the 10(b)(5)(1) plans after Mike Udovic and

126:1 Gabrielle Ghio became involved?

2           A     I think so. I never asked. I just assumed so. I  
3 don't know who drafted it. I was just really too busy  
4 worrying about the company and didn't get involved with how  
5 this thing was created. I really left it up to Susan and John  
6 Connors to deliver it.

7           Q     Okay. I need the witness to look at 15 again. I do  
8 have one additional question about Exhibit 15. If you turn  
9 to the page that's been Bates stamped 476. It's actually  
10 page eight of the document. There's a paragraph that's  
11 number four there. For the record, it reads: "Seller agrees  
12 to indemnify and hold harmless Bear Stearns and its officers,  
13 directors, employees, agents and affiliates from and against  
14 any losses, liabilities, claims, damages, and expenses  
15 including but not limited to reasonable attorneys fees and  
16 the cost of investigating or defending any matter arising out  
17 of or incurred in connection with this sales plan."  
18 The sentence does go on from there. Do you recognize this to  
19 be an indemnification provision?

20          A     I'm not an attorney. I was going to ask my  
21 attorney if this was enforceable. It's the first time I've  
22 seen it.

23          Q     So you've never actually focused on this provision  
24 before?

25          A     No.

127:1 Q If you look at the bottom of that paragraph there's  
2 a note in there that looks like part of a red line.

3 A Yes.

4 Q This particular draft was transmitted by Kristina  
5 Fink. It looks like Ms. Fink has written: "I cannot make this  
6 mutual. This same provision is currently in his other  
7 10(b)(5)(1) plan with us. I can strike the whole section if  
8 you prefer. Please advise." Do you see that?

9 A Yes, is that to me?

10 Q It looks like this draft was transmitted to Mike  
11 Udovic and Gabrielle Ghio. It appears that she's  
12 communicating with the two of them. Did you at any time ask  
13 that the indemnification provision in your 10(b)(5)(1) plan  
14 be made mutual?

15 A No, I didn't even know what it means.

16 Q Okay. Did you at any time ask that Bear Stearns  
17 indemnify you for potential losses arising under the plan?

18 A No.

19 Q Do you have any reason why that request would have  
20 been made by either Gabrielle Ghio or Mike Udovic?

21 A I have no idea.

22 Q Okay.

23 A This is all news to me.

24 MR. MCLUCAS: It doesn't make a lot of sense.

25 THE WITNESS: I've never seen this before.



128:1 BY MS. DEAN:

2 Q Okay.

3 A What does it mean? Do you know what it means?

4 MS. DEAN: Let's go off the record.

5 (Whereupon, a brief recess was taken.)

6 BY MS. DEAN:

7 Q Mr. Mozilo, with respect to the December 12, 2006

8 10(b)(5)(1) plan that we marked as Exhibit 13, do you know

9 what day you actually executed that plan?

10 A There isn't a date on here?

11 Q It has a date on the final plan but do you know if

12 you actually executed it on the 12th or do you think you

13 executed it on the 13th?

14 A When you say execute, you mean sign it?

15 Q Yes.

16 A Because it doesn't have a date. Is that what you're

17 saying?

18 Q Let me ask it this way. Do you recall the

19 circumstances surrounding your signing of this particular

20 document?

21 A No.

22 Q Do you know if you signed it on the 12th or signed

23 it on the 13th?

24 A I have no idea.

25 Q Do you have any reason to believe you signed it any

129:1 date other than the 12th?

2 A I have no reason to believe I didn't but it's  
3 possible. I don't know why there's no date on here. In fact,  
4 Susan Bow doesn't have a date on hers either. No, I don't  
5 know.

6 Q Let's mark this as Exhibit 16. Wait I think I gave  
7 you mine.

8 A I wonder if there is a document that is dated.  
9 There's got to be a document somewhere that's dated.

10 UNIDENTIFIED SPEAKER: An e-mail.

11 THE WITNESS: You have an e-mail?

12 UNIDENTIFIED SPEAKER: I think there's an e-mail.

13 BY MS. DEAN:

14 Q You can make this one 17. Mr. Mozilo, I am handing  
15 you two documents. One of which has been marked as Exhibit 16  
16 and one of which has been marked as Exhibit 17. This is 17.  
17 This is 16. For the record, Exhibit 16 is an e-mail dated  
18 December 12, 2006 at the top from Gabrielle Ghio to Kristina  
19 Fink. It's got a Bates stamp range of CFC2007-00545 through  
20 00566. Exhibit 17 is an e-mail dated December 13, 2006 from  
21 Kristina Fink to Gabrielle Ghio with a Bates stamp of  
22 CFC2007-00567 through 00584. The reason I've handed them  
23 both to you at the same time is I'm trying to get at this  
24 issue of when --

25 (SEC Exhibits 16 and 17 were marked

130:1 for identification.)

2 A The 12th and 13th?

3 Q Yes, the 12th and 13th. Exhibit 16 which is from  
4 Gabrielle Ghio to Kristina Fink. If you look at the first e-  
5 mail in the string, there's a reference to the fact that Ms.  
6 Ghio had a short window of opportunity to get Mr. Mozilo's  
7 signature. Do you see that?

8 A I do.

9 Q Then she says that she apparently printed out a  
10 version and expects to get an executed copy back from you  
11 tomorrow which would be the 13th.

12 A Okay.

13 Q Exhibit 17 which is a December 13th e-mail from  
14 Kristina Fink to Gabrielle Ghio attaches a signature copy of  
15 the 10(b)(5)(1) plan and if you turn to the fourth page of  
16 the document which is Bates stamped 570 it dates the plan as  
17 December 13, 2006. Do you see that?

18 A Yes, I do.

19 Q The final plan that we've seen is actually dated  
20 December 12th, correct?

21 A How do you know it's the final plan?

22 Q The one that was signed.

23 A This is not signed?

24 Q No.

25 A Okay.

131:1 Q The one that we marked as Exhibit 13 is signed and  
2 it's got the cover page that says December 12th.

3 A Yeah.

4 Q Do you have any reason to believe that you didn't  
5 in fact sign the plan on the 12th?

6 A I have no idea.

7 Q Do you recall ever seeing Exhibit 17 which is the  
8 version that's dated December 13th?

9 A No, I don't recall it.

10 Q Okay. To your knowledge, as far as you know, the  
11 plan that is December 12, 2006 plan?

12 A That is what I was told all along. I have a  
13 December 12th plan. I can understand the confusion as I look  
14 at these e-mails. It says you're going to be gone for the  
15 day and this is at 3:52 p.m.

16 Q You have no reason to believe as you sit here today  
17 that the document that was marked as Exhibit 13 is not in  
18 fact the final version of --

19 A Right, I have no reason to believe that's not the  
20 final version.

21 Q As far as you know --

22 A I believe it's the final version.

23 Q Okay. So as far as you know Exhibit 13 is the  
24 final version of your December 12th --

25 A As far as I know.

132:1 Q Sales plan?

