

**UNITED STATES DISTRICT COURT**  
**NORTHERN DISTRICT OF ILLINOIS**  
**EASTERN DIVISION**

\_\_\_\_\_)  
)  
LAWRENCE E. JAFFE PENSION PLAN, ON )  
BEHALF OF ITSELF AND ALL OTHERS SIMILARLY )  
SITUATED,, )

Plaintiff, )

- *against* - )

HOUSEHOLD INTERNATIONAL, INC., ET. AL., )

Defendants. )  
\_\_\_\_\_)

Lead Case. No. 02-C5893  
(Consolidated)

CLASS ACTION

Judge Ronald A. Guzman

**DECLARATION OF THOMAS J. KAVALER IN SUPPORT  
OF HOUSEHOLD DEFENDANTS' *DAUBERT* MOTION TO  
EXCLUDE THE "EXPERT" TESTIMONY OF CATHERINE  
A. GHIGLIERI, CHARLES CROSS AND HARRIS L.  
DEVOR**

STATE OF NEW YORK     )  
                                      : ss.:  
COUNTY OF NEW YORK    )

THOMAS J. KAVALER, declares as follows:

1. I am a member of the bar of the State of New York and a member of the firm Cahill Gordon & Reindel LLP, attorneys for defendants Household International, Inc., Household Finance Corporation, William F. Aldinger, David A. Schoenholz, and Gary Gilmer, Defendants in this action. I have been admitted to appear before this Court *pro hac vice*. I submit this declaration to place before the Court certain information and documents referenced in Defendants' *Daubert* Motion to Exclude "Expert" Testimony of Catherine A. Ghiglieri.

2. Attached hereto as Exhibit 1 is a true and correct copy of the Report of Catherine A. Ghiglieri, which was served upon Defendants by Plaintiffs in this action on August 15, 2007.

3. Attached hereto as Exhibit 2 is a true and correct copy of the Rebuttal Report of Catherine A. Ghiglieri, which was served upon Defendants by Plaintiffs in this action on February 1, 2008.

4. Attached hereto as Exhibit 3 is a true and correct copy of the Transcript of the Deposition of Catherine A. Ghiglieri, dated February 13, 2008.

5. Attached hereto as Exhibit 4 is a true and correct copy of the Rule 26 Statement of Harris L. Devor, which was served upon Defendants by Plaintiffs in this action on March 8, 2008.

6. Attached hereto as Exhibit 5 is a true and correct copy of the Declaration of James C. Bernstein, dated February 28, 2005 and Exhibit 1 thereto.

7. Attached hereto as Exhibit 6 is a true and correct copy of the Transcript of the Deposition of Charles Cross, dated April 9, 2008.

8. Attached hereto as Exhibit 7 is a true and correct copy of the Declaration of Jason M. Hall, dated January 30 , 2009.

9. Attached hereto as Exhibit 8 is a true and correct copy of the Declaration of John L. Bley, dated January 28, 2009.

10. Attached hereto as Exhibit 9 is a true and correct copy of the Morgan Stanley Report, "Worth a Look," dated Oct. 10, 2002.

11. Attached hereto is as Exhibit 10 is a true and correct copy of the Transcript of the Deposition of Robert E. Litan (excerpted), dated February 27, 2008.

12. Attached hereto as Exhibit 11 is a true and correct copy of the documents bearing production control numbers HHS 02485306 - 337 produced in this litigation.

13. Attached hereto as Exhibit 12 is a true and correct copy of Exhibit 56 from the Deposition of Joseph A. Vozar, taken on February 7, 2007.

14. Attached and hereto as Exhibit 13 is a true and correct copy of Exhibit 24 from the Deposition of Catherine A. Ghiglieri, taken on February 13, 2008.

15. Attached and hereto as Exhibit 14 is a true and correct copy of Exhibit 26 from the Deposition of Catherine A. Ghiglieri, taken on February 13, 2008.

16. Attached hereto as Exhibit 15 is a true and correct copy of the documents bearing production control numbers HHS ED 001036 - 53 produced in this litigation.

17. Attached hereto as Exhibit 16 is a true and correct copy of the documents bearing production control numbers HHS-ED 016421 - 433 produced in this litigation.

19. Attached hereto as Exhibit 17 is a true and correct copy of Plaintiffs Second Supplemental Amended Response to Defendants' [Seventh] Interrogatories (excerpted), dated August 15, 2007.

20. Attached hereto as Exhibit 18 is a true and correct copy of Exhibit 53 to the Report of Daniel R. Fischel, served upon Defendants by Plaintiffs in this action on August 15, 2007.

Executed this 30th day of January, 2009, in New York, New York.

/s / Thomas J. Kavalier  
Thomas J. Kavalier

# EXHIBIT 1

Restricted Document Pursuant To L.R. 26.2  
Filed Under Seal Pursuant To The Protective Order  
Dated November 5, 2004 And The Minute Order  
Dated October 10, 2006

# **EXHIBIT 2**

Restricted Document Pursuant To L.R. 26.2  
Filed Under Seal Pursuant To The Protective Order  
Dated November 5, 2004 And The Minute Order  
Dated October 10, 2006

# **EXHIBIT 3**

IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

--oOo--

LAWRENCE E. JAFFE PENSION  
PLAN, On Behalf of Itself and  
All Others Similarly Situated,

Plaintiffs,

vs. Lead Case No. 02-C-5893

HOUSEHOLD INTERNATIONAL, INC.,  
et al.,

Defendants.

\_\_\_\_\_/

--oOo--

WEDNESDAY, FEBRUARY 13, 2008

--oOo--

VIDEOTAPED DEPOSITION OF  
CATHERINE A. GHIGLIERI

--oOo--

Ref. No. 4690  
Reported By: CAROL NYGARD DROBNY, CSR No. 4018  
Registered Merit Reporter

## APPEARANCES:

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 212.701.3406

Also Present:  
 JOHN BLEY

Videographer:

JAMES TERRELL

--oOo--

## EXHIBITS

For the Defendants	Description	Page No.
Exhibit 1	Expert Witness Report of Catherine A. Ghiglieri dated August 15, 2007	10
Exhibit 2	Rebuttal Report of Catherine A. Ghiglieri	10
Exhibit 3	Document Entitled "Hughes, Diane," Bates Stamped HHS 02936609 Through HHS 02936647	129
Exhibit 4	August 29, 2001 Letter to Mary Louise Preis From Willie Ray Bates Stamped HHS 02942236 Through HHS 02942329	133
Exhibit 5	Document Bates Stamped HHS 03388820	174
Exhibit 6	The 2001 Sales Compensation Plan: Rules and Regulations (Effective 1/1/2001) Bates Stamped H007543 Through H007553	180
Exhibit 7	Document to "Joe" Bates Stamped HHS 02893534 Through HHS 02893535	187
Exhibit 8	Document Bates Stamped HHS-ED 491840 Through HHS-ED 491843	191
Exhibit 9	HFC Sales Incentive Compensation Program Plan Document, March 1, 1998 Bates Stamped HHS 02379139 Through HHS 02379161	194
Exhibit 10	Household International Human Resources -- Guidelines & Procedures Bates Stamped H004616 Through H004618	202
Exhibit 11	Compliance Violation and Exception Report by Dept. Manager, April 1999, Bates Stamped HHS 03006598	208

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Exhibit 17	July 27, 2002 Memo To Robin Allcock From Joseph Datu Bates Stamped HHS-ED 001057 Through HHS-ED 001059	233
Exhibit 18	January 6, 1999 Memo to All HFC and Beneficial Employees From Gary Gilmer, Bates Stamped HHS 02904313 Through HHS 02904315	235
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1 Exhibit 26 Document Bates Stamped  
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2 HHS-E 0002665.00003 308  
3 Exhibit 27 HFC Branch Quality Assurance &  
Compliance Organizational Chart  
4 December 8, 1997 Bates Stamped  
HHS 02205860 319  
5  
6 Exhibit 28 Organizational Chrt Bates Stamped  
HHS 02182447 and HFC010616 319  
7 Exhibit 29 Effective Rate Complaint Review,  
Regulatory Compliance Risk Management  
8 Department - Summary of Findings  
July 2, 2002 Bates Stamped  
9 HHS 03468760 Through HHS 03468774 340  
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1 deposition of Catherine Ghiglieri, Tape 1, Volume 1, in  
2 the matter of Lawrence B. Jaffe Pension Plan versus  
3 Household International, Incorporated, et al., as filed  
4 in the United States District Court in the Northern  
5 District of Illinois, Eastern Division, Lead Case Number  
6 02-C-5893, Class Action.  
7 Today's date is February 13, 2008. The time  
8 on the video monitor is 9:29.  
9 The video operator today is James Terrell,  
10 representing LiveNote World Service, located at 221 Main  
11 Street, Suite 1250, San Francisco, California, 94105.  
12 The phone number is 415-321-2300.  
13 The Court Reporter is Carol Nygard on behalf  
14 of LiveNote World Service.  
15 Today's deposition is being taken on behalf of  
16 Defendants and is taking place at 100 Pine Street in San  
17 Francisco, California.  
18 If counsel will now please introduce  
19 yourselves and state whom you represent.  
20 MR. BAKER: Cameron Baker on behalf of the  
21 Plaintiffs. With me is Azra Mehdi, Luke Brooks and  
22 Spencer Burkholz.  
23 MR. KAVALER: Thomas J. Kavalier, Cahill,  
24 Gordon & Reindel, LLP, for the Defendants.  
25 MR. HALL: Jason Hall, Cahill Gordon &

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1 UNITED STATES DISTRICT COURT  
2 NORTHERN DISTRICT OF ILLINOIS  
3 EASTERN DIVISION  
4 --oOo--  
5 LAWRENCE E. JAFFE PENSION  
6 PLAN, On Behalf of Itself and  
7 All Others Similarly Situated,  
8 Plaintiffs,  
9 vs. Lead Case No. 02-C-5893  
10 HOUSEHOLD INTERNATIONAL, INC.,  
11 et al.,  
12 Defendants.  
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1 Reindel, LLP, for the Defendants.  
2 MR. WERNKE: Michael Wernke, Cahill Gordon and  
3 Reindell, LLP, for the Defendants.  
4 MR. BLEY: John Bley, Foster Pepper for the  
5 Defendants.  
6 MR. OWEN: David Owen, Cahill, Gordon &  
7 Reindel also for the Defendants.  
8 VIDEOGRAPHER: Swear the witness.  
9 MR. BAKER: Just one bit of housekeeping just  
10 so the record is clear.  
11 Before the deposition started I handed counsel  
12 for defense three pages, Ghiglieri 003 through 0005.  
13 (Thereupon the oath was administered by the  
14 Court Reporter to the witness.)  
15 EXAMINATION  
16 BY MR. KAVALER:  
17 Q. Good morning.  
18 My name is Tom Kavalier. I represent the  
19 Household Defendants in this case.  
20 I'm going to ask you some questions today.  
21 Let me start with this one.  
22 How do you pronounce your name?  
23 A. Ghiglieri.  
24 Q. Ghiglieri. Okay.  
25 If I get it wrong, please correct me. I'll

3 (Pages 6 to 9)

Page 10

1 try to get it right.  
 2 Ms. Ghiglieri, have you had your deposition  
 3 taken before?  
 4 A. I have.  
 5 Q. Okay. So you know what we're about here.  
 6 And you're a lawyer?  
 7 A. I am. I'm not a practicing lawyer, but I'm  
 8 licensed in Georgia and D.C., yeah.  
 9 Q. Uh-huh. Okay.  
 10 And so you understand these proceedings?  
 11 A. I do.  
 12 Q. And you've written two expert reports in this  
 13 case?  
 14 A. I have.  
 15 MR. KAVALER: Let's mark those as Exhibits 1  
 16 and 2. That will be 1 and this will be 2.  
 17 (Exhibit Nos. 1 and 2 were marked for  
 18 Identification.)  
 19 MR. BAKER: Counsel, would you mind if Ms.  
 20 Ghiglieri uses -- uses her own copies she's brought  
 21 here?  
 22 MR. KAVALER: That's fine. So just give those  
 23 to Mr. Baker, and those can be his copies.  
 24 THE WITNESS: Okay.  
 25 BY MR. KAVALER:

Page 11

1 Q. And, Ms. Ghiglieri, you're appearing today as  
 2 an expert witness; is that right?  
 3 A. Yes, sir.  
 4 Q. And have you acted as an expert witness  
 5 previously?  
 6 A. I have.  
 7 Q. And what standards do you hold yourself to as  
 8 an expert?  
 9 A. I try and -- I look at the documents, the  
 10 testimony, and any other materials in an objective  
 11 fashion, not for the parties that retain me or -- or,  
 12 you know, without any bias or prejudice and arrive at my  
 13 own opinions.  
 14 Q. And did you do that in this case?  
 15 A. Yes, sir.  
 16 Q. And the documents you looked at and the  
 17 testimony that you looked at are reflected in your  
 18 report?  
 19 A. The documents that I relied upon for my  
 20 opinions are reflected in this report. I looked at  
 21 other documents that I didn't use to formulate my  
 22 opinions.  
 23 Q. Where did you get the universe of documents  
 24 that you looked at?  
 25 A. Well, I had access to LiveNote, and so I had

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1 all the exhibits to all the depositions, all the  
 2 regulatory reports.  
 3 Any -- anything that I asked for or inquired  
 4 about I was able to obtain.  
 5 Q. And you selected those which you wanted to  
 6 rely on in your report --  
 7 A. Yes.  
 8 Q. -- from among that universe?  
 9 A. Yes, sir.  
 10 Q. Okay. And the same with the testimony, you  
 11 had access to the depositions through LiveNote and you  
 12 selected from among that universe those portions of  
 13 testimony you wanted to rely on?  
 14 A. Yes, sir.  
 15 Q. Okay. Now, do you believe that it's incumbent  
 16 upon an expert witness to give testimony that is  
 17 reliable?  
 18 A. Yes.  
 19 Q. And testimony that is honest?  
 20 A. Yes.  
 21 Q. Testimony that is unbiased?  
 22 A. Yes.  
 23 Q. Do you believe it is incumbent upon an expert  
 24 witness to be thorough and complete?  
 25 A. Yes.

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1 Q. Do you believe an expert witness should be  
 2 knowledgeable in the field about which he or she is  
 3 testifying?  
 4 A. Yes.  
 5 Q. Do you believe that an expert witness should  
 6 apply a body of knowledge not generally known to lay  
 7 people?  
 8 A. Yes.  
 9 Q. Do you believe an expert witness should be  
 10 careful in the utilization of the materials that he or  
 11 she is working with?  
 12 A. And what do you mean by "careful"?  
 13 Q. Well, I'll give you some examples.  
 14 If you're quoting, for example, you should not  
 15 quote things out of context?  
 16 A. Quote things out of context.  
 17 Q. If you're -- if you're -- in your report  
 18 quoting from a document, you shouldn't change the  
 19 meaning of a sentence by elipsing out some of the words,  
 20 for example?  
 21 A. I -- yes, I mean, that's -- you should quote  
 22 straight from the document, yes.  
 23 Q. Okay. And you shouldn't prepare a summary of  
 24 testimony, for example, that is not faithful to the  
 25 testimony?

4 (Pages 10 to 13)

Page 14

1 A. Yes.  
 2 Q. And you should be well informed about the  
 3 materials that you're working with about the record in  
 4 this case, as you said, the universe that you found on  
 5 LiveNote?  
 6 A. Well, it's beyond that.  
 7 I mean, there were other documents that  
 8 weren't on LiveNote, but there were a lot of documents  
 9 that were exhibits.  
 10 I mean, I had access to any document that I  
 11 wanted in this case.  
 12 Q. Uh-huh.  
 13 And you think it was part of your  
 14 responsibility to be well informed about what's in those  
 15 documents?  
 16 A. Yes.  
 17 Q. And you think it's incumbent upon an expert to  
 18 be diligent in her research?  
 19 A. Yes.  
 20 Q. And to be accurate?  
 21 A. Yes.  
 22 Q. Fair?  
 23 A. Yes.  
 24 Q. Fortright?  
 25 A. Yes.

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1 Q. And not to ignore facts that are inconsistent  
 2 with the opinion that you're giving in this matter?  
 3 In other words, if you're opining that the sun  
 4 rises in the east and sets in the west and you see that  
 5 as suggesting that the sun rises in the west and sets in  
 6 the east, you shouldn't ignore that data, you should  
 7 take count of it?  
 8 A. Yes.  
 9 Q. And would you agree that an expert should  
 10 avoid unsupported extrapolation?  
 11 A. And what do you mean by that?  
 12 Q. Well, for example, if you see one instance of  
 13 something, if you see a child with red socks, you should  
 14 not conclude that all children wear red socks?  
 15 MR. BAKER: Let me object.  
 16 That's an incomplete hypothetical.  
 17 THE WITNESS: Yeah. I -- I don't know how to  
 18 answer that.  
 19 BY MR. KAVALER:  
 20 Q. Okay. Do you know what "extrapolation"  
 21 means?  
 22 A. Uh-huh.  
 23 Q. Okay. When do you think it's appropriate to  
 24 extrapolate?  
 25 MR. BAKER: Objection. Compound.

Page 16

1 THE WITNESS: Well, what I do is look at the  
 2 entire record and from a regulatory standpoint make  
 3 judgments based on my experience, and, you know, what  
 4 I'm bringing to the table is what -- what I know from my  
 5 regulatory experience.  
 6 So there's sometimes that you extrapolate and  
 7 sometimes that you don't. It just depends on the  
 8 situation.  
 9 BY MR. KAVALER:  
 10 Q. You used the phrase "from a regulatory  
 11 standpoint" and based on your experience as a regulator.  
 12 Tell me what you mean by that.  
 13 What is a "regulator" in this context?  
 14 A. What do you mean, "What is a 'regulator'?"  
 15 Q. Well, you said "I make judgments based upon my  
 16 experience as a regulator, and I look at things from a  
 17 regulatory standpoint."  
 18 A. Right.  
 19 Q. Right?  
 20 For example, there's a thing called a  
 21 "regulator" in your automobile. I have no idea what it  
 22 does, but I'm sure that's not what you are.  
 23 A. No. I'm not an automobile, that's true.  
 24 Q. Okay. So when you say, "I look at things from  
 25 a regulatory standpoint," what do you mean?