2 A Yeah, you have to understand I was never privy to  
3 any of these memos going back and forth. I don't even know  
4 who Gabrielle Ghio is.

5 Q Does she work at Countrywide to your knowledge?

6 A She does. It says according to here she does.

7 Q But you don't know who she is specifically?

8 A No, 55,000 people I have a lot of vice presidents.  
9 Please don't tell her I don't know who she is. She'd be  
10 terribly hurt.

11 Q Let's mark as Exhibit 18 an amendment to the  
12 December 12, 2006 sales plan dated February 2, 2007. For the  
13 record, this one has Bate stamped numbers CFC2007-00062  
14 through 00065. First question is do you recognize Exhibit  
15 18?

16 (SEC Exhibit 18 was marked for  
17 identification.)

18 A I do.

19 Q What do you recognize it to be?

20 A To be a 10(b)(5)(1) plan dated December 12th.

21 Q Well, is this actually the December 12th plan?  
22 Isn't this in fact the amendment to the December 12th plan?

23 A Well, okay. February 2nd. That's correct.

24 Q I think we discussed this earlier and you told me  
25 the reason you entered into this particular plan was because

133:1 after December 2006 you realized you were going to have more  
2 shares of stock to sell essentially, and that you were still  
3 trying to get to that 7,000,000 share target, correct?

4 A Yeah, that was my recollection. That was a  
5 6,000,000 or 7,000,000 share target that was the -- of course  
6 at that time you have to remember the stock was very high and  
7 so that was a very significant dollar amount.

8 Q I'm sorry what would have been a significant dollar  
9 amount?

10 A 6,000,000 or 7,000,000 shares. Today it would not.  
11 This \$14.69. The stock isn't even selling for that today. I  
12 couldn't sell it because it would be a loss. In the agreement  
13 it says you cannot sell at a loss.

14 Q Okay. So the strike price on this tranche that was  
15 added, this 1.3 million plus tranche that was added to this  
16 December 12th plan the strike price there is -- you couldn't  
17 actually exercise these options.

18 A Now. I didn't know. I had no idea that the stock  
19 would be at \$12.00 a share.

20 Q Let's go back to the -- I just want to compare the  
21 plan that's Exhibit 13 to this amendment. If you look at  
22 Exhibit 13, the options that are the subject of Exhibit 13  
23 which is the December 12th plan are two sets of options. One  
24 which expires February 12, 2012 and another that expires  
25 March 19, 2012. Do you see that?

134:1 A Yes.

2 Q It looks like the effect of this new plan, the  
3 amendment as of February 2nd which has now been marked as  
4 Exhibit 18 was really just to add those options that we were  
5 talking about which have a strike price of \$14.69.

6 A That's correct. That was designed to add that.

7 Q So is it your understanding as you sit here today  
8 that in fact this amendment as the stock price currently  
9 stands no additional shares could even be sold under this  
10 amendment?

11 A No they can't but that's today. You don't know --  
12 this plan ends when?

13 Q If you look at --

14 A This plan would end at the end of December.

15 Q If you look at the page that's Bates stamped 64,  
16 the last sales date that's identified is December 14, 2007.

17 A Right. If this price held steady now and took today  
18 and just moved it forward, there would be no execution.

19 Q Okay.

20 A But you don't know what's going to happen. It could  
21 be better. It could be worse.

22 Q Is that true even though the last paragraph of this  
23 thing says notwithstanding the foregoing if on December 17th  
24 any quantity has not been sold that the shares have to be  
25 sold between the 17th and --

135:1           A     Only if it's at a profit.  You can't have a sales  
2     plan.  You exercise options and sell at a loss.  Why would  
3     anybody do that?  It's called underwater.  They're underwater  
4     and they become worthless.  They're basically worthless  
5     options today.  Theoretically what I should have done in  
6     February is sold them.  If I sold them I wouldn't be here and  
7     had a lot more money.

8           Q     Did you have any role in drafting Exhibit 18 ?

9           A     I did not.

10          Q     Is that your signature on the page that is Bates  
11     stamped 00064?

12          A     It is.

13          Q     Are there any reasons for entering into this plan  
14     other than the ones we've discussed today?

15          A     No.

16          Q     Once you decided to enter into the plan, did you  
17     discuss it with anyone other than John Connor?

18          A     No.

19          Q     Did you receive pre-clearance for this plan through  
20     Countrywide legal?

21          A     I did.

22          Q     Did you possess material non-public information at  
23     the time that you entered into this plan?

24          A     I did not.

25          Q     At the time that you entered into the plan, did you



136:1 have any reason to believe that Countrywide's share price  
2 would increase between February 2, 2007 and December 21 ,  
3 2007?

4 A No.

5 Q At the time that you entered into the plan, did you  
6 have any reason to believe that Countrywide's share price  
7 would decrease between February 7, 2007 and December 21,  
8 2007?

9 A No, certainly not.

10 Q At the time that you entered into the February 2nd  
11 amendment to the plan, did you have any reason to suspect  
12 that you would be unable to sell shares under the plan?

13 A No.

14 Q Did you have any reason to believe that any of the  
15 price groups identified in the plan which are identified on  
16 the page that ends in page 63 as \$28.00 a share, \$29.00 a  
17 share, \$29.50 a share or \$30.00 a share would not be reached?

18 A No, I also want to for the record explain the issue  
19 of the 20 percent issue. That was really -- when we went into  
20 the expired options it was to avoid an event that was -- it  
21 was soon after 9/11. There was a concern of market  
22 disruptions and as a result by the time you got to the end of  
23 the plan shares would not be sold because of market  
24 disruptions.

25 So to make sure that they didn't expire and go

137:1 worthless they said if there's anything left over, 20  
2 percent, 20 percent, 20 percent and it's all gone. That was  
3 the purpose of it. It clearly was understandable. What  
4 happened in my judgment, and I think it's clear, is that as  
5 the subsequent plans came into existence where these were not  
6 expired options and say why would you have it in there, it's  
7 just that nobody paid attention to it.

8           They just kept on replicating the same plan without  
9 paying attention to two things. One was the \$28.00 a share  
10 which came as a surprise to me and I didn't frankly know  
11 about this issue with the 20 percent because it was sold in -  
12 - this recent plan just went out.

13           Q     In October.

14           A     October, right. The head of the comp committee of  
15 the board came to me, Henry Cisneros, and said Angelo are you  
16 aware that these amount of shares have to be sold under this  
17 plan 20 percent a day. I looked at it and it was the first  
18 time I saw it. Nobody had told me about it. I said oh my  
19 God. I got to stop it because I can't have that happen. Not  
20 because of the price of stock and I wasn't going to make any  
21 money. I just thought it was inappropriate.

22                 So I try to stop it and say okay let's cancel it  
23 because these options were not expiring. I could just take  
24 them into the next plan and do whatever. There was no way I  
25 could get comfort that I could make that modification without

138:1 exposing myself to opening up the whole 10(b)(5)(1) plan as  
2 to why did you do it? What was your purpose in doing it? I  
3 said I got to let it go through.

4 The same thing is going to happen -- well, I don't  
5 think it's going to happen now because the stock is so low  
6 but every plan has that. It had the \$28.00 where frankly I  
7 don't know where that came from. It was embedded in there  
8 somehow and never changed. The same contract irrespective of  
9 the circumstances changing went into effect.

10 Q Are you concerned about the privilege at this  
11 point?

12 MR. MCLUCAS: No, no, no but I think conceptually  
13 the language got carried over. No one saw it. Once Mr.  
14 Mozilo identified it the question then is you can't change  
15 the terms of a plan without violating the conditions under  
16 which you can enter into a 10(b)(5)(1) plan.

17 MS. DEAN: I'm about to ask him who told him that  
18 which is why I said are you concerned about privilege at this  
19 point. I mean he's already sort of told me what the  
20 substance of the communication was. I mean if the answer is  
21 my lawyer told me that I'll just drop it.

22 MR. MCLUCAS: The answer is that feedback was given  
23 by a number of parties and it was advice of counsel from at  
24 least of two sets of lawyers -- three sets of lawyers.

25 BY MS. DEAN:

139:1 Q Let me just get Mr. Mozilo to say that on the  
2 record. So you realized in late August that you -- in  
3 September that you were about to sell the balance of the  
4 shares that were still in your October 27, 2006 10(b)(5)(1)  
5 plan, correct?

6 A Correct.

7 Q And your testimony was that in fact it was Henry  
8 Cisneros who approached you --

9 A He was head of the comp committee.

10 Q He approached you and said are you aware --

11 A Gave me a memo.

12 Q Let me just -- he wrote you a memo in which he said  
13 are you aware this is about to happen?

14 A He gave me a memo from HR.

15 Q At that point your testimony is that you wanted to  
16 see if you could somehow prevent that from happening,  
17 correct?

18 A I wasn't concerned about the stock price at all. I  
19 was concerned about the volume because once the stock went  
20 below \$28.00 a share which I was unaware of, nothing was  
21 sold. I wasn't paying attention. So nothing was sold for a  
22 period of time so it all accumulated until that five day 20  
23 percent a day had to come about. When I was aware of it, I  
24 immediately contacted three sets of counsel and say look can  
25 I do this and I was not satisfied I could do it without

140:1 serious consequences to me.

2 Q Okay. The lawyers that you talked to were they in  
3 house lawyers at Countrywide or did you speak to outside  
4 counsel?

5 A Both.

6 Q Okay. Which lawyers did you contact?

7 A I can say that.

8 Q You can identify the attorney. I don't want to know  
9 the substance of the communication. Just tell me who it was.

10 A Ed Herlehey. He spoke to a partner and I am  
11 advising you not to do that.

12 MR. PASTUSZENSKI: She doesn't want to know the  
13 substance.

14 MS. DEAN: Unless you want to waive, I'm not trying  
15 to get him to waive his privilege.

16 MR. MCLUCAS: We may make that decision at some  
17 point.

18 THE WITNESS: I spoke with Brian. Brian had a view  
19 on it and then I came to my conclusion. I spoke to Susan Bow  
20 and Sandy Samuels. They had their view of it. So it was  
21 obviously my decision after I took the information not to  
22 proceed to do that. Then I went public. I put out a press  
23 release that this was about to happen. It was an event -- I  
24 forget what the exact thing he said but something to the  
25 effect I don't want to do this but the contract forces me to

141:1 do it.

2 BY MS. DEAN:

3 Q Okay.

4 A So I wanted the market to know what was going to  
5 happen.

6 Q I think you said this. I just want to make sure I  
7 understood it. Is it your testimony that you actually didn't  
8 realize in early August you were no longer selling shares  
9 underneath the October 26th 10(b)(5)(1) plan?

10 A No, the only way I would know is I would get a  
11 confirmation because I don't communicate about the  
12 10(b)(5)(1). I was not paying attention. I wasn't getting  
13 confirmations. I just had no idea until he handed me that  
14 memo from HR. What prompted the memo from HR I don't know.

15 Q At least in February of 2007 you didn't have any  
16 reason to believe that when you amended the plan that  
17 basically the amendment was going to be a nullity? You  
18 didn't believe that the share price was somehow going to dip  
19 below --

20 A If I believed that then no way in July of '07 I  
21 would have exercised and held -- absolutely not. If you look  
22 at things that I've said about him, I thought the issues that  
23 were taking place before seeking consolidation was great for  
24 Countrywide and we come out of the cycle. Again, Lynn, logic  
25 would dictate to anyone that if I believe that the stock

142:1 would be \$12.00 now and I had a \$14.00 stock price when the  
2 stock was \$45.00 I would have sold it and not put it in a  
3 plan because I could have done that.

4 Q Let's mark this one as Exhibit 19. Mr. Mozilo, I'm  
5 now handing you what has been marked as Exhibit 19 which is a  
6 December 22, 2006 memo from Becky Bailey to a distribution  
7 list. It's Bates stamped CFC2007-00104 through 00105. Have  
8 you ever seen this document?

9 (SEC Exhibit 19 was marked for  
10 identification.)

11 A I'm sure I have.

12 Q I know we're getting toward the end of the day but  
13 you've got to let me finish the question.

14 A I'm sorry.

15 Q We're not going to have any record worth reading.  
16 Let me try it again. Have you ever seen the document that's  
17 been marked as Exhibit 19 before?

18 A I've seen similar documents before. I'm sure I've  
19 seen this one.

20 Q You were aware when you were -- strike that. You  
21 were aware when you made the decision to amend your December  
22 12, 2006 10(b)(5)(1) plan on February 2, 2007 that  
23 Countrywide was in a black out period from January 2, 2007  
24 through February 2, 2007?

25 A Yes, I specifically asked when it was over and it

143:1 says February 2nd.

2 MS. DEAN: Off the record.

3 (Whereupon, a brief recess was taken.)

4 BY MS. DEAN:

5 Q Mr. Mozilo, I've now handed you what has been  
6 marked as Exhibit 20 which is a May 15, 2007 letter from Anne  
7 McCallion at Countrywide to a staff attorney here named Janet  
8 Moser. I will represent to you that the letter was written  
9 by Ms. McCallion in response to a request for information  
10 that the staff sent to Countrywide back in April of 2007 in  
11 which we asked for information about whether or not  
12 Countrywide had made any changes to its policy for  
13 calculating loan loss reserves. My first question to you  
14 which I think you've already answered is have you ever seen  
15 Exhibit 20 before?

16 (SEC Exhibit 20 was marked for  
17 identification.)