Page 17

1 What is a "regulator" in this context?  
 2 A. Well, a "regulator" is -- financial  
 3 institutions, mortgage lending.  
 4 You know, there are -- I was a regulator of  
 5 the funeral industry, too, in Texas, but I did not draw  
 6 upon my experience in the funeral industry to opine --  
 7 make my opinions in this case.  
 8 So --  
 9 Q. What -- I take it you were a regulator in  
 10 Texas?  
 11 A. Yes.  
 12 Q. And what did you regulate?  
 13 A. I regulated banks and trust companies, prepaid  
 14 funeral contracts, perpetual care cemeteries, currency  
 15 exchanges, formed bank agencies, sale of check  
 16 licensees.  
 17 Q. Is Household any of those things?  
 18 A. Is Household any of those things?  
 19 Q. Yes.  
 20 A. Well, they did have a thrift, which some  
 21 people consider a bank, so I -- there was one slice of  
 22 their operation that -- was a bank.  
 23 Is that what you mean?  
 24 Q. What percentage of Household's gross revenues  
 25 were accounted for by that thrift in each of the years

5 (Pages 14 to 17)

Page 18

1 that you've examined?  
 2 A. Oh, I have no idea.  
 3 Q. One percent?  
 4 A. I have no idea.  
 5 Q. 25 percent?  
 6 A. I didn't calculate it.  
 7 Q. 50 percent?  
 8 A. You keep asking me those questions.  
 9 I didn't calculate it.  
 10 Q. You have no idea what percentage of  
 11 Household's gross revenues are attributable to what you  
 12 described as a thrift?  
 13 A. I did not calculate it.  
 14 Q. You have no ability whatsoever to answer my  
 15 question; is that right?  
 16 A. I said I did not calculate it.  
 17 Q. Okay. Other than the possible fact that  
 18 Household might have included a thrift of some unknown  
 19 dimension is there anything else about Household's  
 20 business that came within the ambit of your regulatory  
 21 scope in Texas?  
 22 A. Well, sure. I mean, they made mortgages, and  
 23 the -- the fact that Household Finance is a finance  
 24 company and the criticisms that was in Mr. Bley and  
 25 Mr. Lasusa's report fails to consider what my background

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1 is with the OCC and the Texas Banking Commissioner and  
 2 that is, you know, finance companies make mortgages and  
 3 so do banks, and finance companies you have to comply  
 4 with consumer laws which is Regulation Z and RESPA, and  
 5 Regulation B and so do banks.  
 6 Also finance companies have to determine  
 7 repayment capacity of borrowers, as do banks, and I have  
 8 extensive experience in looking at compliance.  
 9 You know, I perform compliance examinations.  
 10 I perform examinations of mortgage portfolios, you know,  
 11 in banks all over the United States, and I think trying  
 12 to zero in on a finance company's distinction between  
 13 what they do on the mortgage side and what banks do on  
 14 the mortgage side is silly.  
 15 I mean, tomorrow I could go to Washington  
 16 state and become the Director for the Department of  
 17 Financial Institutions and not miss a beat, because it's  
 18 within my experience to be able to regulate finance  
 19 companies.  
 20 So I think this distinction that I read in  
 21 your expert reports is -- is silly as far --  
 22 Q. Household did business in Texas; correct?  
 23 A. Yes, they did.  
 24 Q. Did you regulate Household?  
 25 A. As you know, Texas does not have consolidated

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1 supervision. It's one of the few states that doesn't.  
 2 That doesn't mean that I'm not -- I don't have  
 3 experience that's directly on point with what Household  
 4 did on its mortgage portfolio.  
 5 Q. What that a "yes" or "no" response to my  
 6 question?  
 7 Did you personally regulate Household, "yes"  
 8 or "no"?  
 9 A. No. You know that I didn't.  
 10 Q. Okay. Now, you also mentioned -- tell me what  
 11 a regulator does.  
 12 What does a regulator do?  
 13 A. In terms of what industry?  
 14 Q. Well, you seem to think that it makes no  
 15 difference.  
 16 Let's take the finance company industry.  
 17 What does the regulator of a finance company  
 18 do to regulate a finance company?  
 19 A. Well, I can answer that based on my  
 20 background, which is the only thing that I should rely  
 21 upon, and that is a regulator goes in, makes sure --  
 22 first of all, that there's reason to give that entity a  
 23 license, which was another criticism in your expert's  
 24 report, but every regulator regardless of what they're  
 25 regulating has standards that they apply when an entity

Page 21

1 applies for a license.  
 2 So first you have to determine if you want  
 3 them operating in your state or on the federal level.  
 4 I was a federal regulator for 18 years, and  
 5 the standards are similar. You want people of high  
 6 caliber operating in your state, honest people.  
 7 In banking you don't let convicted felons have  
 8 a bank charter, and also you have some sort of  
 9 supervisory responsibility. So you make sure that  
 10 they're in compliance with the laws, and you also make  
 11 sure that they have sufficient capital to operate.  
 12 In banking we call that "safety and  
 13 soundness." Checking compliance with the laws, we call  
 14 that "compliance."  
 15 Those are buzz words that the regulators use.  
 16 So it doesn't matter what the entity is.  
 17 Those are the standards that you apply.  
 18 Q. Okay. Let's go back to this list we were  
 19 discussing earlier of the attributes of an expert  
 20 witness.  
 21 I'm not sure we came to closure on  
 22 extrapolation. Mr. Baker objected to my hypothetical.  
 23 Let me try another one.  
 24 Before concluding that something is  
 25 company-wide or systemic is there a threshold level of

6 (Pages 18 to 21)

Page 22

1 prevalence you have to see?  
 2 A. I'm not sure that I understand that question.  
 3 Q. Okay. If you were looking at some company to  
 4 find out if it engaged in some practice and you found  
 5 one instance where they engaged in it, would you say --  
 6 would you testify that that company routinely and  
 7 regularly engages in that practice?  
 8 MR. BAKER: Objection. Incomplete  
 9 hypothetical.  
 10 THE WITNESS: It would depend on what the  
 11 issue is.  
 12 Consumer complaints is a good example of -- of  
 13 that, and the -- what you have to approach consumer  
 14 complaints with and what -- what I did when I --  
 15 supervised the complaint process that -- at the OCC and  
 16 at the Department of Banking is you have to take in to  
 17 consideration how many people generally are -- are  
 18 unhappy enough to actually file a formal complaint,  
 19 because all the regulators make them file complaints in  
 20 writing, and it takes time for people to, you know, pull  
 21 documents together, to actually make the -- the formal  
 22 complaint, and so you have to take in to account the  
 23 difficulty with which -- you know, it -- the level with  
 24 which -- or the amount of effort it takes to file a  
 25 complaint.

Page 23

1 If you have -- for example, you go in on an  
 2 examination and you see one violation of Regulation O or  
 3 one overdraft by an officer which is a violation of law,  
 4 it can be, is that a systemic issue? Probably not.  
 5 If you have one complaint here and one  
 6 complaint there and they're all similar, it may be  
 7 something else that you conclude.  
 8 So it depends on what it is.  
 9 Q. Well, let's explore that.  
 10 You say one complaint of one particular thing  
 11 wouldn't be a systemic issue.  
 12 Is there a generally recognized threshold  
 13 among regulators as when something crosses the line from  
 14 being not a systemic issue to being a systemic issue?  
 15 MR. BAKER: Objection. Mischaracterizes her  
 16 prior testimony.  
 17 THE WITNESS: I have never seen a regulator  
 18 say you have to have 10 complaints of this before you  
 19 consider it systemic.  
 20 You have to take in to consideration what the  
 21 issue is and what you're seeing in terms of what's in  
 22 the complaints, so it's more subjective.  
 23 BY MR. KAVALER:  
 24 Q. Do you have to take in to account --  
 25 Withdrawn.

Page 24

1 Does a regulator take in to account how large  
 2 the customer base is, for example, one complaint, if you  
 3 have 10 customers, might or might not look different to  
 4 a regulator than one complaint if you half a million  
 5 customers.  
 6 Do you take that in to account?  
 7 A. You take in to account all sorts of factors.  
 8 Q. Okay. And when you're testifying as an expert  
 9 or acting as an expert preparing an expert report, do  
 10 you have to be as careful as you would be in your  
 11 regular professional work?  
 12 A. Yes.  
 13 Q. And do you have to prepare your report  
 14 carefully, understanding that the Court, and the jury,  
 15 and adverse counsel, and experts on the other side will  
 16 all rely upon what you've written?  
 17 A. Sure.  
 18 Q. And, when you're considering what significance  
 19 something is, do you have to account for obvious  
 20 alternative explanations?  
 21 A. I think you have to take everything in to  
 22 consideration.  
 23 Q. That would be a "yes"?  
 24 A. Well, I think its goes beyond that.  
 25 I mean, you have to take in to consideration

Page 25

1 the context. I mean, there's any number of things.  
 2 I -- I would never be able to just say these  
 3 are the things that you have to take in to  
 4 consideration, but that's one of many things.  
 5 Q. Would you rely only on sound evidence?  
 6 A. What's your definition of "sound."  
 7 Q. What's your definition of "sound"?  
 8 A. I don't know. I didn't ask the question.  
 9 Q. So you don't know what "sound evidence" is?  
 10 A. Well, I'd like to understand the question  
 11 before I answer it.  
 12 Q. Would multiple hearsay be sound evidence?  
 13 Would it be something you'd rely on?  
 14 A says B says C told him something. Would  
 15 that be something you'd rely on?  
 16 MR. BAKER: Objection. She's not a legal  
 17 expert.  
 18 THE WITNESS: I don't look at something and  
 19 try and decide if it's hearsay or not. I -- I look at  
 20 all the factors in the case and then draw conclusions  
 21 from that.  
 22 BY MR. KAVALER:  
 23 Q. Do you look for evidence of things like  
 24 surveys, or objective metrics, or things like that?  
 25 A. If they're available, I consider it, yes.

7 (Pages 22 to 25)

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1 Q. Did you consider any such evidence in this  
2 case?  
3 A. I considered some studies and some surveys.  
4 Q. What surveys did you consider?  
5 A. KPMG's study, the benchmarking study.  
6 Q. Right.  
7 A. The effective rate study that Household did.  
8 So if it was available, I tried to consider it.  
9 This -- this case is extremely document  
10 intensive, and, you know, I tried to look at as many  
11 documents as I possibly could.  
12 Q. Did you conduct any surveys?  
13 A. No, I didn't.  
14 Q. Did you cause anyone else to conduct any  
15 surveys?  
16 A. No. I generally don't do that.  
17 Q. As -- when you're acting as an expert, do you  
18 avoid going on the basis of your gut feel?  
19 A. Well, I approach everything with my  
20 experience, and -- and I did -- I've done a lot of fraud  
21 examinations, and a lot of fraud examinations you have a  
22 feeling for that something's not right, so I think  
23 that's just part of what everyone brings to the table.  
24 I know I do.  
25 Q. Do you utilize common sense?

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1 A. I hope so.  
2 Q. Do you consciously say to yourself, "Well, if  
3 the only thing supporting what I'm saying is common  
4 sense, then I shouldn't say it"?  
5 A. I try and look at all the documents,  
6 deposition testimony, everything that's in the case, and  
7 draw as sound as conclusions as I can.  
8 Q. But my question is, are you bringing to bear  
9 some body of expertise other than simply common sense?  
10 A. Well, all of my experience, my regulatory  
11 knowledge, you know, everything I've seen over the  
12 course of 30 years regarding fraud or mortgage fraud,  
13 you know, supervisory issues, that's all a part of what  
14 I'm bringing to the table.  
15 Q. Do you utilize your personal opinions at all  
16 when you're giving your expert opinion?  
17 MR. BAKER: Objection. Vague and ambiguous.  
18 What do you mean by "personal opinions"?  
19 Obviously, any opinion she has is a personal  
20 opinion.  
21 THE WITNESS: I don't understand the question.  
22 BY MR. KAVALER:  
23 Q. Sure.  
24 You exercise your -- you render your personal  
25 opinions or your professional opinions when you're

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1 giving your expert opinion?  
2 MR. BAKER: Same objection.  
3 THE WITNESS: What do you mean by "personal"  
4 versus "professional"?  
5 BY MR. KAVALER:  
6 Q. Well, for example, some people vote  
7 Democratic, some people vote Republican. Those are  
8 personal choices.  
9 Some people attend one church, some people  
10 attend another church. Those are personal choices.  
11 Your professional opinion, I would imagine,  
12 has nothing to do with any personal matters that pertain  
13 to you, it reflects only your professional judgment as a  
14 regulator; is that true?  
15 A. I don't know. I've never heard it sliced and  
16 diced like that.  
17 I -- I try and look at all the data that's  
18 involved in a case subjectively --  
19 Q. Uh-huh.  
20 A. -- and I try and arrive at opinions that can  
21 be supported by what I'm looking at.  
22 Q. Do you utilize any kind of scientific method?  
23 A. Not -- as I've seen that term used in medical  
24 cases, and some other cases I would say no.  
25 Q. Do you make an effort to conduct processes and

Page 29

1 procedures that can be replicated by others?  
2 A. I have no one else working for me, so I -- I  
3 do all my own work.  
4 Q. Well, do you -- have you done any study or  
5 analysis, for example, that Mr. Bley could do the same  
6 study and analysis of the same data and come to the same  
7 conclusion?  
8 A. I think I said I haven't performed any outside  
9 studies on this.  
10 Q. All right. So you understand the word  
11 "replicable"?  
12 A. Yes.  
13 Q. All right. So nothing you've done is  
14 replicable by our experts?  
15 A. Well, Mr. Bley and I have the same background,  
16 or at least similar backgrounds, so theoretically we  
17 should be able to look at the same data and come up with  
18 the same conclusions, if that's what you mean.  
19 Q. Well, what I'm focusing on here is more  
20 methodology.  
21 Did the -- did you use a particular  
22 methodology -- let me ask it this way.  
23 Did you use a methodology which in your  
24 judgment all similarly qualified regulators would  
25 recognize as the right way to do it?

8 (Pages 26 to 29)

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1 A. I used the methodology that I used in  
2 examining regulated entities, all the regulated entities  
3 that I've ever had jurisdiction over.

4 I approach every case the same way. I use the  
5 same method. I look at all the data. I consider  
6 everything. I look at what the law says and apply my  
7 opinions to it.

8 Q. Let's explore that.

9 When you -- when you were acting as a  
10 regulator and you were examining an entity under your  
11 jurisdiction, did you conduct an interview of the  
12 entity?

13 A. Well, we were inside the entity, so we were  
14 talking to people that were employed there.

15 Is that what you mean?

16 Q. Right. Yes. Precisely.

17 You had discussions with people employed by  
18 the entity?

19 A. Yes.

20 Q. And did you have discussions with customers of  
21 the entity?

22 A. Generally, no.

23 Q. Uh-huh.

24 Did you take the complaints that you generated  
25 from customers, show them to the people at the entity

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1 and say "What's your explanation for this?"

2 A. Yes, that's a -- that's a routine that at  
3 least all the regulatory agencies that I'm aware of use.

4 Q. Did you do anything like that here in  
5 preparing to render your expert report?

6 A. I'm not sure I understand that question.

7 Q. Did you sit down with anybody from Household  
8 and confront them with any of the complaints that you  
9 were looking at and ask them for their response?

10 A. No, and I would -- I never do something like  
11 that.

12 Q. You never do something like that when you're  
13 acting as an expert, but you always do that when you're  
14 acting as a regulator?

15 A. Well, the regulatory process is this: You  
16 receive a complaint against an entity, you send a copy  
17 of that to the regulated entity, ask them for their  
18 response.

19 Q. Why do you do that?

20 A. Because you want to see --

21 MR. BAKER: Mr. Kavalier, can you let her  
22 finish.

23 MR. KAVALER: Oh, sure. I thought she was  
24 finished.

25 MR. BAKER: Did you finish your answer, Ms.

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1 Ghiglieri?

2 THE WITNESS: No.

3 BY MR. KAVALER:

4 Q. Oh, go ahead. Please.

5 A. So you ask the regulated entity for their  
6 response, because, much like Mr. Cross said in his  
7 deposition, is, you know, you have a relationship with  
8 the entity.

9 You want to -- you know, you have ongoing  
10 discussions with them, and so, when you get a complaint,  
11 you want to know what their side of the story is so that  
12 you can make a decision on whether or not you think  
13 there's something amiss or not.

14 When I'm hired as an expert in any case that I  
15 decide to take, I don't go out and interview the parties  
16 to the case.

17 I -- I try and look at just what the record  
18 tells me, and I draw my conclusions from it.

19 I -- I just -- I just do not do that. I don't  
20 go out there and do that.

21 Q. So we have a different methodology when you  
22 act as an expert than the methodology that you utilize  
23 when you acted as a regulator; is that right?

24 MR. BAKER: Objection. Vague and ambiguous as  
25 to what the term "methodology" means in this context.

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1 THE WITNESS: Well, one of the things as an  
2 expert I do is I look at the exchange of information in  
3 the process I just described that I would use if I was  
4 still a regulator to -- to see what the exchange was  
5 between the regulator and the entity such as Household,  
6 like what was Household's response to this complaint,  
7 you know, all the responses that Household had I -- I  
8 looked at to see what was their response to the  
9 complaints that the regulators sent them.

10 That's something that I routinely look at as  
11 an expert.

12 Obviously, when I'm on the other side of the  
13 fence, I'm getting the information and analyzing it  
14 directly from the regulated entity.

15 BY MR. KAVALER:

16 Q. So it would be fair to say you act differently  
17 when you're acting as an expert than you would when  
18 you're acting as a regulator?

19 A. Well, it's a different job. I mean, I -- when  
20 I was a regulator, I had different responsibilities than  
21 I do as an expert.

22 Q. Do you regard as part of your role as an  
23 expert to quantify data where possible?

24 MR. BAKER: Objection. Vague and ambiguous.

25 THE WITNESS: I'm not sure I know what you

9 (Pages 30 to 33)

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1 mean by that.  
 2 BY MR. KAVALER:  
 3 Q. Well, for example, when you say "I found X,"  
 4 do you find it appropriate to say "I found one instance  
 5 of X," "two instances," "three instances," "30 percent  
 6 of the things I looked at had X in them," "X was  
 7 universal," things like that?  
 8 That's quantifying.  
 9 MR. BAKER: Objection. Incomplete  
 10 hypothetical.  
 11 THE WITNESS: It depends on what -- what it  
 12 is.  
 13 If I think it's necessary to put something,  
 14 data like that in to the report, I will.  
 15 If I don't think it's necessary, I won't.  
 16 BY MR. KAVALER:  
 17 Q. Okay. Do you make an effort to use the best  
 18 evidence that's available for any particular point?  
 19 MR. BAKER: Are you using the term "best  
 20 evidence" in the legal context, Mr. Kavalier, or common  
 21 sense, normal definition?  
 22 THE WITNESS: I don't understand your  
 23 question.  
 24 BY MR. KAVALER:  
 25 Q. Do you make any effort to hierarchize the

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1 quality of the materials you're looking at?  
 2 A. Did you say "hierarchize"?  
 3 Q. Uh-huh.  
 4 A. I've never heard that word before.  
 5 I mean, I understand, I guess, what you mean.  
 6 I -- what I try and do is look at all the  
 7 evidence -- all of the documents in the case, whether or  
 8 not they're evidence that the Judge will accept or not.  
 9 I try and look at all the deposition  
 10 testimony. I try and look at all the documents that are  
 11 produced, and -- and from that I try and draw the  
 12 conclusions that I think are appropriate.  
 13 Q. You used the phrase just now "whether the  
 14 Judge will accept it or not."  
 15 What did you mean by that?  
 16 A. Well, you talked about hearsay. I don't -- I  
 17 don't try and figure out whether something is admissible  
 18 or not.  
 19 I mean, if it's been produced by either side,  
 20 I try and take it in to consideration, and, of course,  
 21 this case is just so hugely document intensive I'm sure  
 22 there are documents, you know, that I didn't see, but I  
 23 did my best to try and look at as many as possible.  
 24 Q. All right. Do you make it one of your  
 25 principles when you're rendering an expert report not to

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1 pretend to have the power to read people's minds?  
 2 A. I don't know what you mean by that.  
 3 Q. Well, for example, you confine yourself to  
 4 objective facts, someone did this, someone said that,  
 5 someone wrote this, someone received this, as opposed to  
 6 they must have been thinking of X or Y.  
 7 That's mind reading; right?  
 8 MR. BAKER: Compound.  
 9 THE WITNESS: I think that when you're an  
 10 expert and you're looking at a body of documents you  
 11 have to make certain judgments, whether you find this  
 12 reliable or that not reliable, and -- and how much  
 13 weight you're going to give it to your opinions.  
 14 I mean, I think that's something that -- as an  
 15 expert you have to do, because not everything is going  
 16 to have the same weight to you based on your experience.  
 17 BY MR. KAVALER:  
 18 Q. And do you consciously segregate things in to  
 19 different categories as having more weight based on your  
 20 experience or less weight based on your experience?  
 21 A. Probably subconsciously I do.  
 22 I think you would have to to come up with  
 23 conclusions based on a large number of documents.  
 24 Q. And do you, therefore, make an effort to rely  
 25 exclusively or primarily on things that have greater

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1 weight in your experience?  
 2 A. I'm not sure I -- I'm following you.  
 3 Q. You just told me that you at least  
 4 subconsciously divide things in to categories of more  
 5 credible and less credible or more reliable and less  
 6 reliable, and I'm asking whether once you've done that  
 7 exercise in your mind you make an effort to rely  
 8 exclusively on the ones you find more reliable or you  
 9 just use them all?  
 10 A. I think I -- I think I would have to  
 11 characterize my approach to it as I try and use  
 12 everything and then make decisions on what my opinions  
 13 are based on how reliable I feel the documents are or  
 14 the testimony, or whatever.  
 15 Q. So you would use in the first instance both  
 16 things you find reliable and things you find unreliable?  
 17 A. Well, when I say "use," maybe a better word  
 18 would be "consider." I think you have to take in to  
 19 consideration all of the documents that are available.  
 20 Q. All right. Now, when you're acting as an  
 21 expert --  
 22 Withdrawn.  
 23 When you're acting as a regulator, are there  
 24 kinds of things that you just don't take in to account,  
 25 you just find them insufficiently reliable to be part of

10 (Pages 34 to 37)



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1 the regulatory process?