18 A No.

19 Q Okay. Were you even aware that the staff had  
20 requested this information from Countrywide?

21 A No.

22 Q Let me just ask one more question about the  
23 document then. If you turn to the page that is -- it's  
24 really the second page of the attachment. So at the top it  
25 says score and documentation type.



144:1           A     I see it.

2           Q     In the middle of that page there is a paragraph  
3 that starts with the words "during 2006". Do you see that?

4           A     Uh-huh.

5           Q     There's a reference here to a change in the process  
6 for calculating reserves on non-prime loans. The reference  
7 says that instead of using a 60 day delinquency status is the  
8 cut off between estimating probability of default over the  
9 next 12 months that a decision was made to use 90 day  
10 delinquency. Do you see that?

11          A     Yes, I do.

12          Q     Were you a party to any discussions about that  
13 decision?

14          A     No.

15          Q     Okay. Were you aware that that change had been  
16 made?

17          A     No, the only thing this brings to mind is that as  
18 we were migrating the mortgage company into the bank, the  
19 mortgage company's calculation for delinquencies was always  
20 the 31st day. A regulated bank -- I think it's 90 days. It's  
21 the only thing that strikes my mind as I look at this thing.  
22 It was going from the mortgage bank as we transition the  
23 assets into the bank the calculation for delinquency started  
24 a different day. It may or may not be related to this. I'm  
25 not sure.

145:1 Q You have a recollection that because of that there  
2 was some effort to standardize the calculation?

3 A No, not necessarily. I just remember that  
4 discussion. As we transition into a regulated entity that  
5 rules were changed.

6 Q Okay but you don't know if this particular change  
7 was in response to that?

8 A No, I don't.

9 Q And you had nothing to do with preparing Exhibit  
10 20?

11 A No.

12 Q And you never reviewed it before it was sent to the  
13 staff?

14 A No.

15 Q And you had nothing to do with the decision to move  
16 from 60 to 90 days in 2006?

17 A No, I wish I had that power.

18 Q Let's mark this one as 21. Mr. Mozilo, I am now  
19 handing you another document that is Exhibit 21. It is a  
20 November 2, 2007 letter from Gregory Weingart at Munger,  
21 Polson, Olson to me, Lynn Dean, at the Securities and  
22 Exchange Commission. It has an attachment which is a single  
23 page with a Bates stamp number of CFC2007-00663. My  
24 questions are all going to relate to that attachment page  
25 which is the last page of the document.



147:1 would migrate into 90 day delinquency status (one of the  
2 inputs into the calculation of the required allowance for  
3 loan losses) were producing results that under predicted the  
4 then current market experience." Do you see that?

5 A Yes, I do.

6 Q Did you have anything to do with the decision to  
7 establish a \$40,000,000 qualitative reserve in March 2007?

8 A No, I didn't.

9 Q Were you aware that that had happened?

10 A No.

11 Q Who would have been responsible for making that  
12 decision at Countrywide?

13 A It would have been Ann McCallion. It would have  
14 been a variety of people. It would have been Ann McCallion,  
15 Eric Sieracki, Dave Sambol and I assume from our credit area  
16 John. He left us recently to go to Washington Mutual. He was  
17 head of our credit area and Kevin Bartlett who is one of the  
18 quantitative people that worked on this stuff.

19 Q Okay.

20 A Potentially Carlos Garcia because if this was the  
21 bank issue he was head of the bank and holding these home  
22 equity loans in the bank. So he would be part of it. I  
23 would say a group of six or seven people probably were  
24 involved in the process.

25 Q I wanted to ask you about --

148:1           A     \$40,000,000 is not material to a \$200 billion  
2     balance sheet. So it would not be brought to my attention.

3           Q     I also wanted to ask you about the item under  
4     number three which is another change which reads: "In the  
5     first quarter of 2007, Countrywide began to model expected  
6     losses on non-prime loans embedded in the residual interest  
7     valuations to maturity rather than to project a call date.  
8     This change was made to reflect the fact that Countrywide was  
9     no longer exercising its clean up call options on such loans  
10    due to deteriorating non-prime market conditions. This  
11    change reduced the value of the residual interests by an  
12    estimate \$48.3 million dollars." Do you see that?

13          A     I do.

14          Q     Did you have anything to do with that decision?

15          A     No, I understand part of it. I don't understand  
16    what clean up call options means but we hold residuals on the  
17    balance sheet of sub prime. On sub prime unless you  
18    securitize them and you create a triple A tranche triple B  
19    those are all salable. There's a toxic piece that you're  
20    forced to hold in order to get the higher ratings on the  
21    other piece.

22                Typically you hold those, wait for the market and  
23    hope you can sell them out some place. So I think that's what  
24    they're talking about is the residual piece that was on our  
25    balance sheet. At that time, although sub primes started to

149:1 show performance that was not related to what we had  
2 predicted initially, as real estate values began to fall and,  
3 of course, you can see what's happened. Everybody has  
4 written off billions and billions and it's going to be  
5 trillions by the end of the day.

6 We were not aware of it at that time. So we just  
7 sort of take it at that time. This is what appears to us to  
8 be the case. So I understand the concept but I was not part  
9 of it.

10 Q Do you know who at the company would have been  
11 responsible --

12 A That same group I assume. I know Kevin Bartlett  
13 would have been. Dave Sambol certainly would have been made  
14 aware of it. Eric Sieracki. These were all the CPA's of the  
15 group. Potentially Jeff Speaks who is our economist. I know  
16 he is in on these discussions.

17 Q Let's mark this as Exhibit 22. Mr. Mozilo, I've  
18 handed you now what's been marked as Exhibit 22 which is  
19 another letter from Gregory Weingart to me on behalf of the  
20 Securities and Exchange Commission. This one dated October  
21 29, 2007. It attaches a time table on the decision that  
22 Countrywide made in August of this year to draw on its back  
23 up line of credit.

24 (SEC Exhibit 22 was marked for  
25 identification.)

150:1 A Correct.

2 Q So I wanted to ask you a couple of questions about  
3 that. I know that we talked about that this morning and I  
4 just wanted to ask you a couple of follow up questions with  
5 respect to this chronology.

6 A Okay.

7 Q First, did you have anything to do with the  
8 preparation of the chronology that's attached to Exhibit 22?

9 A No.

10 Q Were you aware that a chronology was being prepared  
11 at the request of the Securities and Exchange Commission  
12 staff?

13 A No.

14 Q Earlier today I had asked you how much time you  
15 were time you were spending out at Countrywide at different  
16 times and you said that effective August 2nd that you started  
17 spending every day out there basically because of the  
18 liquidity crisis, correct?

19 A That's correct.

20 Q To your knowledge, was August 2nd the first day on  
21 which Countrywide became aware that there were issues with  
22 respect to liquidity?