2 A. Nothing comes to mind that would be so  
3 insignificant that I wouldn't rely on it, but I'm sure  
4 there probably is something. I'm just not thinking of  
5 it.

6 Q. Okay. And these principles that you and I  
7 have discussed here this morning so far, you've utilized  
8 those in performing your role as an expert in this case?

9 A. Yes.

10 Q. And you've utilized them in preparing your two  
11 reports which are now marked as Exhibits 1 and 2?

12 A. Yes.

13 Q. What do you understand this case to be about?

14 A. Well, I was asked -- I can tell you what I was  
15 asked to opine on, because I know that I -- I'm not the  
16 only expert that's in this case.

17 I was asked to look at whether or not  
18 Household engaged in predatory lending practices, and I  
19 was asked to look at their reage policies, reaging and  
20 restructure policies.

21 Q. Okay. Do you have any understanding of what  
22 the case is about, or you simply were asked to focus on  
23 those two questions in a vacuum and you don't know what  
24 the case is about?

25 A. Oh, in terms of -- well, I think I gave a

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1 brief summary of the case, but like -- I'm not the only  
2 expert, so I'm sure there's other issues there that are  
3 beyond the scope of what I was asked to opine on.

4 Q. Do you know what kind of case this is?

5 MR. BAKER: At this point, Tom, I want to  
6 object.

7 I want to ask you, Mr. Kavalier, you know the  
8 parties have a stipulation that the communications  
9 between the expert and counsel are not within the  
10 subject of deposition questions.

11 Are your questions here intended to elicit the  
12 subject of -- matter of communications between counsel  
13 and Ms. Ghiglieri, or are you attempting to find out  
14 what Ms. Ghiglieri independent of counsel understands  
15 this case to be about?

16 BY MR. KAVALER:

17 Q. Did you understand the question?

18 MR. BAKER: No. I have an objection here, and  
19 we have -- the parties have an agreement.

20 Would you explain the nature of your question  
21 so she can respond.

22 Because if you're asking about the subject  
23 matter of communication between counsel and  
24 Ms. Ghiglieri, that's the subject of a party  
25 stipulation, and you're not permitted to ask those

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1 questions.

2 So will you explain your question first.

3 MR. KAVALER: Did you understand my question?

4 MR. BAKER: You don't have to answer the  
5 question 'til he makes that explanation.

6 BY MR. KAVALER:

7 Q. Are you unable to answer my question?

8 MR. BAKER: Mr. Kavalier, I've asked you a  
9 question. You need to clarify your question so I can  
10 act appropriately.

11 Will you please clarify your question.

12 MR. KAVALER: If I thought there was any  
13 chance in the world that you would start acting  
14 appropriately I would be very encouraged. I'm asking  
15 the witness a question.

16 MR. BAKER: Let me hand you a copy of the  
17 stipulation, and why don't you review it and why don't  
18 you figure out what you're asking, and if you're asking  
19 appropriate things,

20 BY MR. KAVALER:

21 Q. Ms. Ghiglieri, I'd like you to answer my  
22 question. If you don't want to answer my question,  
23 that's also fine. The consequences will be what they  
24 are.

25 My question is, do you have an understanding

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1 what this case is about?

2 MR. BAKER: In answering your question,  
3 Ms. Ghiglieri, exclude the subject matter of any  
4 communications between counsel and yourself.

5 If you have an independent understanding of  
6 what this case is about.

7 THE WITNESS: Okay. Let's see.

8 How about if I refer to my report here.

9 BY MR. KAVALER:

10 Q. Tell me what page you're on, please.

11 A. Page 9.

12 Q. Uh-huh. And just so we understand each other  
13 for the record, when you say "my report," you're  
14 referring to your first report which we've marked as  
15 Exhibit 1 in this case; right?

16 A. I'm sorry. I do have two reports, and I will  
17 call this one my rebuttal report and I'll call this one  
18 my report if you're okay.

19 MR. KAVALER: The problem is the word "this  
20 one" doesn't solve the problem.

21 THE WITNESS: Okay.

22 BY MR. KAVALER:

23 Q. Exhibit 1 --

24 A. Exhibit 1 is my first report.

25 Q. -- is your first report.

11 (Pages 38 to 41)

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1 Exhibit 2 is your rebuttal report; right?  
 2 A. Okay.  
 3 Q. Okay. You can call it your "rebuttal report"  
 4 and "my report," and the record will reflect when you  
 5 say "my report" you mean Exhibit 1, --  
 6 A. Exhibit 1.  
 7 Q. -- and when you say "my rebuttal report," you  
 8 mean Exhibit 2; fair enough?  
 9 A. That's fine.  
 10 MR. BAKER: Both you need to slow down because  
 11 you're talking over each other, and I'm sure the Court  
 12 Reporter would appreciate it if you would take time to  
 13 answer the question and to let Ms. Ghiglieri finish her  
 14 statement before you interrupt her.  
 15 BY MR. KAVALER:  
 16 Q. Tell me what on page 9 you want to call my  
 17 attention to, please.  
 18 A. If you look at the facts of the case, this is  
 19 my understanding of the case.  
 20 Q. Okay.  
 21 A. It's a securities fraud case against  
 22 Household, and I list here some other information about  
 23 the case.  
 24 Q. All right. And this is derived from your  
 25 reading of the complaint?

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1 A. Of the complaint and other documents. I  
 2 looked at all the documents before I did this report.  
 3 Q. Right.  
 4 And you understand that the Plaintiffs are a  
 5 class of investors?  
 6 A. Yes.  
 7 Q. And that the Plaintiffs are not borrowers from  
 8 Household, they're not suing in that capacity?  
 9 A. Yes, I understand that.  
 10 Q. And you understand that the securities laws  
 11 are largely focused on the question of disclosure?  
 12 MR. BAKER: Objection to the extent it calls  
 13 for a legal conclusion.  
 14 THE WITNESS: Actually, I haven't given that  
 15 any thought. That's outside of anything that I was  
 16 asked to opine on. So --  
 17 BY MR. KAVALER:  
 18 Q. Okay. Are you aware -- withdrawn.  
 19 Have you ever in any of your professional  
 20 capacities acted on behalf of investors or shareholders?  
 21 A. In what respect?  
 22 Q. Have you ever as a lawyer represented  
 23 investors?  
 24 A. I've never practiced law.  
 25 Q. Have you ever been a securities regulator, for

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1 example?  
 2 A. No. In Texas we have a separate Securities  
 3 Commissioner.  
 4 Q. All right. Have you ever enforced any  
 5 disclosure based law?  
 6 MR. BAKER: Objection. Vague and ambiguous.  
 7 THE WITNESS: In terms of what?  
 8 BY MR. KAVALER:  
 9 Q. Any law where the kinds of -- the disclosure  
 10 is part of what you're enforcing or regulating?  
 11 A. Well, consumer compliance laws are disclosure  
 12 based.  
 13 Q. And tell me what you mean by "disclosure  
 14 based" in that context.  
 15 A. Well, where the regulated entity has to  
 16 disclose certain information to a borrower.  
 17 Q. Right.  
 18 And what is the purpose of that kind of  
 19 regulation?  
 20 A. Well, each law has its own purpose, but  
 21 generally they're so that the -- Applicant can compare  
 22 -- you know, Regulations Z, for example, is for the  
 23 borrower to be able to compare rates that they could get  
 24 at various lenders. Regulation DD is so that they can  
 25 -- depositors can compare rates that they can get on

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1 savings accounts.  
 2 So it just depends on what the law is and what  
 3 the topic is.  
 4 Q. And from the perspective of the regulated  
 5 entity, the lender, how does it comply with a disclosure  
 6 based regime?  
 7 Does it disclose what the regime requires it  
 8 to disclose?  
 9 MR. BAKER: Objection. Compound.  
 10 THE WITNESS: I'm not sure I follow what your  
 11 question is.  
 12 BY MR. KAVALER:  
 13 Q. Okay. I'm a bank or a finance company.  
 14 You're the regulator. There's one of these rules you  
 15 just talked about, Z or DD. Presumably there's  
 16 somewhere I can go and find out what I have to disclose  
 17 to the lender, and I disclose it, I put it on the piece  
 18 of paper, and I say "Here are these facts."  
 19 That's how I comply with the disclosure  
 20 requirements?  
 21 MR. BAKER: Is that a question or is that a  
 22 statement?  
 23 THE WITNESS: I would -- I have the same  
 24 question. Is --  
 25 BY MR. KAVALER:

12 (Pages 42 to 45)

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1 Q. How does the regulated entity comply with the  
2 disclosure requirements?

3 Is it by disclosing the required information?

4 MR. BAKER: Objection. Compound.

5 THE WITNESS: Disclosing -- I'm sorry.

6 If you're asking me how a lender goes about  
7 complying with Reg Z, for example, there's certain  
8 documents they have to give the borrower that have to  
9 contain certain information, and the information has to  
10 be accurate.

11 So there are -- several issues. They don't  
12 just fill out the form and whatever they slap on there  
13 is okay for disclosure. It has to be accurate. So --

14 BY MR. KAVALER:

15 Q. But if they -- if they do the two things you  
16 mention, if they give them the required information and  
17 it is accurate, then they've conformed, complied with  
18 the disclosure requirement?

19 A. Depending on what the requirement is, but if  
20 that's all they have to do, then they would comply with  
21 it.

22 Q. Okay. So if they -- if they did that, for  
23 example, in that one limited instance you as a regulator  
24 would have no -- would have no criticism of them from  
25 the perspective of their compliance with that disclosure

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1 based regime; correct?

2 A. For that particular law?

3 Q. Right.

4 A. I guess, I mean, if I'm following what you're  
5 saying.

6 Q. And in that case there's nothing else that  
7 they would have to do -- withdrawn.

8 I think you used the phrase "predatory"  
9 earlier in your testimony, one of your answers,  
10 "predatory lending."

11 Do you recall that?

12 A. No.

13 Q. Okay. Are you familiar with the phrase  
14 "predatory lending"?

15 A. Yes.

16 Q. What does "predatory lending" mean?

17 A. Well, the definition that -- that I've reached  
18 after looking at everything that was out there during  
19 the class period -- I'll give you the definition that I  
20 think covers what was generally known, and that is  
21 making a loan to a financially unsophisticated borrower,  
22 oftentimes not English-speaking, using deceptive or  
23 illegal sales practices and with deceptive or illegal  
24 loan terms, and I think that covers what generally was  
25 out there during the class period.

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1 Q. Is that a definition that you personally  
2 created or did you go and look it up someplace?

3 A. I created it based on all the information  
4 that's out there.

5 Q. Okay. And when did you create it?

6 A. When I was thinking about this case in  
7 preparation for the deposition.

8 Q. So it's not a definition that you -- let's  
9 start with that you created back when you were a  
10 regulator?

11 A. No.

12 Q. And it's not a definition that you created for  
13 some other purpose prior to being engaged for this  
14 assignment in this case?

15 A. No. I -- I just said when I created it.

16 Q. Right.

17 I'm just trying to flesh out so I understand  
18 correctly what -- what the parameters of your testimony  
19 are.

20 It's not a definition you looked up someplace  
21 in a resource manual?

22 A. Well, there is no definition of "predatory  
23 lending" that -- any one definition, and I discussed  
24 that extensively in my report.

25 It's sort of like trying to come up with the

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1 definition of "fraud."

2 As soon as you do, somebody will come up with  
3 a way to get around it.

4 So -- but I think what I -- my definition is a  
5 good characterization of the information that was out  
6 there during the class period.

7 Q. So, in other words, would you agree with me  
8 that you know predatory lending practices when you see  
9 them, but trying to come up with any definition is  
10 difficult?

11 A. Well, I think I've -- my report reflects that  
12 those were some of the quotes from some of the  
13 regulators.

14 Q. And do you agree with that?

15 A. It's like I think it was pornography, you know  
16 it when you see it. Several of them have said that.

17 Q. But my question to you is, do you agree with  
18 that?

19 A. That you know it when you see it?

20 Q. Do you agree that predatory lending practices,  
21 you know them when you see them, but trying to come up  
22 with a neat definition is difficult?

23 A. Well, I mean, I think that's a good  
24 characterization of why it's difficult to -- to put a  
25 box around it. You know, these 25 sales practices are

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1 considered predatory lending, and then somebody will  
2 come up with the next one, the next fraud that needs to  
3 go in to the box.

4 Q. Is the answer to my question "yes" or "no,"  
5 Ms. Ghiglieri?

6 MR. BAKER: Sometimes, Mr. Kavalier, a question  
7 is not capable of being answered "yes" or "no." And I'm  
8 going to object the question was asked and answered.

9 THE WITNESS: I think I answered your  
10 question.

11 BY MR. KAVALER:

12 Q. Can't answer that question "yes" or "no"?

13 MR. BAKER: Mr. Kavalier, please don't badger  
14 the witness.

15 THE WITNESS: I think I've answered it to the  
16 best of my ability.

17 BY MR. KAVALER:

18 Q. Okay. I just want to make sure that the  
19 record is clear that I'm giving you every opportunity in  
20 the world to answer that question.

21 And you have given me your best answer; is  
22 that right?

23 A. Yes.

24 Q. Okay. Does anyone else other than you share  
25 that precise definition of "predatory lending"?

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1 A. Well, I think as I said earlier, I think it's  
2 a summary definition of various definitions that were  
3 out there. There's no one precise definition.

4 Mr. Bley had a definition. You know, HUD had  
5 a definition. The OCC and the OTS, everyone was coming  
6 out with trying to figure out a way to define it, and --  
7 but I think my definition is a good summary definition.

8 Q. You mentioned Mr. Bley, HUD, the OCC and the  
9 OTS. Each of those people has a different definition  
10 than you and a different definition than each other; is  
11 that right?

12 A. Well, they don't use the exact words, but the  
13 ideas are similar.

14 Q. But nobody uses the exact words you just used  
15 in your testimony or in your report; correct?

16 A. I don't have a definition in my report. You  
17 asked me what the definition was, and I --

18 Q. All right. Let me rephrase the question.  
19 Fair point.

20 Nobody else to your knowledge uses the same  
21 definition as the one you just testified to on this  
22 record a few minutes ago; correct?

23 MR. BAKER: Objection. Asked and answered.

24 THE WITNESS: What I think I said was I think  
25 it's a good summary of what everyone has said.

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1 BY MR. KAVALER:

2 Q. Are you aware of anyone who uses the same  
3 definition that you use?

4 A. All of the definitions that I have in my  
5 initial report and the discussion that I have in my  
6 rebuttal are, I guess you could say, subsumed in to the  
7 definition that I gave you.

8 Q. Can you answer that question with a "yes" or  
9 "no"?

10 Are you aware of anyone else who uses the same  
11 definition of "predatory lending" that you use, "yes" or  
12 "no"?

13 A. The ideas are the same, yes.

14 Q. Are you aware of anyone else who uses the same  
15 definition of "predatory lending" that you do, "yes" or  
16 "no"?

17 A. I came up with a summary definition that I --  
18 that -- in response to your question, and so I don't  
19 know if anyone has ever heard me say before to say, "Oh,  
20 yes. I agree with that."

21 Maybe John can agree with that.

22 Q. Okay. Are you aware of any legislation  
23 anywhere that defines "predatory lending"?

24 A. The words "predatory lending"?

25 Q. Yes.

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1 Is there any legislative definition?

2 Has Congress enacted a predatory lending law?

3 Has some state legislature enacted a predatory  
4 lending law in which they say "Predatory lending for  
5 purposes of this act shall mean the following," and then  
6 give a definition?

7 A. Well, I think as I discussed in both my  
8 report, my initial report and in my rebuttal, there's no  
9 legislatively mandated definition, but that doesn't  
10 preclude the fact that people understand what "predatory  
11 lending" is or that they don't characterize their laws  
12 as predatory lending laws, as I gave the example of  
13 North Carolina in my rebuttal report.

14 Q. So there's no place that I can go and find a  
15 legislative difference -- a legislative definition of  
16 "predatory lending" which is either the same as the one  
17 you gave today or different than the one you gave today;  
18 correct?

19 A. I think I just answered that there's no  
20 legislative -- legislatively mandated definition of  
21 "predatory lending."

22 Q. Okay. What about --

23 A. I'm sure if there was, they would like the one  
24 I gave.

25 Q. What if -- and what about regulators?

14 (Pages 50 to 53)

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1 Are there regulators like you mentioned, the  
 2 HUD, or the OCC, or OTS?  
 3 Is there a standard regulatory definition of  
 4 "predatory lending"?  
 5 A. Well, if you read my report, my initial report  
 6 and my rebuttal, you'll see that I quoted many examples  
 7 of what -- including Mr. Bley was saying with the  
 8 definition of "predatory lending," and none of them used  
 9 the exact words, but all of them had similar ideas.  
 10 Q. Is it fair to say that all of them are  
 11 different, each than the other, and each than your  
 12 definition as given here today?  
 13 A. I don't agree with that.  
 14 I think all of the ideas are the same, and  
 15 that is illegal or deceptive sales practices, loan  
 16 terms, and -- I think Mr. Bley might have said it best  
 17 when he said, "Mortgage fraud, it's a new name for an  
 18 old activity."  
 19 Q. Do you know what Mr. Aldinger's definition of  
 20 "predatory lending" is?  
 21 A. I have it in my report. I didn't memorize it.  
 22 Q. Other than you have in your report do you have  
 23 any knowledge of what Aldinger's working definition of  
 24 "predatory lending" is today, was during his deposition,  
 25 or was during the class period?

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1 A. From what -- only what I saw in his  
 2 deposition.  
 3 Q. What about Mr. Gilmer, do you know what his  
 4 definition of "predatory lending" was during the class  
 5 period?  
 6 A. If I recall correctly, and I can look it up,  
 7 he said intentionally illegal or intentionally  
 8 deceptive, I believe.  
 9 Q. What about Mr. Vozar, do you know what his  
 10 definition was during the class period?  
 11 A. I have it in my report, a snippet from his  
 12 deposition.  
 13 Q. And what about Mr. Scheinholz, do you know  
 14 what his definition was?  
 15 A. And I have it on the report.  
 16 Q. Do you know whether any of the four of them  
 17 had the same definition that you gave today in your  
 18 testimony?  
 19 A. I think mine is broader than -- theirs was  
 20 very restrictive, as I discussed in my report and in my  
 21 rebuttal. Theirs -- theirs was more restrictive than my  
 22 definition.  
 23 Q. So yours is broader than any of theirs or all  
 24 of theirs?  
 25 A. I believe all of theirs.