23 A Yeah, it seems to be the date that everybody --  
24 when we talk about it at Countrywide that's our 9/11. Now  
25 whether it was August 1st or August 3rd. It was around that

151:1 time that there was something different. Something was  
2 happening that we had never seen before. So that's when I  
3 became aware of it. July 31st I would say that we were fine.  
4 We were in great shape. We were just renegotiating our  
5 lines. Everything was fine. Only a week or two before that  
6 I exercised options. Exercised stock. Bought the stock.  
7 Paid big taxes. No sign of it.

8 It just came down all at once. I think it may have  
9 been promulgated by the rating agency S&P down grading a  
10 whole bunch of bonds all at once, mortgage back securities.  
11 As a result, creditors immediately said -- I mean investors  
12 said that's it. We don't even know what we're buying here.  
13 Why are they down grading this? I thought I bought a triple  
14 A and it's not a triple A. With that it just rippled and  
15 ceased up. Everything just ceased up across the world.

16 Q When did that happen?

17 A I think it was around that same time. I don't know  
18 when it down graded but the impact of when they down graded  
19 seemed to hit right at August 1st, August 2nd.

20 Q If you turn in the chronology to what is -- it  
21 would be the second page of the chronology which is Bates  
22 stamped CFC2007-00658. The top --

23 A Yeah, I'm right on the date.

24 Q The top box on that page refers to the date August  
25 1st and 2nd. There's a discussion. The second full



152:1 paragraph there about August 2nd being the last day the repo  
2 desk was able to execute term tri-party trades. Do you see  
3 that?

4 A Uh-huh.

5 Q Can you explain to me what is being discussed  
6 there?

7 A We had a repo desk where we had a trading operation  
8 that provided -- we went out and got repo lines. Our trading  
9 operation provided repo lines to smaller companies. The way  
10 we did it is they went and made sure they had another side to  
11 it. When they couldn't get the other side, is when they  
12 couldn't do the repo for the other institution so they were  
13 blocked. Also I don't know the exact timing on it but we  
14 were A minus to triple B minus down three grades just like  
15 that right as we pulled the lines.

16 We were getting warnings from the rating agencies  
17 and their operations depends heavily on our ratings as a  
18 counter party. So I think that was going on. Our repo desk  
19 got shut down. There was two separate repos. Countrywide  
20 had home loans had repo relationships and Countrywide  
21 Securities had separate repo relationships but it's the same  
22 issue.

23 Q The end of that particular paragraph there's  
24 something that says maturing liquidity trades roll over night  
25 only. Can you explain what that means?

153:1           A     Yeah, first of all we had the rolls where you  
2     refinance for a month or two months. They said -- we'll give  
3     you one night, 24 hours. That's as far out as we'll go with  
4     you because we don't know where this is going. We couldn't  
5     get a commitment beyond one night.

6           Q     Okay. Then in the next block on that same page  
7     which is dated August 3rd -- well, before I go there, were  
8     you informed on August 2nd that the repo desk was only able  
9     to execute tri party trades and private label, triple A and  
10    lower? I'm sorry let me back up. Were you informed that on  
11    August 2nd. Try again. Were you informed that August 2nd  
12    was the last day that Countrywide securities was able to  
13    execute term tri party trades, private label and triple A and  
14    lower?

15          A     I wouldn't say I knew it was the last day because  
16    each day was changing so rapidly. I thought each day may  
17    open up again but I knew on August 2nd that we had some  
18    problems and almost lost the whole operation downstairs on  
19    August 2nd.

20          Q     What does that mean you almost lost the whole  
21    operation?

22          A     This trading operation depends on their ability to  
23    be a legitimate counter party and to get access to the credit  
24    markets and they couldn't do it. Their whole trading  
25    operation is that they got to be able to borrow, do the

154:1 trade, sell it out the other side and they couldn't do it.

2 So once you can't do that there's no difference. If you can't  
3 get a loan, you can't buy a house. They couldn't get a loan.

4 Q So you knew about that on August 2nd. You didn't  
5 know whether that was going to continue to be the case but --

6 A Yeah.

7 Q At least that's --

8 A Yeah, we thought each day this can't last.

9 THE REPORTER: Can you ask the question again  
10 please?

11 BY MS. DEAN:

12 Q Yeah, you knew on August 2nd that it was true that  
13 the repo desk was not able to execute those trades any  
14 longer, correct?

15 A I knew generally we had a problem.

16 Q You also knew that liquidity trades you could only  
17 get over night commitments on August 2nd?

18 A I knew that we were -- I couldn't tell you the  
19 specific issue. I could explain what it was but I was unaware  
20 that it was a one day roll down at the securities desk. I  
21 can't tell you specifically I was aware of that issue but I  
22 was aware of the overall liquidity issue.

23 Q How were you becoming aware of these issues? Who  
24 in the company was talking to you about these issues?

25 A Dave Sambol. We were actually all in one office.

155:1 We operated just out of -- it was Dave Sambol. He was very  
2 much involved. He was sort of the quarterback of the whole  
3 issue. Ron Kripalani -- he's in one of your e-mails there.  
4 Ron Kripalani. He runs Countrywide Securities. So we were  
5 all in one -- Eric Sieracki, Carlos Garcia, Kevin Bartlett.  
6 We were all -- because a lot of things were happening. It  
7 wasn't just this single event.

8           It was a global crisis within Countrywide and all  
9 areas of the company because we sort of depended upon these  
10 three areas, medium term notes, commercial paper and repo  
11 lines, all of which were locked in. I waited to see here -- I  
12 didn't want to pull those back up lines down because I knew  
13 the consequences of that but when it became apparent the  
14 company was not going to make it liquidity wise.

15           We had capital and we were solvent but we just  
16 didn't have liquidity which is the back bone of mortgage  
17 banking. We had to pull down those lines on August 15th. So  
18 I waited 13 days to avoid pulling down those lines because I  
19 was renegotiating with the banks and said look guys if you  
20 don't renew my repo lines, I have to pull down my back up  
21 lines. Then they informed me why don't you go ahead and pull  
22 down the back up lines which I did.

23           Q     Okay. If you look on this block that's dated  
24 August 3rd there is a reference in the second full paragraph  
25 to the institution of nightly meetings to discuss the

156:1 company's daily liquidity position. Do you see that?

2 A Correct.

3 Q Then there are some participants identified in the  
4 right hand column. Now you're not identified as a  
5 participant in those meetings. Did you attend any of the  
6 liquidity meetings?

7 A Yeah, all of them. I'm generally over all the  
8 meetings. These may be very specific meetings relative to  
9 some strategies that were going to be embarked upon because  
10 you can see John Mahoney of Goldman Sacks was involved in  
11 these things, and this was more related to what they  
12 potentially do to help get through it. So that was more  
13 tactical. I was there for a lot of these meetings. I don't  
14 know why I'm not referenced but I was.

15 Q Do you recall being in meetings where John Mahoney  
16 was president and you were discussing liquidity issues?

17 A Oh sure.

18 Q Who made the decision to start having these daily  
19 meetings?

20 A God. It was just required.

21 Q Who spoke for God in this instance?

22 A In other words the events forced it. You had to  
23 be -- I mean they were moving so quickly that you had to stay  
24 together and make sure you look at all the issues and what  
25 possible resolutions. So the events caused us to stay to

157:1 4:00 in the morning. We were there until 4:00 in the morning  
2 speaking to people in New York. It was the events. I think  
3 you have to understand this that this company is more than  
4 just a company to us. These kids have been with me for 25  
5 years. This is all they know. This is their baby.

6           When your baby is in crisis, who dictates whether  
7 you're going to stay with that baby or not? As long as that  
8 baby is sick, you're there 24 hours a day, whatever it takes  
9 and this is our baby. It was that emotional attachment to the  
10 company that required us to be there doing it. Nobody had to  
11 tell us to do it. Nobody has to tell you to be a mother.

12           Q     So you don't recall there was a memo that went out  
13 that said we're going to start having these liquidity  
14 meetings. Your recollection is that it was more organic than  
15 that, that people were just present at the company and the  
16 meetings were ongoing?

17           A     Absolutely. As events would happen, we'd call --  
18 by the way another person here is Jennifer Sandofer by the  
19 way. I shouldn't have left her out. Jennifer Sandofer is  
20 the treasurer of the company and she's really instrumental in  
21 liquidity issues. She's the one that negotiates with all the  
22 banks. She's the one that negotiates the back up lines and  
23 CP. That's how I found out originally about the CP issue.  
24 So she was a very important part of this equation and she's  
25 here. She's the treasurer.

158:1 Q If you turn to the next page, the one that's Bates  
2 stamped ending 659, there's a block for August 6th which  
3 discusses a board meeting.

4 A Right.

5 Q Do you recall a board meeting on August 6, 2007?

6 A Yes.

7 Q In that block, the discussion there indicates that  
8 you were the individual who informed the board that the  
9 company might need to draw down it's --

10 A That's correct.

11 Q Do you want to try that again? That you were the  
12 one that informed the board that the company might need to  
13 drawn down its back up credit facilities, correct?

14 A Correct.

15 Q Were you the first person to suggest that that  
16 might have to be done?

17 A No.

18 Q Who was the first person to bring that up?

19 A Dave Sambol.

20 Q Who did he bring it up to?

21 A Me.

22 Q Okay. When was that?

23 A That was on or about the 8th and 9th as we began  
24 looking at the liquidity and we had loans to close. It was  
25 probably around that time before and it took them awhile to

159:1 convince me to do it because I knew the consequences of it. I  
2 knew the potential down grade. I knew the reputational  
3 issues. I knew all the other stuff. It was something in one  
4 of these boxes that was talking about bankruptcy.

5 Q We're not there yet.

6 A Yeah.

7 Q We'll get there.

8 A By the way that John, the head of credit, was John  
9 McMurray. He was here that left us and went to Wamu.

10 Q So I guess I just want to make sure I understand.  
11 David Sambol brought up to you the possibility that the  
12 company might have to draw down its back up line and you  
13 think it was before August 6, 2007?

14 A I'm not sure. Around that time.

15 Q But between August 2 and August 6th. Does that  
16 sound reasonable?

17 A I don't know if it sounds reasonable or not. I  
18 don't know why you're going there so I've got to be very  
19 careful. I can't tell you the date but I can tell you it was  
20 between August 2nd and August 15th. That's the time frame it  
21 happened but I can't narrow it down to two or three days.

22 Q Well, do you recall telling the board on August 6th  
23 that you thought that the company would have to --

24 A I'm sorry, yes. Before that. I see where you're  
25 going with that. When I told the board that my purpose in



160:1 doing that was to tell them what was going on in the company  
2 and what our thought process was and what was potential here  
3 because I thought it was a very serious event and that they  
4 had to be aware of it. I think I held meetings every three or  
5 four days with the board from that time forward.

6 Q You would have had that conversation with David  
7 Sambol about drawing down that line of credit prior to  
8 bringing it up to the board on August 6th, correct?

9 A Correct.

10 Q Was that a yes?

11 A Yes.

12 Q Okay.

13 A Based upon this. I'm assuming these dates are  
14 correct. I'm just making the assumption that this print out,  
15 chronological exercise is correct.

16 Q Well, you don't have any reason to think it's not,  
17 correct? In other words, you don't have any independent --

18 A No, as I said somewhere between August 2nd and  
19 August 15th this was discussed.

20 Q I just want to -- let me just ask it one more time.  
21 You don't have any reason as you sit here today to think that  
22 that August 6th date is wrong?

23 A I have no reason to believe it's wrong.

24 Q Okay. I think you've already told us that you were  
25 making efforts to identify alternative sources of funding in

161:1 lieu of drawing down a back up line of credit, correct?

2 A That's correct.

3 Q If you look at the block that's dated August 10th,  
4 there's a discussion there at the end of the second full  
5 paragraph about efforts to identify and access alternative  
6 sources of liquidity continue through August 15th. Do you  
7 see that?

8 A Where?

9 Q The second full paragraph, the last sentence.

10 A Okay. The efforts to identify and access  
11 alternative sources of liquidity continue through August 15  
12 is absolutely correct.

13 Q What I was going to ask you is that a reference to  
14 what you were discussing when you said you were attempting to  
15 get alternative sources of financing?

16 A Yeah, we were constantly -- we were negotiating  
17 with everybody to try to get other repurchase financing even  
18 though we knew it was going to cost us a lot more and we did  
19 it with Layman Brothers. We did something Greenwich Capital  
20 that's owned by RBC. We did something with them. It was out  
21 of the mainstream of what we normally would do. We were  
22 looking for all kinds of means to replace -- to get the  
23 liquidity before we had to pull down the lines.

24 Q And it's your testimony that the reason that you  
25 weren't able to find alternative financing was that the banks

162:1 themselves were undergoing their own liquidity crisis?

2 A That's correct.

3 Q Let's look at the block that's dated August 11  
4 through 12, 2007. It's on the page that ends in Bates stamp  
5 number 661. It's the top block on the page.

6 A I'm sorry.

7 Q August 11 through 12.

8 A Okay.

9 Q There's a reference there that the finance  
10 executives and others spent the weekend in liquidity planning  
11 sessions. Do you see that?

12 A That's correct.

13 Q Did you participate in those meetings?

14 A I did.

15 Q Okay.

16 A I'm really a non-entity here. This is really  
17 wonderful. I was there until 4:00 in the morning.

18 Q On August 15, 2007, there's a reference to a  
19 morning news headline which included a Merrill Lynch analyst  
20 assessment that bankruptcy scenario with respect to  
21 Countrywide was plausible. Do you see that?

22 A Yes.

23 Q Is that the reference to bankruptcy that you were  
24 talking about earlier?

25 A That's correct.

163:1 Q What was the effect of that?