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1 Q. And you believe yours is better than theirs?  
 2 A. I believe mine characterizes -- or is a good  
 3 summary of the definitions put forward by the regulators  
 4 at the time of the class.  
 5 Q. But they don't -- those four individuals don't  
 6 seem to share your definition; is that right?  
 7 A. Well, their definition was more restrictive  
 8 from what I could tell.  
 9 Q. Is their definition in your opinion wrong?  
 10 A. I don't think it's broad enough to cover  
 11 "predatory lending."  
 12 MR. BAKER: You want to take a break?  
 13 THE WITNESS: Yeah. Yeah.  
 14 MR. BAKER: Can we take a break now? Is it a  
 15 good time?  
 16 THE WITNESS: Would it be okay to take a quick  
 17 break?  
 18 MR. KAVALER: Sure. Absolutely.  
 19 VIDEOGRAPHER: Off the record at 10:22.  
 20 (Thereupon a recess was taken at 10:22 a.m.  
 21 and the deposition resumed at 10:35 a.m.)  
 22 VIDEOGRAPHER: On record at 10:35.  
 23 BY MR. KAVALER:  
 24 Q. Ms. Ghiglieri, let me go back over some of the  
 25 things that I started asking you about before to make

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1 sure that I've completed my understanding of what you  
 2 did.  
 3 I don't mean to repeat myself. I just want to  
 4 be sure I've exhausted this subject.  
 5 You didn't do any statistical analysis of  
 6 anything; correct?  
 7 A. No.  
 8 Q. You didn't do any surveys?  
 9 You didn't survey any companies other than  
 10 Household to see how Household compares to any of its  
 11 peers on any topic?  
 12 A. I never do that. I just look at the documents  
 13 in the case, and that's what I did here.  
 14 Q. That's a "no," you didn't do that?  
 15 A. No, I never do that on any case.  
 16 Q. Uh-huh.  
 17 Okay. So on any of these practices that you  
 18 talk about in your two reports you don't know whether  
 19 Household was an outlier or if they're right in the  
 20 middle of the pack?  
 21 A. Only from what I looked at in the documents in  
 22 the case, and there are some studies that were  
 23 performed. One in particular was the KPMG study that  
 24 gave me some information in terms of how they compare to  
 25 their peers.

15 (Pages 54 to 57)

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<p>1 Q. Did the KPMG study conclude that Household was 2 an outlier or it was in the middle of the pack? 3 A. It depended on what the topic was. 4 Q. On some topics it was an outlier and some 5 topics it was in the middle of the pack? 6 A. That's what the report indicated. 7 Q. But other than that you didn't conduct any 8 industry-wide surveys yourself? 9 A. I never do. I just look at the documents in 10 the case. 11 Q. Did you conduct any regression analyses of 12 anything? 13 A. No, I never do that. 14 Q. Did you do any customer surveys? 15 A. No. I stay inside the documents of the case. 16 Q. Did you interview any former Household 17 employees? 18 A. No, I didn't. 19 Q. Did you interview any present Household 20 employees? 21 A. No. 22 Q. Did you cause anyone else to interview any 23 other people? 24 A. No. I think I answered that already. 25 Q. You may have.</p>	<p>1 quantify what some of the regulatory criticisms were. 2 Q. Right. 3 And when you say that you tried to quantify, 4 you summarized things found in other documents that you 5 reviewed? 6 A. I summarized -- this was taken from 7 examination reports primarily. 8 Q. Right. 9 Those examination reports are part of the 10 universe of documents you looked at? 11 A. Yes, that's right. 12 Q. And when you created Exhibit E, all you did is 13 you took some things out of various of those examination 14 reports and collected them here in Exhibit E? 15 A. Yes, and then F -- 16 Q. And Exhibit F -- 17 A. -- are some detailed consumer complaints. 18 Q. And, again, the same methodology, you looked 19 at consumer complaints that are otherwise contained in 20 the record of this case that you reviewed and you 21 summarized certain things from those complaints -- 22 A. Yes. 23 Q. -- in Exhibit F. 24 And Exhibit G? 25 A. Is -- just a summary of some of the public</p>
Page 59	Page 61
<p>1 Let me ask you this. You worked entirely by 2 yourself? You don't have a staff? 3 A. I work by myself. I don't have a staff. 4 Q. Okay. So any time I ask you a question, I 5 don't need to ask you did you cause anyone else to do 6 it, because the answer is either you did it or it wasn't 7 done? 8 A. Yes, that's correct. 9 Q. Okay. Did you do any textual analysis of any 10 Household loan documents? 11 A. Only if they happened to be in the documents 12 for this case, and I believe some of the complaints 13 might have had some loan documents there. 14 Q. Okay. And what did you do to analyze the 15 contents of those? 16 Did you just read them or did you conduct -- 17 did you prepare some kind of a -- a written analysis? 18 A. I just read them and considered them. 19 Q. Okay. I notice that your report has some 20 appendices at the end, I think A through -- H, your 21 first report, Exhibit 1, and let's look at E through -- 22 E, F, G, H. 23 Would it be fair to say that those are 24 summaries? 25 A. Appendix E is a summary that I used trying to</p>	<p>1 relations activities that occurred at Household. 2 Q. And, again, the methodology of preparing this 3 is you looked at other documents that you've reviewed in 4 this case and extracted certain information from them 5 and put it on this piece of paper? 6 A. Yes. 7 Q. And Exhibit H, which is entitled "Summary of 8 Consumer Complaints" is a chart you prepared. 9 Again, the basis was your review of documents 10 that are otherwise in the universe of documents you 11 looked at in this case? 12 A. Yes. 13 And this is not an attempt, as I said, in this 14 initial report to portray all the complaints that there 15 were. These were the complaints that I was able to 16 understand the complaint either because I had the actual 17 complaint from the borrower or the regulator had 18 additional documents, but there are many, many other 19 complaints that I just didn't have enough information to 20 understand all the issues of them. 21 Q. How many other complaints do you understand 22 there to be? 23 A. I didn't even attempt to count them. This -- 24 this file is so voluminous. 25 Q. How voluminous is the file?</p>

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1 A. Well, it's one of the most document intensive  
2 cases I've ever worked on.  
3 Q. But I'd like a number.  
4 Are there a hundred thousand pieces of paper?  
5 A. I have -- I just have no idea.  
6 Q. 200,000?  
7 A. I have no idea.  
8 Q. How many did you look at?  
9 A. I probably looked at how many pieces of paper  
10 are in 40 banker boxes. I mean --  
11 Q. 40 banker boxes?  
12 A. Plus, you know, all the depositions I read on  
13 LiveNote.  
14 So I just have no idea how many pieces of  
15 paper it would be.  
16 Q. But other than what you read on LiveNote you  
17 looked at 40 bankers boxes of documents?  
18 A. I mean, I'm just taking a wild guess.  
19 Q. Well, I want your best -- your best evidence  
20 as to what you think you looked at.  
21 Was it 40 boxes, give or take one or two, give  
22 or take five?  
23 A. I don't know. I really don't. I didn't even  
24 try to count it.  
25 Q. Could it be 20 boxes? Could it be 50 boxes?

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1 A. I have no idea. It's a lot of documents.  
2 Q. Could it be a thousand boxes?  
3 A. Maybe if you printed everything out it might  
4 be a thousand boxes.  
5 Q. But did you print everything out?  
6 A. No, I didn't.  
7 Q. Did you look at things in hard copy?  
8 A. Yes, I did.  
9 Q. All right. You looked at -- you don't know --  
10 you can't tell me whether you looked at 40 boxes of hard  
11 copy or a thousand boxes of hard copy?  
12 A. Oh, hard copy?  
13 Q. Yeah.  
14 A. I thought you meant if you printed out  
15 everything that was on LiveNote.  
16 Q. No, I'm asking you about the hard copy you  
17 looked at.  
18 A. Oh, hard copy?  
19 Q. Was it 40 boxes or --  
20 A. Maybe 40. I just don't know. I didn't count  
21 them, but a lot of documents. This case is very  
22 document intensive.  
23 Q. What percentage of the available universe do  
24 you understand you looked at?  
25 A. I don't know. I didn't even attempt to

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1 calculate that.  
2 Q. Now you said you can't tell me how many  
3 customer complaints there are that you are aware of that  
4 are not included on Exhibit -- Appendix H.  
5 Can you give me an order of magnitude?  
6 A. No.  
7 Q. Are there a hundred more?  
8 A. I have no idea.  
9 Q. A thousand more?  
10 A. I read quite a few more that I didn't put in  
11 there.  
12 Q. How many more?  
13 A. I have no idea.  
14 Q. You don't know whether or not you read a  
15 million complaints?  
16 A. I know I didn't read a million.  
17 Q. Okay. Did you read a hundred thousand other  
18 complaints?  
19 A. I didn't count how many complaints I read. I  
20 don't think there were -- I don't think I read a hundred  
21 thousand.  
22 Q. This chart looks like it has about 35 or 50  
23 complaints on it. Is that about right?  
24 A. I mean, I can count them if you want.  
25 Q. Appendix H.

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1 Well, let's see. One, two, three, four, five  
2 -- maybe 40 or 50, something like that. It is what it  
3 is.  
4 How many more do you think you're aware of  
5 that you didn't put on Exhibit H, the same number, a  
6 multiple of this?  
7 MR. BAKER: Objection. Asked and answered.  
8 THE WITNESS: I -- I just didn't count them.  
9 I have no idea.  
10 I know that other complaints exist. All I'm  
11 trying to say is I'm not trying to pretend or portray  
12 this as the universe of complaints that Household  
13 received.  
14 These are the ones that I was able to  
15 establish. I had enough documentation to understand the  
16 complaint.  
17 BY MR. KAVALER:  
18 Q. What is the universe of complaints Household  
19 received?  
20 MR. BAKER: Objection. Asked and answered.  
21 THE WITNESS: The universe of complaints they  
22 received would be -- whatever they received.  
23 MR. BAKER: Objection. What time frame are  
24 you talking about, Mr. Kavalier?  
25 BY MR. KAVALER:

17 (Pages 62 to 65)

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1 Q. Are you finished with your answer?  
 2 A. Sure.  
 3 Q. Okay. You can't quantify the universe of  
 4 complaints that Household received?  
 5 MR. BAKER: Same objections.  
 6 THE WITNESS: Well, I've seen --  
 7 THE WITNESS: Okay. I've seen lots of  
 8 documents from Household summarizing complaints. I  
 9 would just have no idea what the universe is.  
 10 BY MR. KAVALER:  
 11 Q. How many open customer accounts did Household  
 12 have during the class period?  
 13 A. Open --  
 14 Q. Customer accounts.  
 15 A. What do you mean by that?  
 16 Q. Do you understand Household deals with various  
 17 customers?  
 18 A. Sure.  
 19 Q. And at various times customers have open and  
 20 outstanding loans?  
 21 A. And that's what you mean by "open accounts"?  
 22 MR. BAKER: Are you referring to Household  
 23 International, Household Consumer Lending?  
 24 Which are you -- any business? Household in  
 25 its entirety? Is that what you're asking, Mr. Kavler?

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1 THE WITNESS: What -- which -- what exactly  
 2 are you asking?  
 3 BY MR. KAVALER:  
 4 Q. Do you have any knowledge as to how many  
 5 customers Household had at any given time who had open  
 6 accounts?  
 7 A. Well, I don't understand.  
 8 Which business unit are you talking about?  
 9 Q. Well, I'm trying to find out what knowledge  
 10 you have.  
 11 For instance, you could say "I know how many  
 12 accounts Beneficial had." "I know how many accounts  
 13 Household Finance had." "I know how many accounts the  
 14 thrift had." "I know how many accounts the credit card  
 15 businesses had," or you can say "I know how many  
 16 accounts globally Household International had," or you  
 17 could say "I don't have any knowledge at all."  
 18 A. Well, I've read the documents where different  
 19 statistics were discussed, but I didn't memorize those.  
 20 I wouldn't be able to spout them off sitting  
 21 here today.  
 22 Q. What documents gave you the number of accounts  
 23 Household had at any given time?  
 24 A. Well, I've read all kinds of responses to  
 25 regulators. I've read internal documents discussing

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1 complaints where they were deriving ratios.  
 2 So I'm sure in there somewhere there was a --  
 3 a summary of how many accounts were the universe of what  
 4 they were talking about.  
 5 Q. Did you read Household's annual reports filed  
 6 with the Securities and Exchange Commission?  
 7 A. I did not.  
 8 Q. Do you know that in those reports Household  
 9 discloses how many open accounts they have at any time  
 10 or at year-end?  
 11 A. I don't know what they disclosed there.  
 12 Q. The universe of complaints that you're aware  
 13 of, the ones that are contained on Appendix 8 --  
 14 Appendix H, rather, to Exhibit 1 plus the ones that are  
 15 not contained that you just testified about in the last  
 16 few minutes, do you know what percentage those are of  
 17 Household's open accounts at any given time?  
 18 A. No, I don't.  
 19 Q. Are you of the impression it's a material  
 20 percentage?  
 21 MR. BAKER: Objection. Vague and ambiguous as  
 22 to what you mean by "material."  
 23 THE WITNESS: It depends what your definition  
 24 of "material" is.  
 25 BY MR. KAVALER:

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1 Q. Are you under the impression it represents 50  
 2 percent of Household's customers?  
 3 A. I don't know the exact percentage.  
 4 Q. Are you under the impression it represents 10  
 5 percent?  
 6 A. I just answered that. I don't know what the  
 7 exact percentage is.  
 8 Q. Are you under the impression it represents  
 9 less than one percent?  
 10 A. I don't know the exact percentage.  
 11 Q. Would it make a difference to your opinions if  
 12 you knew the answer to those questions?  
 13 A. I would take it in to consideration.  
 14 Q. All right. How would you take it in to  
 15 consideration?  
 16 A. Well, as I think I said before, when you're  
 17 looking at complaints, you can't just say, "Well there's  
 18 only one complaint here so we don't have to worry about  
 19 it."  
 20 You have to take in to consideration the basis  
 21 of the complaint, how geographically dispersed they were.  
 22 This is one of the things I was trying to look at here.  
 23 And how similar the complaints are.  
 24 So it's not just the sheer number. And also,  
 25 as I said before, regulators realize that it takes a lot

18 (Pages 66 to 69)



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1 for a person to get mad enough to actually file a  
 2 written complaint. So it doesn't mean that that's all  
 3 the people that are affected by something, and you have  
 4 to take that in to account.  
 5 Q. But if you'd known the percentage that these  
 6 complaints represent, you would have taken that in to  
 7 account in coming to your opinion?  
 8 A. I -- I try and take all of the information in  
 9 the file in to account in arriving at my opinions.  
 10 Q. But you didn't know the percentage?  
 11 MR. BAKER: Would you please let her finish,  
 12 Mr. Kavalier.  
 13 Are you finished, Ms. Ghiglieri?  
 14 THE WITNESS: I don't know if I am or not.  
 15 BY MR. KAVALER:  
 16 Q. Okay. You didn't make any effort to  
 17 establish what the percentage of complaints was compared  
 18 to open customer accounts; correct?  
 19 A. I think I said to you in response to an  
 20 earlier question I didn't do separate statistical  
 21 analysis.  
 22 What I did, however, was look at the  
 23 documents, as many of the documents as I possibly could,  
 24 and I know there were some discussions of whether there  
 25 were a lot or not that many of this, that, or the other

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1 and percentages derived.  
 2 Now, I didn't memorize them, but I took all of  
 3 those documents in to consideration in arriving at my  
 4 opinions.  
 5 Q. All right. But nowhere in your report do you  
 6 analyze anything like the following, "I've seen a total  
 7 of X number of complaints. Household had a -- had Z  
 8 number of open customer accounts at this point,  
 9 therefore, I find that the ratio of complaints to open  
 10 accounts is Q percent, and I deem that to be  
 11 significant?"  
 12 Nothing like that appears in your report; does  
 13 it?  
 14 MR. BAKER: Objection. Compound.  
 15 THE WITNESS: That specific sentence I do not  
 16 have in my report.  
 17 BY MR. KAVALER:  
 18 Q. And you didn't perform that exercise?  
 19 A. I didn't perform a separate statistical  
 20 analysis, but I read summaries from the compliance folks  
 21 or whoever was analyzing the complaints and took those  
 22 in to consideration.  
 23 Q. But you did not regard it as part of your  
 24 obligation, your duties, your responsibility to  
 25 calculate a percentage to see whether you could come to

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1 some conclusion, taking in to account all the facts as  
 2 to whether the complaints you were looking at  
 3 represented a miniscule fraction of 1 percent of  
 4 Household's open customer accounts or the majority of  
 5 Household's open customer accounts, at two extremes?  
 6 A. Well, one of the pitfalls with trying to do  
 7 separate analysis like that is that I may not have the  
 8 right denominator in terms of the total accounts, and so  
 9 I would rather rely on the documents produced by  
 10 Household to determine what they think the number of  
 11 accounts is compared to some of their other statistics.  
 12 So I relied on -- or I looked and took in to  
 13 consideration all of the documents I could in this area.  
 14 Q. Did Household produce a document which had the  
 15 correct denominator?  
 16 A. I don't know.  
 17 How would I know?  
 18 I don't have any way of checking whether they  
 19 had accurate information or not.  
 20 Q. Okay. One of your goals as an expert is to be  
 21 sure that your report is based upon sufficient facts and  
 22 data; correct?  
 23 A. Well, when you're an expert, you are  
 24 constrained by the file. It's not -- I don't view it as  
 25 an expert's responsibility to say "I don't have enough

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1 facts so I need more facts."  
 2 You're -- what's produced is what's produced.  
 3 What questions are asked in a deposition are  
 4 asked. And so you are constrained by what's in the  
 5 file, and I do not go beyond the file.  
 6 I don't interview parties. I don't interview  
 7 customers. I look at the documents and I look at the  
 8 testimony, and that's what I did here.  
 9 Q. But do you first come to a conclusion before  
 10 you offer an opinion that there are sufficient facts and  
 11 data in the file for you to have an opinion, or do you  
 12 first say to yourself "There's not enough information  
 13 here. I need more information?"  
 14 For example, you said "I wish I had the  
 15 denominator." Did you ever ask anyone for the  
 16 denominator?  
 17 A. No, I didn't say that. I did not say I wish I  
 18 had the denominator. That mischaracterizes what I said.  
 19 Q. All right. Let me ask you this way:  
 20 Did you have the denominator?  
 21 A. Of what?  
 22 Q. Of the total number of Household open  
 23 accounts.  
 24 A. For what entity? I mean --  
 25 Q. For any entity.

19 (Pages 70 to 73)

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1 A. I did not go out and get separate information.  
 2 I looked at all of the documents that were  
 3 produced by Household, and if it was in there, I looked  
 4 at it and I considered it.  
 5 I didn't make an effort to determine whether a  
 6 numerator or a denominator was accurate or not.  
 7 I would have no way of getting access to those  
 8 records.  
 9 Q. I understand.  
 10 But did you make an effort to get accurate, to  
 11 find out if there was a number you could use as a  
 12 numerator and a denominator to figure out what  
 13 percentage of Household's accounts were showing customer  
 14 complaints?  
 15 A. I recall some information that was either  
 16 given to the regulators or in internal documents where  
 17 they discussed some of those things, and I took it in to  
 18 consideration.  
 19 Q. Can you be more specific?  
 20 Do you remember where you saw that?  
 21 A. No.  
 22 Q. Is it in your -- is it reflected in any of  
 23 your reports?  
 24 A. I looked at thousands of pieces of paper, and  
 25 you're asking me about an issue that I didn't

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1 specifically address in my report, and I'm trying to be  
 2 responsive to your questions.  
 3 Q. Did you think it was an important issue?  
 4 A. Well, as I said before, when you're a  
 5 regulator and you're looking at complaints, you don't  
 6 look to see if it's one in a universe of a thousand.  
 7 You look to see what is the nature of the  
 8 complaint, how geographically dispersed are the  
 9 complaints, if that's an issue.  
 10 You look at all the issues that you possibly  
 11 can. What's the nature of the complaint? Is it  
 12 something that's important?  
 13 Is it -- is it something that is potentially  
 14 harmful to the customer?  
 15 You know, you have to take all of those things  
 16 in to consideration.  
 17 So the specific number of complaints is not  
 18 the most persuasive thing. It's the nature of the  
 19 complaints, the similarity of the complaints, the  
 20 geographic dispersion, if that's an issue.  
 21 You know, there are other things -- because of  
 22 just the energy that it takes to file a complaint you  
 23 can't just go based on the sheer number.  
 24 Q. Would you turn to page 87 of Exhibit 1, which  
 25 is your first report. There's a point in there in bold

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1 type.  
 2 Do you see that?  
 3 A. What was the page number?  
 4 Q. 87.  
 5 A. Okay.  
 6 Q. And it reads "Household engaged in numerous  
 7 systemic and companywide predatory lending practices."  
 8 Do you see that?  
 9 A. I do.  
 10 Q. That's an important part of your conclusion;  
 11 right?  
 12 A. That's one of my opinions, yes.  
 13 Q. Uh-huh.  
 14 And at what point does something become  
 15 systemic and companywide, when it crosses some  
 16 threshold?  
 17 A. Well, it depends on what the topic is.  
 18 It -- just like with complaints, you have to  
 19 look at the nature of the complaint, what is being  
 20 complained about.  
 21 You know, you have to take all kinds of  
 22 factors in to consideration, which is what I did.  
 23 I looked at the entire file and I tried to  
 24 understand what the practices were at Household, how  
 25 widespread they were, what are the other factors that

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1 caused the practices to be practiced by the folks.  
 2 You always look at compensation. You look at  
 3 audit, technology. I looked at all of those issues to  
 4 arrive at my conclusions.  
 5 Q. Wouldn't you think the first and most  
 6 important thing to do is to find out how prevalent the  
 7 practices are before you can conclude that they're  
 8 systemic and companywide?  
 9 A. Depends on what practice you're talking about.  
 10 Q. Any practice.  
 11 A. No. You can't weigh them the same.  
 12 And so I took in to consideration specific  
 13 practices, how prevalent they were, what the nature of  
 14 them was to arrive at my conclusion.  
 15 Q. All right. But you did take in to account how  
 16 prevalent they were?  
 17 A. Well, it depends on -- on what the topic is.  
 18 Q. At least some practices?  
 19 MR. BAKER: Mr. Kevalar, you've interrupted  
 20 her numerous times. I know you're capable -- well, at  
 21 least I think you're capable of being patient and  
 22 waiting for the witness to answer the question.  
 23 In fact, I seem to recall many depositions  
 24 where you were defending you asked me to do the same.  
 25 So I'm going to ask you one more time, could

20 (Pages 74 to 77)

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1 you please let the witness finish it.  
 2 Ms. Ghiglier, are you finished?  
 3 THE WITNESS: I don't know. I've lost my  
 4 train of thought.  
 5 MR. BAKER: Will you stop that.  
 6 You are interrupting her. You are thwarting  
 7 the purpose of her deposition. You're not letting her  
 8 get her answers out.  
 9 Do not do it again.  
 10 BY MR. KAVALER:  
 11 Q. You used the word "prevalent" in your last  
 12 answer.  
 13 Do you remember that?  
 14 A. I don't know.  
 15 Q. Okay. Did you make any effort to figure out  
 16 how prevalent any of these practices that you talk about  
 17 under point B on page 87 of Exhibit 1 were?  
 18 A. Yes, I did make an effort to look at how wide  
 19 spread they were and take that in to consideration in my  
 20 opinions.  
 21 Q. How did you do that if you know neither the  
 22 numerator or the denominator, you don't know how many  
 23 complaints there were and don't know how many open  
 24 customer accounts there were?  
 25 How could you figure out how prevalent a given

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1 practice was?  
 2 MR. BAKER: Objection. Compound.  
 3 THE WITNESS: I think, as I've said numerous  
 4 times in response to, I think, the same question, I  
 5 looked at Household's documents, where they were  
 6 summarizing complaints.  
 7 I looked at examination reports regarding  
 8 complaints.  
 9 I looked at actual complaints, and I drew  
 10 conclusions from all of those documents. I -- I did not  
 11 do -- in this particular area for complaints, as I've  
 12 been saying, just because you have a handful of  
 13 complaints you don't dismiss it, because if you divide  
 14 it by the sum total of the open accounts they have, it  
 15 comes up to a small number, because it still might be  
 16 important that the nature of the complaint sometimes  
 17 overrides the number and so I -- I try to take  
 18 everything in to consideration, not just focus on a  
 19 percentage of the complaints divided by the open  
 20 accounts.  
 21 BY MR. KAVALER:  
 22 Q. All right.  
 23 A. And I did not do that calculation.  
 24 Q. Okay. Let me see if we can leave this area  
 25 behind forever.

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1 You didn't do that calculation, I understand.  
 2 You understood that one of the differences of  
 3 positions between regulator and Household, the  
 4 regulators as you recount in your report, would confront  
 5 Household with a complaint. Household would say some  
 6 variant of that's not company policy, it's a rogue  
 7 employee, and you concluded ultimately that that was not  
 8 true, that it was company policy and it was not a rogue  
 9 employee; correct?  
 10 MR. BAKER: Objection. Mischaracterizes the  
 11 contents of the reports.  
 12 THE WITNESS: I spent a lot of time in my  
 13 report, my initial report and in my rebuttal report,  
 14 talking about this issue of unauthorized and rogue  
 15 employees, and there are a lot of facets to it, but  
 16 overall I concluded that Household's explanation was not  
 17 accurate --  
 18 BY MR. KAVALER:  
 19 Q. And you --  
 20 A. -- as far as I'm concerned.  
 21 Q. And as far as you're concerned, you came to  
 22 that conclusion without knowing either the numerator or  
 23 the denominator of the fraction where the numerator  
 24 would be how many complaints there were and the  
 25 denominator would be how many open accounts there were?

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1 A. Well, as I've said however many times I've  
 2 said it today, that is an irrelevant number, because you  
 3 have to look at what the nature of the complaints are  
 4 and the fact that not everyone who is affected by a  
 5 certain practice complains.  
 6 Q. Whether it's relevant or not, you didn't know  
 7 it, you didn't do it, you didn't make any effort to  
 8 ascertain it, and you're unable to do it today; correct?  
 9 MR. BAKER: Mischaracterizes her prior  
 10 testimony.  
 11 THE WITNESS: As I think I said, I looked at  
 12 lots of documents internal to Household where they  
 13 discuss complaints and they characterize it as a lot,  
 14 not very much, increasing, decreasing.  
 15 There -- there were many, many many, many  
 16 documents talking about the number of complaints, and --  
 17 versus the universe of their accounts, by state, by  
 18 region.  
 19 There were any number of things that I  
 20 considered.  
 21 BY MR. KAVALER:  
 22 Q. Ms. Ghiglieri, I want to be completely fair to  
 23 you.  
 24 MR. BAKER: Ghiglieri.  
 25 BY MR. KAVALER:

21 (Pages 78 to 81)

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1 Q. There may come a time when I want to say to  
2 the Judge with regard to this portion of the testimony  
3 that "This witness did not make any calculation of the  
4 percentage that complaints represent of the total  
5 universe of Household customers," and I'm going to say  
6 to him that I gave you every opportunity to answer that  
7 question.

8 So I'm saying right now that's the use to  
9 which I'm going to put this piece of testimony. If  
10 there's anything you want to add other than what you've  
11 said repeatedly about looking at the whole universe,  
12 please feel free to do so.

13 Absent that I'm going to say I asked the  
14 question as plainly as I know how repetitively, Mr. -- Mr.  
15 Baker chastised me soundly and I'm duly chastised for  
16 being repetitive, and I got no answer.

17 If I'm misunderstanding you, if you're telling  
18 me --

19 A. I think that --

20 Q. Excuse me. Let me finish my question.

21 If you're telling me that you actually did  
22 calculate the percentage and that you found that these  
23 complaints represented a material or a significant or  
24 any other percentage of Household's customer base, this  
25 would be the time for you to point me to that evidence

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1 and tell me about it, or if you want to rest on what you  
2 said, that's fine, but then I will characterize it as  
3 I've said, and I think I'm being very fair in telling  
4 you what I'm going to do with your testimony.

5 If I'm misunstanding you, feel free to correct  
6 me.

7 A. I think it mischaracterizes my testimony to  
8 say I haven't been responsive.

9 I've said over and over that I didn't perform  
10 separate statistical analysis, but I did consider all of  
11 the Household documents where they discussed  
12 percentages, increasing or decreasing complaints by  
13 various business units and various states.

14 I considered all of that.

15 I didn't feel that it was relevant for me to  
16 do separate calculations because I didn't feel I had the  
17 necessary information to do it, nor did I care to.

18 I used their internal documents, which should  
19 have been more accurate than anything I could have done.

20 Q. Do you believe your report should be the  
21 product of reliable principles and methods?

22 MR. BAKER: Objection. Vague and ambiguous.

23 THE WITNESS: What do you mean by "principles  
24 and methods"?

25 BY MR. KAVALER:

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1 Q. Do you believe that the methods that you used  
2 to come to your conclusions should be reliable methods?

3 MR. BAKER: Same objection.

4 THE WITNESS: I don't think I understand how  
5 you're using that term in this kind of a case.

6 BY MR. KAVALER:

7 Q. You believe that your reports should be the  
8 product of methods that other people with your expertise  
9 would also regard as the proper methods to use?

10 A. Well, these types of cases don't lend  
11 themselves to like medical analysis, or, you know, what  
12 other experts might do where you say this is the set  
13 method that you have to use.

14 But generally all regulators look at documents  
15 and come up with similar conclusions. Whether it's a  
16 mortgage file or a looking at a document to do term and  
17 compliance with Regulation Z or RESPA.

18 And from that standpoint I did use the same  
19 methods that I used when I was an examiner or when I was  
20 the Banking Commissioner.

21 That's the -- that's the approach that I took  
22 with regard to this entire file.

23 Q. And you applied those methods that you just  
24 described to the facts of this case?

25 A. Yes.

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1 Q. Now, we were talking earlier about your  
2 definition of "predatory lending," and I believe you  
3 told me that your report does not contain a definition  
4 but you gave me a definition today in your testimony.

5 Did I understand that correctly?

6 A. Yes.

7 Q. Okay.

8 A. I thought you might ask me for my definition,  
9 so I pondered it.

10 Q. So you pondered it when?

11 A. In preparation for my deposition.

12 Q. Yes, but when temporarily, this morning,  
13 yesterday, a week ago?

14 A. Oh, in the last week --

15 Q. In the last week?

16 A. -- when I was preparing for my deposition.

17 Q. So when you told me earlier today that's the  
18 definition that you prepared for purposes of this case,  
19 we're now refining it, it's a definition you prepared in  
20 the last week?

21 A. I did not say for this case. I said for this  
22 deposition.

23 MR. KAVALER: Okay.

24 THE WITNESS: That mischaracterizes --

25 MR. BAKER: Mr. Kavalier, you have to listen to

22 (Pages 82 to 85)

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1 her testimony before you misrepresent it.  
 2 BY MR. KAVALER:  
 3 Q. So you prepared that definition for today's  
 4 testimony?  
 5 A. Yes.  
 6 Q. Within the last week or so?  
 7 A. Yes.  
 8 Q. Okay. Thank you for that clarification.  
 9 Now, as part of your definition you said  
 10 something needs to be either illegal or deceptive;  
 11 correct?  
 12 A. Yes.  
 13 Q. In most states if something is deceptive it is  
 14 illegal; is it not?  
 15 A. Well, what I was trying to cover are the  
 16 statutes that make, for example, prepaid -- prepayment  
 17 penalties of, say, you know, seven years illegal, where  
 18 there's a specific statute that covers a specific  
 19 practice or a specific loan term, that would fall -- in  
 20 the category of "illegal" in my definition.  
 21 Other things that are deceptive, either loan  
 22 terms, which, you know, are not properly disclosed or  
 23 sales practices where, you know, somebody is putting  
 24 their arm across, you know, the disclosures or whatever,  
 25 that would fall under the Deceptive Trade Practices Act

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1 either at the state or the federal level and also would  
 2 be illegal, but not specifically banned by a specific  
 3 statute.  
 4 So in looking at all of the literature that  
 5 was out there, all the statements from the various  
 6 regulators, I tried to come up with what would be an  
 7 all-encompassing definition of "predatory lending," and  
 8 I came to that one, and I think it's a good one, because  
 9 it's not that they're not illegal, it's not that they're  
 10 specifically banned by a particular statute.  
 11 So that was kind of the distinction I was  
 12 trying to make.  
 13 Q. But based on what you just said you're saying  
 14 that if something is -- if something is deceptive, it  
 15 violates the Deceptive Trade Practices Statute either of  
 16 the federal or state, and, therefore, is illegal; right?  
 17 A. Yes.  
 18 Q. So it comes down to this, to be predatory  
 19 lending something has to be illegal either under a  
 20 specific statute or under a specific trade practices  
 21 statute; right?  
 22 A. That's -- that's my view.  
 23 Q. Okay. And the converse is true, if something  
 24 is not illegal, it's not a deceptive trade practice,  
 25 it's not -- let me say it again.

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1 Is the converse also true, if something is not  
 2 illegal, then it is not predatory lending?  
 3 A. I guess that would be the converse of it, yes.  
 4 Q. Okay. So if I were a -- a lender and I wanted  
 5 to be sure that I was not a predatory lender, as long as  
 6 I made sure all my conduct is legal, then I would be  
 7 safe from being characterized as a predatory lender by  
 8 a fair-minded regulator such as yourself?  
 9 A. Thank you for saying I'm fair-minded.  
 10 But the -- the sales practices and the loans  
 11 terms cannot be deceptive, and it could not be  
 12 specifically banned by a statute, and if that's the  
 13 case, then I would consider it not to be predatory.  
 14 Q. Right.  
 15 And if it's legal it's not predatory?  
 16 A. As long as everyone agrees on what that  
 17 definition means.  
 18 Q. Well, I guess "legal" we know what it means  
 19 because there are laws. And the laws are interpreted  
 20 daily by regulators such as yourself all around the  
 21 country, and all the companies have compliance  
 22 departments, and everybody knows what they're talking  
 23 about, and the law is the law, and if it says you have  
 24 to do X the company did it or they didn't; correct?  
 25 A. Well, it's not really as easy as that in

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1 practice, because deceptive trade practices there's no,  
 2 you know, these 15 things you can't do.  
 3 If it falls within the deceptive trade  
 4 practices, it would be considered illegal.  
 5 Q. Right.  
 6 You and I are saying the same thing, I think.  
 7 If it's illegal, then it might be predatory.  
 8 Some things might be illegal but not  
 9 predatory; correct?  
 10 A. I think that's right.  
 11 Q. Okay. But nothing could be legal and still  
 12 predatory?  
 13 A. Yes, under -- under my view it's all predatory  
 14 lending activities are illegal, either specifically by  
 15 statute or under the Deceptive Trade Practices Act.  
 16 Q. Right.  
 17 But all legal activities are not predatory?  
 18 A. I believe that's right.  
 19 Q. Okay. So "predatory" winds up being a synonym  
 20 for "illegal"?  
 21 A. Well, I don't think so, because you could have  
 22 a violation of Regulation O, and that's not -- that's  
 23 illegal, but it's not predatory, so I -- I don't think  
 24 that you can say that.  
 25 Q. Okay. Fair point.

23 (Pages 86 to 89)

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1 Let me try it again.  
 2 All -- no. Withdrawn.  
 3 So you have -- as you've thought about today's  
 4 deposition and as you came up with the definition that  
 5 you gave me earlier sometime in the last week, you have  
 6 receded from your position at page 15 of Exhibit 1,  
 7 where you stated, quote, "A review of the predatory  
 8 lending materials in this report shows that the lending  
 9 does not have to be illegal or intentionally deceptive  
 10 in order to be predatory," and then you later corrected  
 11 that by saying there's a typo in there, the word  
 12 "intentionally" should have appeared in front of the  
 13 word "illegal."  
 14 All of that is now replaced by your testimony  
 15 today?  
 16 MR. BAKER: Objection. Mischaracterizes her  
 17 testimony and her report.  
 18 THE WITNESS: What page is that?  
 19 MR. KAVALER: I'm on page 15 of Exhibit 1.  
 20 THE WITNESS: Let me just take a look -- a  
 21 quick look at that.  
 22 MR. BAKER: You also read something from the  
 23 rebuttal report or you refereced it. Where were you  
 24 referring to, Mr. Kavalier?  
 25 THE WITNESS: Did you just read this or did

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1 you read what was in my rebuttal?  
 2 MR. KAVALER: No, I read -- I read from page  
 3 15, --  
 4 THE WITNESS: Okay.  
 5 MR. KAVALER: -- but I'm aware of the fact in  
 6 your rebuttal you said there's a typo in there.  
 7 THE WITNESS: Right. Right.  
 8 BY MR. KAVALER:  
 9 Q. I'm not ignoring that fact, but I'm reading  
 10 from page 15 of Exhibit 1, the paragraph right above the  
 11 three small bullets.  
 12 You see that?  
 13 A. Yes.  
 14 Q. All right. And what you're telling me today  
 15 is you've refined your thinking on that subject?  
 16 A. No, I don't think it's -- it's any different.  
 17 Q. Okay. Well, let's see if that's true.  
 18 A. Okay.  
 19 Q. You say here "A review of the predatory  
 20 lending materials in this report shows that lending does  
 21 not have to be," and I'm going to give you the benefit  
 22 of your correction --  
 23 A. Yes. Thank you.  
 24 Q. I'll read in the word "intentionally" even  
 25 though it's not in here.

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1 "Does not have to be intentionally illegal or  
 2 intentionally deceptive in order to be predatory;"  
 3 right?  
 4 A. Yes.  
 5 Q. All right. Now, if that were still your view,  
 6 then I guess something could be legal but still  
 7 predatory.  
 8 What you just told me a minute ago is if  
 9 something is legal it's not predatory.  
 10 Am I understanding you correctly?  
 11 A. I don't think so.  
 12 Q. Okay. Help me out.  
 13 Why not?  
 14 A. Okay. Intentionally illegal, so a person  
 15 doesn't have to intentionally violate the law for it to  
 16 be predatory --  
 17 Q. Right.  
 18 A. -- but it would still be illegal using my  
 19 definition.  
 20 Q. I see.  
 21 A. Intentionally deceptive -- it doesn't have to  
 22 be intentionally deceptive, but if it is deceptive and  
 23 it violates the Deceptive Trade Practices Act, it's  
 24 still legal -- illegal.  
 25 I think I'm being exactly consistent with my

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1 definition and with what I have here.  
 2 Q. So the "intentionally" is the key.  
 3 What if something is accidentally deceptive?  
 4 A. I don't think it matters. If it's deceptive,  
 5 it's deceptive.  
 6 If it's illegal, it doesn't matter if they  
 7 intended it to be illegal or intended it to be  
 8 deceptive, but if it is deceptive, and it violates the  
 9 Deceptive Trade Practices Act, it's illegal.  
 10 Q. All right. But then look back at page 15, and  
 11 you don't need the word "intentionally," either the one  
 12 you put in or the one you left out.  
 13 You could simply say "illegal or deceptive"?  
 14 A. You're right.  
 15 And what I was trying to respond to here were  
 16 the stricter, narrower definitions of the Household  
 17 senior management where they were -- they had a very  
 18 narrow definition of "predatory lending," and based on  
 19 what I can see during the class period it was broader  
 20 than that.  
 21 Activities that were outside of their narrow  
 22 definition were considered predatory by the regulators.  
 23 Q. When you say "during the class period it was  
 24 broader than that. I just want to be clear what I'm  
 25 saying.