2 A Terrible. It was irresponsible on part of the  
3 analyst. This was one analyst out of hundreds of analysts  
4 that would even come up with that scenario. This was a former  
5 employee of Countrywide, this analyst.

6 Q Do you happen to remember his name?

7 A I thought I'd never forget it but I don't recall at  
8 the moment.

9 Q That's okay. We can find it.

10 A Yeah, you'll find it. It doesn't ring a bell. I'm  
11 kind of tired. He mentioned like some of the back pages  
12 of -- I don't read those reports because they're depressing.  
13 I'll just give you the sequence of events. We don't allow  
14 reporters at our and never have in 40 years at our annual  
15 meetings. Reporter bought one share of stock and attended  
16 our meeting out of the LA Times of course.

17 He asked a question of me related to suitability, a  
18 trick question and I gave an answer and I won't bore you with  
19 the answer, but it really violated our mission of helping  
20 those left behind in our society for home ownership. He  
21 didn't like the answer and he is the guy who took that one  
22 word out of that thing and put it in an article and then  
23 printed the -- with that article about bankruptcy highlighted  
24 bankruptcy.

25 There was no potential for that. We were

164:1 absolutely a solid company. We had plenty of capital and  
2 printed the name of every one of our bank branches and the  
3 address and the phone number, and panicked these people.  
4 That was the cause of it. It was that he picked up that  
5 article and Merrill Lynch called me and apologized and said  
6 it was terribly upset but the damage was done.

7 Q What was the question about suitability that the  
8 reporter asked you?

9 A You interested in that?

10 Q You don't -- I just want to make sure I understand  
11 what you meant by suitability.

12 A I don't know anything about you but if you came to  
13 me and I took a loan application and you qualified for the  
14 loan and you have -- and I said you qualify. Is this the  
15 house you want? Yes, that's the house I want to buy. Okay  
16 you qualify for it. You meet all the debt to income  
17 requirements and you hit the right FICA score, and you have  
18 four children and you're buying a two bedroom house.  
19 Suitability would say well, I'll tell you what Lynn you  
20 qualify for this loan but I'm not going to give you the loan  
21 because you have four kids. I'm concerned about where you're  
22 going to put those kids in two bedrooms. You and your husband  
23 have one bedroom and we have four kids in one bedroom. I've  
24 determined that that's not suitable for you. That's not my  
25 responsibility. That's what suitability means. Or

165:1 Hispanics, for example, will go four families to one house so  
2 they can qualify. White people wouldn't do that. Black  
3 people wouldn't do it but Hispanics and Asians do. That's  
4 part of their culture. I'd have to say that based upon our  
5 value system that's not suitable for you. I'm not making you  
6 that loan because it's not suitable for you.

7 Or I say to you, you know what I'm aware of the  
8 fact that you have marital problems and I'm concerned that  
9 you're going to get divorced and I'm concerned that you're  
10 not going to be able to make the payments if you do get  
11 divorced. That's suitability. That's not my responsibility.  
12 So I went through this. We are the largest lender to  
13 Hispanics and African Americans in the United States. I know  
14 if I applied our normal standards of white people life  
15 experience to theirs it would be nobody would get a house.

16 I made a very impassioned speech and he didn't like  
17 it because they are pro suitability. They want to push  
18 legislation for -- my responsibility is to make all of those  
19 determinations so that -- or if it's not a safe neighborhood  
20 or the schools are not good, your kids aren't going to be  
21 educated well. It's my responsibility to make those  
22 determinations and I'm against that.

23 Q So it's not a function of whether the particular  
24 loan, the terms of the loan are somehow suitable for the  
25 person. In other words that they might or might not qualify

166:1 objectively speaking under the loan, you're saying that it  
2 has to do with whether the home they are purchasing is  
3 suitable?

4 A Yeah, it has that and it has the other component  
5 too. If somebody comes to me and says look I want a three  
6 year hybrid. The rate is lower and I'm only going to live in  
7 the house three years. I say to you I don't believe you.  
8 It's going to reset in three years and I'm assuming you're  
9 never going to get an increase in salary and I don't believe  
10 you. I think you're going to live beyond three year.

11 I'm not going to give you a three year hybrid.  
12 You've got to have a 30 year fixed. That's all part of that  
13 suitability. It's a huge umbrella. I don't know how you'd  
14 make a loan because you're subject to litigation. If that  
15 loan goes delinquent we'll get sued because they'll determine  
16 something in that process I should have known was not  
17 suitable for that family.

18 Q August 15th again it carries over onto the next  
19 page and after that a headline came out with the word  
20 bankruptcy in it. There's a reference here to a discussion  
21 about a lack of progress on bank discussion and then it says  
22 that Angelo Mozilo and Dave Sambol made the decision to draw  
23 on credit lines at approximately 8:00 a.m. Do you see that?

24 A On what date?

25 Q This is the --

167:1           A     The 15th?

2           Q     It's the carry over of the 15th.  It's on the page

3     that --

4           A     I don't remember the time but we had been in

5     discussions all that night the 14th as to whether or not

6     there was another course we could take with JP Morgan Chase

7     and the decision was to take that course would be enormous

8     consequences for the company.  So we decided we'll analyze.

9     I think the call was made at 8:00 to do that.  Jennifer was

10    given the instructions pull them down.

11          Q     Jennifer?

12          A     Sandofer, the treasurer.

13          Q     Okay.  That was a decision that you made with Dave

14    Sambol, correct?

15          A     Correct.

16          Q     Did you seek board of --

17                THE REPORTER:  Whoa, decision made with --

18                BY MS. DEAN:

19          Q     You and Dave Sambol.  Is that correct?

20          A     That is correct.

21          Q     Then did you seek board approval of that decision?

22          A     I believe that we had discussed it with the board

23    on several occasions up to the 15th because I had several

24    meetings with the board and they knew what we were going to

25    do and nobody objected to it.  I don't believe we had a



168:1 resolution to do it but there was approval through our  
2 discussions with the board members.

3 Q Do you remember having a board meeting on the  
4 morning of August 15th?

5 A I don't remember that.

6 Q There's a reference here --

7 A At 9:00 a.m.

8 Q Uh-huh. Is it your understand that that's a  
9 mistake or do you just not remember whether there was a  
10 meeting that day or not?

11 A I don't understand the sequence of events.  
12 Approximately 8:00 a.m. -- we made decision to draw down the  
13 lines. Got approval at 9:00 and then I don't know what time  
14 we drew them down. Here it is. Management is responsible  
15 for implementation. Draw is notified 9:30.

16 Q Does that seem consistent with your recollection?

17 A Yeah.

18 Q So you think there was a board meeting that day,  
19 correct?

20 A There was, yeah.

21 Q But you don't recall whether or not there was a  
22 board resolution on this issue. Is that right?

23 A I don't.

24 Q Let's mark this as 23. Mr. Mozilo, I'm handing you  
25 now a four page document that purports to be an unofficial

169:1 transcript of an interview that you gave on August 23rd to  
2 Maria Bartiromo. Do you recall actually giving Maria  
3 Bartiromo on or about August 23rd?