24 (Pages 90 to 93)

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1 You're saying the correct definition of  
 2 "predatory lending" in your opinion was broader than the  
 3 definition held by the Household executives?  
 4 A. Taking in to consideration that there's not  
 5 one definition that everyone points to and says "That's  
 6 the definition," what I was trying to do is have a  
 7 summary definition that took in to consideration what  
 8 everyone thought about it using different words, which  
 9 is wider than the narrow definition of -- of the senior  
 10 management, and that's what this sentence was trying to  
 11 respond to, however inartfully I drafted it.  
 12 Q. You understood that Household management had  
 13 what you call "a narrow definition;" correct?  
 14 A. Yes, I think I -- I've written in this report  
 15 what they said at their deposition.  
 16 Q. Yes. We can look at that.  
 17 Do you know where that is?  
 18 I'm happy to look at that, if you want.  
 19 A. Let's see.  
 20 MR. KAVALER: It's on the top of the page.  
 21 MR. BAKER: Is it in here or is it in the  
 22 other one?  
 23 BY MR. KAVALER:  
 24 Q. Yeah, it's page 20 of your rebuttal report, I  
 25 think, on the top.

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1 Do you see that?  
 2 A. Just a second. I'm not there.  
 3 Q. Uh-huh.  
 4 A. Yeah. I wanted to look at what page it was in  
 5 my initial report.  
 6 Do you have it?  
 7 MR. BAKER: No.  
 8 THE WITNESS: Let's see. I should have my  
 9 computer in here so I can do a word search so I can find  
 10 it.  
 11 BY MR. KAVALER:  
 12 Q. Let's look at page 20. That's sufficient for  
 13 my purposes. I just want to understand what you're  
 14 talking about.  
 15 And since we found this one, let's press  
 16 ahead.  
 17 Page 20 of the rebuttal report you have the  
 18 first two bullets from Mr. Gilmer and Mr. Aldinger.  
 19 Do you see that?  
 20 A. Would you mind if I just looked in my report  
 21 and got it, because I want to make sure I give you a  
 22 full --  
 23 Q. I'd actually like you to focus on page 20 of  
 24 the rebuttal report for now.  
 25 We'll come back to your report later.

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1 THE WITNESS: Okay.  
 2 MR. BAKER: We'll just let the record reflect  
 3 that Mr. Kavalier is not letting Ms. --  
 4 MR. KAVALER: The record will reflect exactly  
 5 what the record reflects, as it always does. It will  
 6 reflect everything that's going on here, Mr. Baker, as  
 7 you well know.  
 8 BY MR. KAVALER:  
 9 Q. All right. On page 20 you've got a bullet for  
 10 Mr. Gilmer and a bullet for Mr. Aldinger, and then a  
 11 bullet for Mr. O'Han, and then you have a paragraph in  
 12 text.  
 13 Do you see that?  
 14 A. And you're on page? I'm so sorry.  
 15 Q. Page 20 of Exhibit 2.  
 16 A. Yes.  
 17 Q. Okay. The text reads, "These definitions of  
 18 'predatory lending' as given in deposition testimony  
 19 only slightly more reasonable than the official  
 20 definition, but still outside the commonly accepted  
 21 understanding of this term;" correct?  
 22 A. Yes, that's what I have here.  
 23 Q. What you mean is as this testimony reflects,  
 24 Mr. Gilmer and Mr. Aldinger, who are the individual  
 25 Defendants in this case, apparently have a definition

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1 that differs from what you think is the commonly  
 2 accepted understanding; correct?  
 3 A. As I think I said a couple times before, I --  
 4 their definition to me seemed narrower than what I  
 5 thought the commonly accepted definition.  
 6 I mean, using that term, not to mean there is  
 7 a definition, but just what generally everyone was  
 8 saying about it.  
 9 Q. But you have no reason to believe that's not  
 10 actually their definition; you just think it's the wrong  
 11 definition?  
 12 A. I think it's not the full definition, is what  
 13 I'm trying to say.  
 14 Q. Right. Okay.  
 15 Excepting that it's your view it's not the  
 16 full definition, nevertheless, you believe it is, in  
 17 fact, Mr. Gilmer's definition or Mr. Aldinger's  
 18 deposition -- definition; correct?  
 19 A. Well, it's what they said it was in the  
 20 deposition.  
 21 Q. Other than what they said in the deposition do  
 22 you have any other basis for thinking you know what  
 23 their definition was?  
 24 A. There may have been some documents where they  
 25 wrote what they thought it was, but just from -- you

25 (Pages 94 to 97)

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1 know, I'm just taking, you know, what they wrote or what  
2 they said as their definition.

3 Q. And what you took from what they wrote or what  
4 they said as their definition is different than your  
5 definition?

6 A. As I've said, I believe it's narrower.

7 Q. Narrower is a way in which it can be  
8 different; right?

9 A. Yes.

10 Q. Okay. All right.

11 Let's look at what you quote Mr. Gilmer as  
12 saying on page 20.

13 You say "Gary Gilmer, quote, 'My  
14 interpretation would be something illegal or something  
15 that was unfair, knowingly unfair to your customers,'"  
16 closed quote.

17 Do you see that?

18 A. Yes.

19 Q. And the footnote says you got that from  
20 Mr. Gilmer's deposition at page 51; right?

21 A. Yes.

22 Q. Then you quote Mr. Aldinger.

23 Mr. Aldinger's definition is, "My  
24 interpretation will be something illegal or something  
25 that's unfair, knowingly unfair to your customers."

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1 Do you see that?

2 A. Yes.

3 Q. And the footnote says you got that from  
4 Aldinger's deposition at page 18; right?

5 A. Yes.

6 Q. Did you notice that you ascribed verbatim the  
7 same quote to Mr. Aldinger and Mr. Gil -- Gilmer?

8 A. Yes, and that's why I was trying to find --

9 Q. Did they use the same words?

10 A. I don't know. Maybe I've got it wrong in  
11 there.

12 Q. Another typo?

13 A. That's why I wanted to find it in my report.

14 Q. Uh-huh.

15 A. In my initial report, I should say.

16 Q. This is one of your reports; is it not?

17 A. When we first started, I asked you if I could  
18 take a minute and find it in my initial report.

19 Q. Right.

20 A. But you said "no."

21 Q. Correct.

22 A. So --

23 Q. Because it's my deposition, and I want to  
24 focus on this document right now.

25 This is one of your reports; is it not?

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1 A. Yes, it is.

2 Q. Okay. And you looked at Gilmer deposition  
3 page 51, and this is how you quoted him; right?

4 Is that correct?

5 A. That's what I have there.

6 Q. Okay. Let me read you from Gilmer's  
7 deposition transcript, page 51.

8 MR. BAKER: Mr. Kavalier, are you going to give  
9 the witness something so she can read along with you or  
10 are you just going to read it to yourself?

11 BY MR. KAVALER:

12 Q. "Question: Could you tell me what you  
13 understand the term 'predatory lending' to mean?"

14 Answer: I'd say it's a term that's been  
15 bantered about so much I'm not sure it has generally  
16 accepted definition. I guess in my mind it would be any  
17 activity that would be intentionally illegal or  
18 intentionally deceptive."

19 Do you see that?

20 A. Yes.

21 Q. Now, that is not exactly what you quoted him  
22 as saying here at footnote 76 -- I'm sorry -- Gilmer  
23 page 51; is it?

24 A. I believe it's in this report, and when he  
25 takes a break to change the tape I'll look and see.

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1 Q. But Ms. Ghiglieri, at page 20 of your second  
2 report you have a quote from Mr. Gilmer, which is  
3 verbatim the same from as the quote Mr. Aldinger and  
4 which does not accurately track to page 51 of the Gilmer  
5 deposition transcript; correct?

6 A. I'm happy to -- to make an addendum, if that's  
7 a typo.

8 Q. Okay. Let's assume that either Mr. Gilmer or  
9 Mr. Aldinger said this.

10 You also agree that that is a different view  
11 of "predatory lending" than your view; correct?

12 A. Yes.

13 Q. All right. Do you have any reason to believe  
14 that Mr. Gilmer did not actually think what he testified  
15 at page 51 he thought, whether Mr. Aldinger did not  
16 actually think what he testified according to you at  
17 page 18 of his deposition transcript he thought?

18 A. I think I'm lost on what your question is.

19 Q. Okay. At page 20 you quote Mr. Aldinger  
20 saying "My interpretation would be something illegal or  
21 something that was unfair, knowingly unfair, to your  
22 customers."

23 You've told me that's a more narrow view than  
24 you hold; right?

25 A. Yes.

26 (Pages 98 to 101)



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1 Q. Do you have any reason to believe that  
2 Mr. Aldinger did not actually hold that view?

3 A. Well, if he said it, I'm assuming he held that  
4 view.

5 Q. All right. And as to Mr. Gilmer, putting  
6 aside what it says at page 20 of your report at page 51  
7 of his transcript, he says, quote, "I guess in my mind  
8 it would be any activity which would be intentionally  
9 illegal or intentionally deceptive," closed quote.

10 Assuming that was his testimony, do you have  
11 any reason to believe that Mr. Gilmer did not hold that  
12 view, that that was his view of "predatory lending"?

13 MR. BAKER: I'm going to object to this.

14 You've just established that was a typo. You're now  
15 asking her to say a hypothetical that's based on a typo  
16 when we have accurate testimony right here.

17 Why don't you just ask her the question about  
18 the accurate testimony and ask her if she believes that  
19 Mr. Gilmer actually believed that when he said it?

20 MR. KAVALER: Answer my question.

21 MR. BAKER: Incomplete hypothetical then. And  
22 contrary to facts. Assumes facts not in evidence.

23 THE WITNESS: Can you ask me the question  
24 again.

25 BY MR. KAVALER:

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1 Q. I'll be happy to because your counsel who is  
2 not paying attention or not sufficiently acute to  
3 understand what's going on has, obviously, confused you.

4 THE WITNESS: Actually, it's not my counsel.

5 BY MR. KAVALER:

6 Q. What I did is precisely what Mr. Baker in his  
7 attempt to be a big boy suggested I should do.

8 I read you from page 51 of Mr. Gilmer's  
9 testimony. I ignored your typo, prepared to spot you  
10 the typo.

11 I read you precisely what Mr. Baker -- I use  
12 the word advisedly, thinks I should have read you. But  
13 I'll be happy to read it to you again.

14 And you understand the question precisely.  
15 The question is, when you hear Mr. Gilmer's testimony  
16 from page 51 of his transcript, do you have any reason  
17 to believe that that's not what he really thought,  
18 quote, "I guess in my mind it would be any activity  
19 which would be intentionally illegal or intentionally  
20 deceptive," closed quote?

21 Do you have any reason to believe that's not  
22 what Gary Gilmer thinks?

23 A. If he said it, I'm assuming that's what he  
24 thinks.

25 Q. Okay.

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1 A. And that's what I tried to portray here, what  
2 they thought the definition was.

3 Q. I understand perfectly.

4 A. I made a typo there, but I think I have it  
5 accurate in my report, my first report.

6 Q. So this -- and you weren't intentionally  
7 trying to deceive anyone?

8 A. I wasn't trying to be intentionally deceptive  
9 or intentionally illegal when I made that typo.

10 Q. And yet it's -- wrong?

11 A. It's wrong.

12 Q. Right. Things can be wrong without being  
13 intentionally deceptive; can't they?

14 A. Yes, that's true.

15 Q. And things can be wrong without being  
16 fraudulent; can't they?

17 A. Well, depends. If it's a violation of a  
18 statute, then it would be.

19 Q. Well, in this case it's a mere mistake; right?

20 A. Yes.

21 And there's no statute that says if you make a  
22 typo it's a violation of the law.

23 Q. No, I agree there's no statute.

24 You did tell me earlier, though, that one of  
25 your goals as an expert is to be accurate in your use of

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1 the materials that you're using; correct?

2 A. Yes.

3 Q. This would be an example of a case where you  
4 turned out to be inaccurate?

5 A. Well, I made a typo.

6 I mean, I -- and you didn't give me a chance  
7 to look, but I know that I have it accurate in this  
8 report here, which is probably why I haven't been given  
9 the time to look at it.

10 Q. That's right.

11 What you want to point out to me is that the  
12 ratio, the numerator and denominator here, is probably  
13 you're batting 500, you got it right once and wrong  
14 once, and that's relevant to the point you're making;  
15 right?

16 A. I'm sure --

17 MR. BAKER: Objection. Argumentative.

18 THE WITNESS: I'm sure -- you know, I have a  
19 250-page report and a hundred page report here single  
20 spaced.

21 I'm sure there are other typos that we can  
22 find, but to the best of my ability I tried to portray  
23 accurate information and draw my opinions based on the  
24 record.

25 BY MR. KAVALER:

27 (Pages 102 to 105)

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1 Q. And you don't want me to think ill of you as  
2 an expert because you made a couple of mistakes?

3 MR. BAKER: Assumes facts not in evidence as  
4 if she cares what you think about her.

5 THE WITNESS: I mean, if you think ill of me,  
6 you think ill of me. I can't help it.

7 BY MR. KAVALER:

8 Q. Well, you don't want the Court to think ill of  
9 your testimony and reject it just because there's some  
10 mistakes in it; right?

11 A. I'm assuming that they won't reject it because  
12 I have a typo.

13 Q. But, nevertheless, you're making the point  
14 that "If got it right once and I got it wrong once,"  
15 that's important for you to focus on?

16 A. Well, it's just like complaints, you know. If  
17 you have one complaint here and -- that somebody  
18 complains and says that, "You know, the finance company  
19 stole my house," you would be more concerned than if  
20 they said "They gave me a disclosure late" or something.

21 So you have to take everything in to  
22 consideration, and the fact that I made a typo here but  
23 I have it accurate in my first report, hopefully, I  
24 haven't had time to look at it, shows you that I was  
25 trying to accurately quote them and I made a mistake.

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1 Q. Uh-huh.

2 So we talked earlier today about certain rules  
3 that require disclosure, and I think you told me that if  
4 you make the disclosure accurately, then it's not  
5 illegal.

6 I take it then it's also not predatory; right?

7 If it's a disclosure based rule and you make  
8 the disclosure fully and completely, which you recite is  
9 true, then it's not predatory; correct?

10 MR. BAKER: Objection. Incomplete  
11 hypothetical.

12 THE WITNESS: Let me just take that in  
13 sections.

14 So if you're required to make a disclosure and  
15 you make an accurate disclosure but you don't make it  
16 timely, it would be considered a violation of the  
17 statute, and depending on how you didn't make it timely  
18 it could be considered deceptive.

19 So I don't know if it necessarily follows that  
20 just because you made the disclosure, if you didn't make  
21 it accurately or not timely it could still be considered  
22 predatory.

23 BY MR. KAVALER:

24 Q. Let's assume you made it timely.

25 Let's assume in all respects you complied with

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1 the disclosure statute.

2 Then it would not be predatory; is that right?

3 MR. BAKER: Objection to the extent you're  
4 calling for a legal conclusion.

5 THE WITNESS: So you're saying that you made  
6 the disclosure, it was accurate and it was timely?

7 MR. KAVALER: Correct.

8 THE WITNESS: And there's a statute that  
9 requires both of those things?

10 MR. KAVALER: Correct.

11 THE WITNESS: Then I wouldn't think that there  
12 would be anything in violation of the statute, which  
13 would be a requirement before it could be considered  
14 predatory unless it was deceptively given or fall within  
15 the Deceptive Trade Practices section of it.

16 BY MR. KAVALER:

17 Q. So to get within the safe harbor, to protect  
18 myself from being viewed as a predatory lender by a  
19 fair-minded regulator such as yourself, if there's a  
20 disclosure statute, I have to comply with it, I have to  
21 make the right disclosure, I have to make it accurately,  
22 I have to make it timely, if there's type size  
23 requirements, I have to make it in the right type size,  
24 if there are multiple copy requirements I have to  
25 distribute the multiple copies.

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1 But assuming I comply with the statute, it is  
2 legal, and, therefore, by definition not predatory;  
3 right?

4 MR. BAKER: Objection. Mischaracterizes her  
5 prior testimony.

6 THE WITNESS: I mean, I would have to know  
7 exactly what the circumstance is, because there are some  
8 consumer laws that say you have to give something three  
9 days ahead, like the good faith estimate, for example.  
10 You have to fill it out appropriately.

11 Now, there was a quarrel with Household in  
12 this particular case about the range that they use, you  
13 know, from zero to \$6500 or whatever, and so there's  
14 probably something -- there are probably examples that  
15 we could come up with that would fall under deceptive  
16 that would put this in to predatory, even though the  
17 disclosures were made.

18 I'm not thinking of anything at the moment,  
19 but I don't want to say in every single case just  
20 because you make the disclosure and it's accurate and  
21 it's timely it's not going to be deceptive.

22 I would have to think about that a little  
23 longer to make sure I was right on that.

24 BY MR. KAVALER:

25 Q. Did you see any of those in this case?

28 (Pages 106 to 109)

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1 Did you see any instance where Household's  
2 conduct was legal but you still think it was predatory?

3 A. Well, of course the -- the conduct would have  
4 to be deceptive, some sort of deceptive sales practice,  
5 for it to be in the predatory category.

6 In other words, it didn't violate the statute  
7 but the way that it was administered the sales practice  
8 was deceptive.

9 Q. That would make it illegal; right?

10 A. Right.

11 Q. Uh-huh.

12 A. I would have -- I would have to think about  
13 that.

14 Q. Okay. If at any time during this deposition  
15 you think of the answer to any of these questions, just  
16 tell me you want to go back --

17 A. Okay.

18 Q. -- and cover the subject again, and we'll go  
19 back.

20 A. Okay.

21 VIDEOGRAPHER: This marks the end of Tape 1 in  
22 the deposition of Catherine Ghiglieri at 11:30.

23 Going off the record.

24 (Thereupon a recess was taken at 11:30 a.m.

25 and the deposition resumed at 11:47 a.m.)

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1 VIDEOGRAPHER: On record at 11:47.

2 This marks the beginning of Tape 2 in Volume 1  
3 of the deposition of Catherine Ghiglieri.

4 BY MR. KAVALER:

5 Q. Okay. Ms. Ghiglieri, I want to be completely  
6 fair to you.

7 Did you find anything during the break that  
8 you want to call to my attention that you thought that I  
9 wasn't letting you call to my attention previously?

10 A. You mean -- with regard to what?

11 Q. Well, I thought there was some feeling on your  
12 part that if you had time during the break to look at  
13 your first report you'd find something that somehow  
14 bears upon what you said in your second report.

15 A. Well, I wanted to find the Gary Gilmer quote,  
16 but --

17 Q. But you didn't?

18 A. I didn't -- I didn't do it during the break.

19 Q. Okay.

20 A. I'm glad to do it right now, if you're going  
21 to ask me more questions.

22 Q. No, no, no. I'm not. I just wanted to know  
23 if you had an -- an opportunity.

24 A. Okay.

25 Q. Okay. I'm going to ask you one more thing I

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1 left off my list before. I apologize.

2 A. Okay.

3 Q. You didn't do any secret shopper work; did  
4 you?

5 A. No.

6 Q. Okay. You know what "secret shopper work" is?

7 A. Yes. I call it "mystery shopping," but --

8 Q. Mystery shopping?

9 A. Yeah.

10 Q. You didn't do any mystery shopping of any  
11 Household branches?

12 A. No.

13 Q. It occurs to me that you and I know what we're  
14 talking about, but so the record will know, what do you  
15 mean by "mystery shopping"?

16 A. What do I know about mystery shopping?

17 Q. What do you -- what do you mean by it?

18 A. It's where you go in, and at the OCC we used  
19 to do it if we thought that the regulated entity may or  
20 may not have been giving us the right information, and  
21 you go in where they don't know you're the regulator.

22 Q. Pretending to be a customer?

23 A. Pretending to be a customer, applying for a  
24 loan, or whatever the issue is.

25 Q. Right.

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1 A. And just see what the response is, or you  
2 call, ask them what the rates are on deposits, or  
3 whatever it is that you're trying to find out.

4 MR. BAKER: Mr. Kavalier, once again, you've  
5 interrupted. In fact, this time you managed to  
6 interrupt the witness twice.

7 Could you please refrain. I know you're  
8 trying to be helpful, and I know you're somewhat  
9 impatient, but would you let the witness finish and try  
10 not to interrupt.

11 Ms. Ghiglieri, were you finished?

12 BY MR. KAVALER:

13 Q. And you used to do that when you were at the  
14 OCC?

15 A. Yes, and -- on -- on occasion we would. Just  
16 depends.

17 Nine times out of 10 you can always get the  
18 information that you need when you're in the bank, but  
19 if it looked like something was amiss, you could do some  
20 mystery shopping and either call, or go in to a branch,  
21 or whatever, and gather additional examination  
22 information.

23 Q. And you didn't do any of that here?

24 A. No.

25 Q. Okay. Now, you did look at the various

29 (Pages 110 to 113)

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1 materials which included reports of regulators, and you  
2 looked at some depositions, and you've made use of them  
3 in your -- in your two reports; correct?

4 A. Yes.

5 Q. And, if you look at your rebuttal report,  
6 Exhibit 2, I think it's page 61 -- the top of that page  
7 you're talking about, I guess starting at page 4, you're  
8 responding to something that's said in the Bley and  
9 Litan reports, and you say "There is no requirement that  
10 the report of examination be put through the  
11 administrative hearing process to be considered final."

12 Do you see that?

13 A. What page are you on?

14 Q. I'm at the top of 61.

15 A. Yes.

16 Q. And then you quote -- you paraphrase

17 Mr. Cross.

18 You say "Mr. Cross testified the Washington DI  
19 report of examination was a final report notwithstanding  
20 the fact that it did not go through the administrative  
21 hearing process."

22 Do you see that?

23 A. Yes.

24 Q. Okay. And it's your view that reports of  
25 examination do not need to go through administrative

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1 hearing process to be considered final by regulators?

2 A. Yes, I -- that's my opinion.

3 Q. Okay. And that's an opinion that would be  
4 shared by most regulators?

5 A. That is -- to the best of my knowledge that's  
6 the opinion that most of the regulators share.

7 Q. Okay. And at page 60 under the bold heading B  
8 in that first paragraph you talk about, middle of the  
9 paragraph, "The requirements vary from state to state,  
10 which is why the language "apparent violation" is used  
11 in some regulatory reports of examination in some states  
12 but not in others to discuss violations of law found  
13 during regulatory examinations."

14 In other words, you're saying that the phrase  
15 "apparent violation" is synonymous in your usage with  
16 "violation"?

17 A. Well, I know that the FTIC in some states, I  
18 guess -- and Washington is one of them, where they use  
19 "apparent violation," so that they don't trigger the  
20 beginning of the APA requirements.

21 In Texas we didn't do that. At the OCC we  
22 didn't do it.

23 And so just depends on what the statute says  
24 and -- but in terms of the report of examination, when  
25 it's signed by the agency head, or, you know, whoever in

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1 the agency has authority to sign it, I mean, the  
2 regulators consider that a final report.

3 Now, if something comes up that's in error,  
4 you know -- you know, I probably once or twice during my  
5 career have issued an amended report where, you know, we  
6 got some information that made it look like something in  
7 there was inaccurate, but I've never known anyone to say  
8 this isn't a final report.

9 Q. And then the next sentence on page 60 of  
10 Exhibit 1 says -- I'm sorry. Exhibit 2 says "As  
11 Mr. Cross stated, quote 'We in Washington state use the  
12 term 'apparent violation,' prior to actually filing  
13 charges," three dots, closed quote, and a footnote call  
14 sign number 288.

15 Do you see that?

16 A. Yes.

17 Q. And 288 says "Cross deposition page 31"?

18 A. Yes.

19 Q. That's where you got that from; correct?

20 A. Yes.

21 Q. So that's a fair paraphrase or quote of  
22 Mr. Cross' testimony at that page?

23 A. I -- I try and make it fair when I'm pulling  
24 it out.

25 Q. It's your quote?

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1 A. That's my quote. That's what I pulled out.

2 Q. No. But that was your goal? Your goal was to  
3 be fair?

4 A. Sure.

5 Q. Always?

6 A. That's always my goal.

7 Q. Okay. So let's look at Cross 230 -- Cross  
8 page 31 and see what we find.

9 Let me see. Let me see.

10 It's marked as -- do we have the whole thing  
11 here?

12 I tell you what. Here's what I'm going to do.  
13 I don't think we need to mark these. I'll be happy to  
14 if your counsel wants to.

15 This is the Cross transcript. Everybody knows  
16 what it is. That's sufficient identification.

17 I'm handing you a copy so you can look at it  
18 if you want, and I'm going to turn to page 31, but I'm  
19 not going to go through the exercise of giving it a  
20 deposition exhibit number and forcing the Reporter to  
21 copy hundreds of pages.

22 Okay. And Mr. Cross is asked -- he used two  
23 terms.

24 On page 31. You see it?

25 A. Yes, I see it, uh-huh.

30 (Pages 114 to 117)

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1 Q. On line eight.

2 "You used two terms 'violation,' I presume of  
3 either federal or state regulations or an 'apparent  
4 violation' of federal and state regulations. Are those  
5 terms of art?

6 Answer: Yes. We use the term 'apparent  
7 violation' prior to actually filing charges because  
8 they're essentially initial findings. It is just a term  
9 of art to allow the process, the understanding that, you  
10 know, it's not a finding by the Director that a  
11 violation has occurred. It's a finding by an examiner  
12 who is not in a position to commit the Department to  
13 charges for those violations."

14 Do you see that?

15 A. Yes, I do.

16 Q. Okay. And that includes the language that you  
17 quoted at page 60 of your rebuttal report where you say  
18 "Mr. Cross stated, quote, 'We in Washington state'" and  
19 "Washington state" is in brackets, "use the term  
20 'apparent violation' prior to actually filing charges;"  
21 correct?

22 A. Yes.

23 Q. This is the passage you were referring to?

24 A. Yes.

25 Q. All right. Is it fair to say that what

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1 Mr. Cross is saying is exactly the opposite of the  
2 proposition for which you quoted him in your report?

3 A. No, I don't think so.

4 I mean, there's -- there's a whole series of  
5 -- things that a regulated entity can do to appeal an  
6 examination report, and certain statutes, you know, if  
7 you do certain things you trigger that process.

8 And so you characterize things so that you  
9 don't trigger that process, and that's what he's trying  
10 to say here.

11 Q. Mr. Cross?

12 A. At least that's how I'm interpreting it.

13 Q. Ahh. Okay. Let me read you a little more.

14 "Question: In order to --"

15 I'm reading from Mr. Cross' testimony on the  
16 very same page --

17 A. Uh-huh.

18 Q. -- that you cited.

19 "Question: In order to have a violation, you  
20 would have to go through the Administrative Procedures  
21 Act; is that a true statement?

22 Answer: I don't know if it's true, but it's  
23 -- let me say it's not a clearly defined process. I  
24 won't say there haven't been times when examiners have  
25 used the term 'violation,' in lieu of 'apparent

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1 violation.' We just prefer that our examiners talk in  
2 terms of apparent violations in instead of making it  
3 sound as if it's a finding of the Director."

4 Do you see that?

5 A. Yes, I do.

6 Q. All right. What you did throughout is you  
7 made the Washington state reports sound like they're  
8 findings of the Director; did you not?

9 A. Well, as I said in my rebuttal report  
10 specifically with regard to this issue, no agency is  
11 going to send out a report of examination with serious  
12 criticisms like was in Washington without the agency  
13 head knowing that's going out.

14 Now, whether that's the Director or the --  
15 whoever is in charge of that particular area, but -- but  
16 those are serious charges, and Household and Beneficial  
17 were both large entities, and, you know, I was a  
18 regulator for 25 years, and I can tell you I never once  
19 sent out an examination report just to see what the heck  
20 the regulated entity was going to say in response to the  
21 criticisms that were in the report.

22 You try and get to the bottom of it before you  
23 ever issue a report of examination.

24 So -- maybe that's just a point of difference  
25 that -- that I have with your experts. I don't know.

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1 But I -- in my experience I've never seen  
2 anything that would be so cavalier as to just issue a  
3 report, and, you know, say, well, let's just see what  
4 they have to say.

5 Q. Well, when you say difference with our  
6 experts, you're referring to Mr. Bley, Mr. Rotan --

7 A. Well, this -- this issue was in Mr. Bley and  
8 Mr. Lasusa's report.

9 Q. Right.

10 A. I don't know whose criticism is which -- Mr.  
11 Bley or Mr. Lasusa, but --

12 Q. In this case -- in this case your difference  
13 is with Mr. Cross, is it not, you do not agree with  
14 Mr. Cross' testimony?

15 A. I don't think I've said anything that  
16 contradicts Mr. Cross' testimony.

17 Q. So in your judgment your summary at page 60 of  
18 your report, where you quote Mr. Cross as saying, quote,  
19 "We in Washington state use the term 'apparent  
20 violation' prior to actually filing charges," following  
21 a sentence where you analogize an apparent violation to  
22 an actual violation is fair to Mr. Cross' testimony at  
23 page 31 where he says "It's a finding by the examiner  
24 who's not in the position to commit the Department to  
25 charges to those violations," and then he says "We

31 (Pages 118 to 121)

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1 prefer our examiners not to talk in terms of apparent  
 2 violations instead of making it sound as it's a finding  
 3 of the Director?  
 4 You think that's a fair treatment of  
 5 Mr. Cross' testimony?  
 6 MR. BAKER: Objection. Asked and answered.  
 7 Vague and ambiguous and largely unintelligible.  
 8 THE WITNESS: Can you read me back that  
 9 question.  
 10 (Record Read)  
 11 MR. KAVALER: After the word "examiners," "Our  
 12 examiners -- we prefer our examiners talk in terms of  
 13 apparent violations, instead of making it sound as if  
 14 it's a finding of the Director.  
 15 That's my question.  
 16 THE WITNESS: I think I'm lost on your  
 17 question.  
 18 BY MR. KAVALER:  
 19 Q. My question is, did you fairly treat the  
 20 testimony of Mr. Cross or did you twist its meaning 180  
 21 degrees to make your point?  
 22 A. I don't think I twisted it. I think I was  
 23 fair, and I think that's what the sum total of his  
 24 testimony is getting at is, we have to use certain  
 25 terminology so that we don't trigger the APA.

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1 Now, did he say that specifically?  
 2 No, but I think that's what he means based on  
 3 my knowledge of the APA at the federal level and the  
 4 state level and what other regulatory agencies do in  
 5 this regard.  
 6 Q. Now, on page 32 Mr. Cross was asked "Was there  
 7 ever a violation found against Household or any of its  
 8 subsidiaries by anyone who is delegated that authority?"  
 9 Somebody named Mr. Dunn said "Objection. Vague  
 10 and ambiguous," and the answer was "No."  
 11 Do you see that testimony?  
 12 A. I do.  
 13 Q. Do you see any reason to disagree with that?  
 14 MR. BAKER: I would direct the witness to  
 15 review the whole testimony on page 2 before answering  
 16 that question or I would suggest she do so.  
 17 BY MR. KAVALER:  
 18 Q. My question is, do you have any reason to  
 19 quarrel with Mr. Cross' sworn testimony that no charge  
 20 was ever brought against Household by anyone who had  
 21 authority or delegated authority in the state of  
 22 Washington to do that?  
 23 A. I'm going to look at this first before I  
 24 answer the previous question.  
 25 MR. KAVALER: Sure. Sure.

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1 THE WITNESS: I want to pull out something  
 2 here. I knew I was going to do that.  
 3 Okay. Hang on for one second.  
 4 MR. BAKER: Is this what you want?  
 5 THE WITNESS: No.  
 6 BY MR. KAVALER:  
 7 Q. Tell me what you're looking for. Maybe I can  
 8 help you find it quicker.  
 9 A. I just want to look at the examination report  
 10 here.  
 11 Q. Well, here's the problem I have with that, Ms.  
 12 Ghiglieri.  
 13 I'm not asking you anything about the  
 14 examination report right now. I'm asking you whether  
 15 you have any reason to disagree with Mr. Cross' sworn  
 16 testimony on page 32, which I read you, and I'm not sure  
 17 where you're going, and I'm not sure that you're going  
 18 to do it on my time, so please put down the book you're  
 19 looking at and answer my question.  
 20 If you can't answer my question, say you can't  
 21 answer my question.  
 22 A. I'm going to look at this for one second.  
 23 Q. All right. I'm going to ask the Judge for an  
 24 additional hour of time to examine you based on your  
 25 misconduct.

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1 MR. BAKER: You can do whatever you want, Mr.  
 2 Kavalier.  
 3 Don't forget to point out to the Judge your  
 4 speaking question where you like to pontificate on what  
 5 you're going to do with the Judge, and her testimony,  
 6 and also your large, long unintelligible questions,  
 7 where you drone on and on, and questions that no one but  
 8 yourself perhaps can understand.  
 9 I hope you point that out to the Judge as  
 10 well.  
 11 BY MR. KAVALER:  
 12 Q. Mr. Ghiglieri, I'd like you to participate in  
 13 the deposition, not do whatever it is you're doing  
 14 there.  
 15 I request you politely to put down that book  
 16 and pay attention to my questions and answer them. If  
 17 you can't, --  
 18 MR. BAKER: It's Ghiglieri, Mr. Kavalier.  
 19 MR. KAVALER: -- please say so.  
 20 MR. BAKER: It's Ghiglieri.  
 21 BY MR. KAVALER:  
 22 Q. I'll ask you one last time, Ms. Ghiglieri.  
 23 Please put down that book and pay attention to  
 24 this depotion.  
 25 You've taken off your microphone, you've

32 (Pages 122 to 125)

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1 pushed back from the table, and you are not listening to  
2 my questions. You're off on some frolic of your own,  
3 reading a book of your own.

4 I ask you not to do that during my time,  
5 please.

6 A. In order for me to answer, I think it was your  
7 previous question, I looked at the examination reports  
8 from all the states that I had them from, including  
9 Washington, and I read the entire Cross deposition here,  
10 so I was trying to put in perspective what he was -- his  
11 answers were regarding this subject, and I was looking  
12 at the examination report.

13 Now, in this examination report from  
14 Washington, just as an example of what we're talking  
15 about here from March 13th -- or, March 4th of 2002, it  
16 says here -- they're asking them to file a refund on a  
17 particular issue with the language "The Director of DFI  
18 has informed Household that your loan was processed in  
19 violation of" blah, blah, blah.

20 So I believe that I have appropriately  
21 characterized the sum total of what I've looked at as --  
22 that the report was final, but didn't trigger the APA,  
23 and I believe that's an accurate characterization, not  
24 only of this testimony, but also of the documents that  
25 I've seen from Washington.

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1 So that's the answer to how many ever  
2 questions ago it was.

3 Q. Do you remember the present pending question?

4 A. What did you just say?

5 Q. Do you remember the question that you're  
6 trying to answer?

7 A. I don't think I could paraphrase it.

8 Q. Do you even remember what it was?

9 A. Yes. You were asking me about Mr. Cross'  
10 testimony.

11 Q. I was asking you specifically whether  
12 Mr. Cross' testimony at page 32 that no violation was  
13 ever found against Household or any of its subsidiaries  
14 or anyone that was delegated that authority in the state  
15 of Washington was true.

16 A. Well, it's not true, because here I see that  
17 it says they did find a violation. They didn't say  
18 apparent in the notice for the refund. They said a  
19 violation. So there's a conflict here.

20 Q. So you disagree with Mr. Cross?

21 MR. BAKER: Just so -- just so the record's  
22 clear, Ms. Ghiglieri, when she was referring to the  
23 document, was again referring back to the -- looks like  
24 the March -- it's a -- it's a fax -- and, it's a series  
25 of pages lumped together under file exams Washington,

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1 Bates number HHS 02896445 through 57, and I believe it  
2 pertains to a Washington state DFI examination delivered  
3 to Household, it looks like March 4th, 2002, and it's  
4 signed -- I can't read it, but it says "By order of the  
5 Director of the Department of Financial Institutions,"  
6 and that's the last page.

7 Oh. And Ms. Ghiglieri -- sorry. Ms.

8 Ghiglieri was reading from language that is contained on  
9 that last page, which is Bates number ending in 457.

10 I'm sorry to interrupt you, Mr. Kavalier.

11 BY MR. KAVALER:

12 Q. Turn to your initial report at page 19,  
13 please.

14 Withdrawn.

15 Go back to Exhibit H to your additional  
16 report.

17 A. Exhibit H.

18 Q. The last -- the last page.

19 A. Okay.

20 Q. Did you review the files on any of these  
21 individual customer complaints?

22 A. When you say "files," what do you mean?

23 Q. Well, other than preparing this list here did  
24 you look at a file relating to Jose and Barbara Nanez,  
25 for instance, the complaint, the response, anything

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1 about it?

2 A. I looked at whatever was produced in this case  
3 on it.

4 MR. KAVALER: All right. Let's mark as  
5 Deposition Exhibit 1 -- 3. Sorry.

6 (Exhibit No. 3 was marked for Identification.)

7 MR. KAVALER: A document bearing production  
8 numbers HHS 02936609 through 6647.

9 MR. BAKER: Just one point of clarification,  
10 so -- I'm sorry I wasn't following.

11 So you did not mark Mr. Cross' deposition as  
12 an exhibit?

13 Is this the document that you referred to?

14 Is this the entirety of his deposition,  
15 volumes 1 and volume 2?

16 MR. KAVALER: Look, if you would,  
17 Ms. Ghiglieri, at Exhibit 3.

18 Is that the file on Diane Hughes?

19 Did you look at that in preparing your report?

20 THE WITNESS: Did -- I'm confused by what you  
21 handed me. I thought you said this was Mr. Nanez.

22 BY MR. KAVALER:

23 Q. No. I said --

24 A. What are you saying?

25 Q. I asked you if you looked at this document,

33 (Pages 126 to 129)

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1 which is Exhibit 3, in preparing your report.  
 2 It's the file on Diane Hughes.  
 3 If you look at Exhibit H, you'll see that  
 4 Diane Hughes' name appears about five lines down.  
 5 A. Yes.  
 6 Q. She's one of the people --  
 7 A. Okay. I'm with you.  
 8 Q. -- whose complaint you summarized in this  
 9 chart.  
 10 A. Yes. Yes.  
 11 Q. Okay? And this is the file you looked at to  
 12 prepare that summary?  
 13 A. I don't recall seeing these ACORN audit  
 14 charts.  
 15 Let me look at the rest of it here.  
 16 MR. KAVALER: Sure.  
 17 MR. BAKER: Just so the record's clear, the  
 18 Appendix H does have a Bates number referenced by the  
 19 name -- by each name of the person listed --- or names,  
 20 I should say.  
 21 THE WITNESS: I don't believe I've seen any of  
 22 these documents.  
 23 BY MR. KAVALER:  
 24 Q. Okay. So in including Ms. Hughes on Exhibit H  
 25 you did not review this file which appears to contain

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1 various documents pertaining to her complaint, it  
 2 appears to contain something called an ACORN audit,  
 3 whatever that may be.  
 4 There's a benefits to the customer page.  
 5 There's a page summarizing Ms. Hughes' various  
 6 complaints and Household's responses thereto. There's a  
 7 HUD form. There's a truth in lending disclosures form.  
 8 There's a loan repayment and security agreement, which  
 9 appears to be signed by Ms. Hughes. There's an optional  
 10 credit insurance disclosure form, which appears to be  
 11 signed by Ms. Hughes. There is a document called  
 12 "Optional Real Estate Property Protection" form signed  
 13 by Ms. Hughes. There's a loan repayment and security  
 14 agreement signed by Ms. Hughes. There's an optional  
 15 credit disclosure form signed by Ms. Hughes, and then  
 16 there's another one of these ACORN audit reports, maybe  
 17 the same one, then there's a letter on the letterhead of  
 18 Diane Hughes to Beneficial, and then there's some E-mail  
 19 traffic apparently internal to Household about this  
 20 situation.  
 21 And whatever all this file represents, this is  
 22 not a file that you looked at in -- in summarizing the  
 23 Hughes complaint on to the chart which is Appendix 8 to  
 24 your original report which is Exhibit 1; correct?  
 25 A. I don't recall looking at these, and the Bates

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1 numbers aren't the same.  
 2 Q. Okay.  
 3 A. So I'm -- I can only conclude that I didn't  
 4 review this.  
 5 Q. But this document which you didn't look at was  
 6 in the universe of documents that was made available to  
 7 you?  
 8 A. Well, there are lots and lots and lots of  
 9 documents, and I did my best to look at as many as I  
 10 possibly could.  
 11 Q. Okay.  
 12 A. Now, whether this was in there and I just  
 13 missed it or what, I don't know.  
 14 MR. KAVALER: Fair enough. Let's mark as  
 15 Exhibit -- 4 a document bearing -- number 10 -- bears  
 16 production numbers HHS 02942236 through 0 -- okay.  
 17 Rather than do it that way, let me just say it  
 18 bears the page numbers -- the Bates numbers it will show  
 19 because it's a compilation of documents, so they won't  
 20 be consecutive, so don't waste time.  
 21 But let me show you what is now marked as  
 22 Exhibit 4 in your deposition, Ms. Ghiglieri, and ask you  
 23 whether you've seen those documents before.  
 24 And when I say "seen them before" I mean did  
 25 you review them in the course of preparing your report.