4 (SEC Exhibit 23 was marked for  
5 identification.)

6 A Yes.

7 Q Were you prepped for that interview by anyone?

8 A No.

9 Q Would you look at the second to the last page, the  
10 one that's page three of four.

11 A Why don't you fill this in. I think it's hard to  
12 tell exactly where you are. You're sort of in the middle of  
13 the jungle. That's what you should focus on.

14 Q Is there something you want to say about that?

15 A You never know. It's changing so rapidly. I didn't  
16 know where we were. They were always looking for very precise  
17 answers and I just couldn't give it.

18 Q So this is in reference to the first page of the  
19 document. Ms. Bartiromo asked if you could characterize the  
20 current environment and your response was that it's really  
21 hard to know where you are?

22 A Right.

23 Q Specifically what I wanted to ask you about is on  
24 the second to the last page, the one that's marked three of  
25 four. In the middle of the page, there's a discussion about

170:1 the fact that you've been selling stock in Countrywide. You  
2 proffered some explanations for selling the stock. This is  
3 really the middle of the page. Ms. Bartiromo's question is  
4 I've got to ask you about this. Do you see that?

5 A Yes.

6 Q Okay and then she asks what the lowest price you've  
7 sold at is.

8 A Right.

9 Q You go on to give a response which includes some  
10 information about why you're selling. What I'd like you to  
11 do is take a second and read through that and just let me  
12 know if you think that's an accurate -- if that was in fact  
13 your answer to Ms. Bartiromo that day.

14 MR. MCLUCAS: In other words, is this, in fact,  
15 what he said as best he can recall?

16 MS. DEAN: Right.

17 THE WITNESS: Yeah, I think that's what I said. I  
18 reference \$28.00 a share. I think my surprise Lynn was when  
19 the memo I had no idea I had that many shares left over to  
20 sell. That was a shocking part of it to me. I didn't realize  
21 the stock had dropped and so much was left over.

22 BY MS. DEAN:

23 Q This is the memo we're talking about when you  
24 realized that you were going to sell under the October plan  
25 because you had shares that couldn't be sold because they

171:1 couldn't make the \$28.00 price?

2 A Right.

3 Q Just to sort of go through the reasons in this  
4 paragraph I think they're consistent with what you told me  
5 earlier which is you were selling because the shares that you  
6 had were the majority of your net worth, right?

7 A That's right.

8 Q That you had to pay for the education of your  
9 children and grandchildren?

10 A Well, it was just a very subjective comment. It's  
11 always on my mind.

12 Q And that you were close to the end of your career  
13 and you were attempting to sell your shares in an orderly  
14 way?

15 A In an orderly dissolution.

16 Q Okay. I know we talked about some other reasons  
17 including the unexpected real estate expense that you  
18 encountered in December of 2006. Other than that, are there  
19 any other reasons why you might have decided to sell your  
20 shares between September 2006 and today?

21 A No.

22 MR. MCLUCAS: That subsumes the broader financial  
23 planning that he's already testified about.

24 BY MS. DEAN:

25 Q Right which I think is part of the whole orderly

172:1 dissolution end of the career. There are no other reasons  
2 that you want to put on the record at this point?

3 A No.

4 MR. GREEN: I think we also discussed a suggestion  
5 by Bob Donato earlier?

6 THE WITNESS: Yeah but that was minor. It was sort  
7 of made me think about it. Why is a director concerned about  
8 how many shares they own and maybe just out of friendship. I  
9 never questioned him about it. I just sort of put that in the  
10 computer. I would say that in itself didn't cause -- it was  
11 the combination of things I was thinking about at the time.

12 BY MS. DEAN:

13 Q By the way, do you really go to work around 4:00 in  
14 the morning every day?

15 A I use to go to work 3:30 every morning. We start  
16 trading. When I was deeply involved in trading, we trade  
17 Tokyo first and then UK and then US. So that starts at 3:30.  
18 That crew still comes in at 3:30 every morning. I get up at  
19 4:00. I don't look that great but I'm at my computer. I'm  
20 tied into the office on my computer and I begin my work at  
21 4:00 and get all it done. When I am finished getting that  
22 started and all the instructions started, especially if I'm  
23 getting off on a trip I want to get everything done because  
24 I'm in a plane and can't communicate. So generally 4:00 is  
25 my starting time.

173:1 Q Okay. Mr. Mozilo, do you want to clarify anything  
2 or add anything to anything that you told me today?

3 A I would only reinforce what I told my counsel is  
4 that two things. One, my motivations were to try to stay  
5 aligned with the shareholders rather than sell all at once.  
6 Even knowing what I know today that's what I would do even  
7 though I lost a lot of money in the process. Made a lot of  
8 money and lost a lot of money by not making a decision in  
9 February and December to sell the stocks rather than enter in  
10 the 10(b)(5)(1) which I could have done.

11 These were all vested. The second is that to my  
12 knowledge I did everything according to the rules as I  
13 understood them because my reputation, although know I'll  
14 never be able to get my reputation back based on what the LA  
15 Times have done to me, but my reputation was always very  
16 important to me for my family. That's it.

17 MS. DEAN: Counsel, do you have any clarifying  
18 questions you want to ask? Mr. Mozilo, we don't have any  
19 further questions for you at this time. We may, however,  
20 call you again in the future to testify. If we do, we'll  
21 contact your counsel and work that out. Counsel, I'll work  
22 with you off the record after this. We can talk once you  
23 guys get all back to your respective offices about the  
24 document issues that we've identified.

25 MR. MCLUCAS: We'll work with Munger. We'll get

174:1 you whatever it is you've asked for.

2 MR. PASTUSZENSKI: I can tell you from talking to  
3 Munger they didn't understand what you wanted.

4 MS. DEAN: Understood. We'll address that off the  
5 record but we'll come up with a time table and make sure  
6 everybody is on the same page about what it is that we're  
7 hoping to get. I really do want to thank you for coming in. I  
8 know this isn't pleasant and I appreciate that you agreed to  
9 do it voluntarily. Thank you all. We can go off the record  
10 at five minutes to 3:00 on November 9th.

11 (Whereupon, at 2:55 p.m., the examination was  
12 concluded.)

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175:1

PROOFREADER'S CERTIFICATE

2

3 In the Matter of: COUNTRYWIDE FINANCIAL

4 Witness: Angelo Mozilo

5 File Number: LA-03370-A

6 Date: Friday, November 9, 2007

7 Location: Los Angeles, CA

8

9

10 This is to certify that I, Adriana Ploeg (the  
11 undersigned), do hereby swear and affirm that the attached  
12 proceedings before the U.S. Securities and Exchange  
13 Commission were held according to the record and that this is  
14 the original, complete, true and accurate transcript that has  
15 been compared to the reporting or recording accomplished at  
16 the hearing.

17

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