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1 I'm not asking you what you might have looked at with  
 2 Mr. Baker last night or anything like that.  
 3 A. Do you have one other copy of it?  
 4 MR. KAVALER: Sure.  
 5 THE WITNESS: Thank you.  
 6 May I take a moment to look at it.  
 7 MR. KAVALER: Absolutely. Please.  
 8 (Exhibit No. 4 was marked for Identification.)  
 9 THE WITNESS: And this is for the same  
 10 complaint that you just showed me?  
 11 MR. KAVALER: No. I'm not telling you  
 12 anything about what it is. I'm just asking you whether  
 13 it looks familiar to you.  
 14 THE WITNESS: Oh, okay.  
 15 MR. KAVALER: We'll go through what it is.  
 16 THE WITNESS: Okay.  
 17 MR. KAVALER: Oh. Let me say it this way.  
 18 If you haven't seen it, we may not go through  
 19 what it is, so it will be a lot quicker.  
 20 THE WITNESS: Let me just look --  
 21 MR. KAVALER: Absolutely.  
 22 THE WITNESS: -- quickly and see if I've seen  
 23 it.  
 24 I don't recall whether I've seen this or not.  
 25 I may have. I looked at a lot of Household's responses



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1 to the regulators, and it's been a while since I  
 2 formulated this chart, so I very well may have seen  
 3 this.  
 4 Q. But you don't recall?  
 5 A. As I'm sitting here, I don't, but I looked at  
 6 -- many, many complaints, responses from Household, and  
 7 -- and this has a lot of the same folks that I have on  
 8 this chart.  
 9 So -- it could have been, you know, a year,  
 10 year-and-a-half ago that I looked at it.  
 11 Q. Would it be fair for me to take the answer you  
 12 just gave, the don't recall answer, and convert that in  
 13 to Ms. Ghiglieri did not look at this document?  
 14 MR. BAKER: It's Ms. Ghiglieri.  
 15 THE WITNESS: I may have seen this document.  
 16 I've looked at a lot of responses to --  
 17 BY MR. KAVALER:  
 18 Q. It wouldn't be fair of me to --  
 19 MR. BAKER: Would you please stop interrupting  
 20 her.  
 21 Were you finished with your answer?  
 22 THE WITNESS: I don't know. I'm distracted  
 23 by --  
 24 MR. KAVALER: By Mr. Baker. I understand.  
 25 MR. BAKER: No. You're distracted because

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1 you're interrupting.  
 2 BY MR. KAVALER:  
 3 Q. Would it be fair of me to ask, --  
 4 MR. BAKER: Will you stop.  
 5 BY MR. KAVALER:  
 6 Q. -- to report to people who asked me how did  
 7 the deposition go to say that Ms. Ghiglieri testified  
 8 that she did not look at this document?  
 9 Would that be a fair summary of your  
 10 testimony?  
 11 MR. BAKER: Before you answer the question, I  
 12 have asked you time and time again to stop interrupting  
 13 the witness. You've done it repeatedly, and you even  
 14 now won't even give me the courtesy of looking me in the  
 15 eye, you're not giving me the courtesy of responding to  
 16 my questions.  
 17 I've asked you to stop interrupting the  
 18 witness. It is impeding her testimony. She is unable  
 19 sometimes to complete her answers because you've  
 20 interrupted her and you distract her.  
 21 If you will not stop doing that during the  
 22 lunch break, if we need to, we'll call the Court and ask  
 23 -- get an instruction for you to stop interrupting.  
 24 Can you do also the common courtesy of  
 25 pronouncing her name correctly. Ghiglieri.

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1 You said you were going to make a big issue of  
 2 it. You said this morning that you would try your best.  
 3 I don't think you are.  
 4 BY MR. KAVALER:  
 5 Q. Can you answer the question, Ms. Ghiglieri?  
 6 MR. BAKER: Could you please -- will you  
 7 answer me?  
 8 Will you answer me one question?  
 9 Will you stop interrupting the witness?  
 10 BY MR. KAVALER:  
 11 Q. Can you answer the pending question?  
 12 A. Can you read back the question.  
 13 Q. Would it be fair for me to summarize your  
 14 testimony that you just gave about you don't recall or  
 15 you're not sure by saying Ms. Ghiglieri never looked at  
 16 this document?  
 17 Would that be a fair summary?  
 18 A. No, I don't think that's fair.  
 19 Q. It would be unfair for me to convert your  
 20 failure to recall specifically in to a declarative "She  
 21 didn't do it;" right?  
 22 MR. BAKER: Objection. Mischaracterizes her  
 23 prior testimony.  
 24 THE WITNESS: I'm telling you it's been a long  
 25 time since I looked at a lot of these documents, and to

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1 the best of my knowledge I may have very well seen this.  
 2 I tried to look at every document I could.  
 3 This file is so huge there may be some that I didn't.  
 4 So I don't want to say definitively "Yes, I  
 5 looked at this," because I don't have a Bates number  
 6 down here that I can match it to -- unless I can match  
 7 it.  
 8 Let's see here.  
 9 294 -- yeah, there is a Bates number here, so  
 10 I did see this document.  
 11 BY MR. KAVALER:  
 12 Q. Okay. Good.  
 13 So this document, Exhibit 4, refers to some of  
 14 the same people that are in your chart, which is Exhibit  
 15 H; correct?  
 16 A. Yes.  
 17 Q. For example, it refers to Barbara and Horace  
 18 Price, and they're on your chart; correct?  
 19 A. Yes.  
 20 Q. And it --  
 21 THE WITNESS: I'm sorry.  
 22 BY MR. KAVALER:  
 23 Q. And it refers to Mary Washington, and she's on  
 24 your chart; correct?  
 25 MR. BAKER: Let my interrupt.

35 (Pages 134 to 137)

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1 I believe the testimony or Mr. Kavalier's  
 2 representation was this was not one document.  
 3 So it appears he's combined what may be  
 4 several documents together.  
 5 So the fact that a particular Bates number  
 6 refers to one document in here doesn't mean that you've  
 7 seen all these, and you should be aware of that.  
 8 THE WITNESS: Yes.  
 9 MR. BAKER: He's probably not intentionally  
 10 trying to deceive you, but he may have innocently done  
 11 so. But just be aware of that.  
 12 BY MR. KAVALER:  
 13 Q. The pending question, Ms. Ghiglieri, is  
 14 about --  
 15 MR. BAKER: Ghiglieri.  
 16 BY MR. KAVLER:  
 17 Q. -- Mary Washington.  
 18 She's one of the people on your chart, Exhibit  
 19 H?  
 20 A. Your question is whether Mary Washington is on  
 21 my chart?  
 22 Q. Yes.  
 23 A. Yes, I see Mary Washington.  
 24 Q. And Virginia Kaiser is on your chart?  
 25 A. Yes.

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1 Q. And Edward and Brenda Waters are on your  
 2 chart?  
 3 A. Yes.  
 4 Q. And Mildred Camp is on your chart?  
 5 A. Yes.  
 6 Q. Okay. Now, in -- in Exhibit 4, which is a  
 7 letter from Beneficial to the Commissioner of Financial  
 8 Regulation in Baltimore, Maryland, Prudential -- I'm  
 9 sorry -- Beneficial is responding to some of the claims  
 10 asserted by a group called ACORN.  
 11 Do you see that?  
 12 A. Am I looking at --  
 13 Q. The first -- the first line of the first page  
 14 of this exhibit says, "Thank you for the opportunity to  
 15 respond to the letter your office received from the  
 16 representative of the Association of Community  
 17 Organizations for Reform, now ACORN."  
 18 Do you see that?  
 19 A. Yes.  
 20 Q. Do you know who ACORN is?  
 21 A. I do.  
 22 Q. Who is ACORN?  
 23 A. That's a community activist group.  
 24 MR. BAKER: Grammatically it's what is ACORN.  
 25 BY MR. KAVALER:

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1 Q. Generally regarded as reputable in the  
 2 regulator community?  
 3 A. As far as the regulators go; is that your  
 4 question?  
 5 Q. Yes.  
 6 A. Yes, ACORN, you know, has a reputation that,  
 7 you know, they're pretty aggressive when it comes to  
 8 consumer issues, and the regulators, especially at the  
 9 federal level, have quite a bit of interaction with  
 10 them.  
 11 Q. Now, when I asked you that question, you asked  
 12 me whether I meant in the regulatory community.  
 13 Is there some other community that you're  
 14 aware of that has a different view of ACORN?  
 15 A. Well, the folks at Household didn't think too  
 16 highly of them.  
 17 I have some information, quotes, in my  
 18 rebuttal report and in my initial report that, you know,  
 19 they weren't too happy with the complaints that they  
 20 were generating.  
 21 But -- but I think the regulators, you know,  
 22 generally feel that they're reputable.  
 23 Q. Did you know what the Grand Jury in the  
 24 Western District of Missouri thought about the ACORN  
 25 folks that it indicted in 2006?

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1 A. No. I have no idea.  
 2 Q. Are you familiar with that case?  
 3 A. No.  
 4 Q. Uh-huh.  
 5 Okay. Do you see that Household has a --  
 6 Beneficial has a heading here that says "Household's  
 7 Responsible Lending Policies"?  
 8 A. And you're on the first page?  
 9 Q. On the first page.  
 10 A. Yes.  
 11 Q. And in the second paragraph under "credit  
 12 insurance," it says "Household does not require  
 13 insurance as a condition for loan approval."  
 14 Do you see that?  
 15 A. I do.  
 16 Q. All right. And then the last sentence reads,  
 17 "In addition to employee communications and disclosures,  
 18 our customer orientation video, and our customer  
 19 satisfaction survey, all restate the optionality of  
 20 insurance."  
 21 Do you see that?  
 22 A. I do.  
 23 Q. The next page there's a section talking about  
 24 prepayment penalties.  
 25 It's a prepayment fee generally to allow

36 (Pages 138 to 141)

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1 borrowers to get a significantly lower rate and save  
2 thousands of dollars."

3 Do you see that?

4 A. I see it.

5 Q. And the last sentence in that paragraph reads,  
6 " Household's prepayments are clearly disclosed in our  
7 loan agreements, and, again, highlighted in our customer  
8 orientation video and customer satisfaction survey."

9 Do you see that?

10 A. I see it.

11 Q. Did you see as you went through these  
12 materials numerous examples of customer loan agreements  
13 in which the prepayment penalties were highlighted and  
14 clearly disclosed and a separate disclosure form telling  
15 the customer they had a right to view a video on this  
16 subject and asking the customer to check a box,  
17 indicating, "Yes, I'd like to see the video," or "No, I  
18 don't want to see the video"?

19 MR. BAKER: Objection. Vague as to time  
20 frame.

21 THE WITNESS: That would -- there were a lot  
22 of parts to that question.

23 Do you want me to pick one to answer or do you  
24 want to --

25 BY MR. KAVALER:

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1 Q. I'd like you to answer all of them.

2 Did you see documents of that kind fully  
3 disclosing prepayment penalties, fully disclosing the  
4 fact that there was a video people could watch, and  
5 asking people to acknowledge that they had received  
6 those disclosures?

7 MR. BAKER: Objection. Compound.

8 THE WITNESS: Can you read that question back  
9 to me.

10 (Record Read)

11 THE WITNESS: I saw -- in my review of the  
12 record I saw a lot of documents, and testimony, and  
13 internal documents regarding the disclosure of the  
14 prepayment penalty, and one thing that I discussed in my  
15 -- both of my reports is that the prepayment penalty was  
16 included in the loan documents, however, it was buried  
17 in the loan terms, I think, is how the -- Andrew Carr --  
18 when they were going through, trying to increase growth  
19 at Household.

20 And the prepayment penalty issues that I  
21 discussed in my report, people were confused by whether  
22 or not there was a prepayment penalty, and they would  
23 ask Household employees about it, and they were either  
24 told "We'll waive it" or "There is no penalty" when  
25 there really was, and so I quarrel with in your question

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1 characterizing the prepayment penalty as fully  
2 disclosed.

3 And -- and because there was a lot of  
4 confusion on the part of the customers, whether or not  
5 there was a prepayment penalty.

6 Now, as far as the video, I -- could you read  
7 me back the portion of the question regarding the video.

8 (Record Read)

9 THE WITNESS: I don't know what you mean by  
10 that, so I don't know how to answer that question, that  
11 portion of it.

12 BY MR. BAKER:

13 Q. In your answer you said "There's a lot of  
14 confusion on the part of customers regarding the  
15 prepayment penalty."

16 Did you conduct any study, survey, or analysis  
17 to determine how prevalent that was, in other words,  
18 what percentage of Household's -- how many customers  
19 nationwide were confused by this, 1 percent, 2 percent,  
20 38 percent, 79 percent, anything like that?

21 A. I think we have gone through that earlier.

22 I did not perform specific statistical  
23 analysis, and in both of my reports I talk about the  
24 problems with the complaint tracking system by the fact  
25 that if people made a complaint to the branches, it was

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1 not tracked. Only those that made it up certain levels  
2 were included in the tracking process, and so even if I  
3 were to do some sort of statistical analysis, I don't  
4 know how valid it would be.

5 Q. Do you know any way to do a statistical  
6 analysis of something without looking at Household's  
7 tracking reports?

8 A. I don't understand that question.

9 MR. BAKER: I'm going to object as vague and  
10 ambiguous myself.

11 THE WITNESS: I'm sorry.

12 MR. BAKER: You're normally supposed to give  
13 me a chance to do that.

14 THE WITNESS: I know. I'm so sorry. I'm  
15 sorry.

16 MR. BAKER: All right. You should be sorry.

17 MR. BURKHOLZ: Sorry. I see you have extra  
18 copies of the exhibits. Can we each have copies?

19 MR. HALL: Where possible.

20 MR. BURKHOLZ: I thought you were just looking  
21 at the one she had.

22 BY MR. KAVALER:

23 Q. On the third page of this document, Exhibit 4,  
24 with regard to Barbara and Horace Price, you see where  
25 it says "ACORN's letter states that Mr. and Mrs. Price

37 (Pages 142 to 145)

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1 were threatened with the loss of their home, even though  
 2 their account was a retail installment contract, not a  
 3 motgage. The complaint also states that the Prices were  
 4 pressured in to refinancing their sales contact at a  
 5 higher interest rate and were unaware of the insurance  
 6 coverage on their refinanced account," and then down  
 7 below under "loan benefits," there's two bullets. The  
 8 first one says "By establishing the direct loan we  
 9 reduced the Prices' monthly obligation to Beneficial by  
 10 \$57 a month."

11 Do you see that?

12 A. I see it.

13 Q. Did you check to see if that statement by  
 14 Beneficial, or Household, or whoever made it here, I  
 15 guess Beneficial, was accurate?

16 A. Which statement?

17 You read me several.

18 Q. That they -- well, only one of those  
 19 statements is by Beneficial.

20 You understood that the first one was ACORN's  
 21 assertion; right?

22 A. Then I'm confused by what you said.

23 I'm sorry.

24 Q. When Beneficial recites loan benefits, did you  
 25 check to see whether the loan that Household or

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1 these complaints and go somewhere to try and find out if  
 2 -- if it was accurate.

3 Q. Did you assume they were -- things like this,  
 4 for example, when Beneficial is reciting these various  
 5 things here, did you assume they're accurate or did you  
 6 assume they were inaccurate?

7 A. I assumed they were accurate unless I saw  
 8 documents that conflicted with what they wrote here, and  
 9 I've articulated those in my rebuttal.

10 Q. And except as articulated in your rebuttal you  
 11 assumed they were accurate?

12 A. Yes, assuming that I articulated every single  
 13 solitary one, which is probably not the case.

14 But let's -- let's just say the major ones  
 15 that I thought were inaccurate I put in this rebuttal.

16 Q. And what weight did you give to these  
 17 responses by Household to the various complaints that  
 18 you deemed to be accurate except where you've indicated  
 19 in your rebuttal that you didn't?

20 A. And when you say -- what do you mean by what  
 21 weight do I give?

22 Q. Well, what I see here is a -- a document in  
 23 which Household is writing to a regulator; correct?

24 A. Yes.

25 Q. And it's saying "We've been presented with a

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1 Beneficial extended to the Prices actually had that  
 2 beneficial impact?

3 A. I didn't check that particular issue, no.

4 Q. Okay. Down below there's a heading called  
 5 "Interest Rate."

6 It says "The rate on the Prices' direct loan  
 7 was higher than the rate on the retail installment  
 8 contract, and it did extend the term, however this loan  
 9 provided the Prices with the lowest monthly payments to  
 10 assist them with their budget circumstances at the  
 11 time."

12 Do you see that?

13 A. I see it.

14 Q. Did you make any inquiry as to whether that  
 15 was an accurate statement by Beneficial?

16 A. I -- I looked at lots and lots of documents,  
 17 and I did not make an inquiry as to whether or not  
 18 everything that Household said in these documents were  
 19 accurate, unless I found some conflicting testimony or  
 20 another document which -- I go in to some detail in my  
 21 rebuttal report about responses to Household that I  
 22 thought were inaccurate or misleading.

23 And so to the extent that I saw conflicting  
 24 testimony, I would try and weigh with the responses, but  
 25 I did not take each of their individual responses to

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1 series of complaints given to you by ACORN. We  
 2 responded in this document to these complaints;"  
 3 correct?

4 A. Yes.

5 Q. And in each case Household recites the  
 6 complaint and then it gives an answer and says and  
 7 here's our response; correct?

8 A. Yes.

9 Q. And you just told me that except where  
 10 indicated in your rebuttal report, allowing for human  
 11 error, of course, if you didn't indicate something wrong  
 12 with it in your rebuttal report, you accepted  
 13 Household's explanation as correct?

14 A. No, no, no. That mischaracterizes my  
 15 testimony.

16 What -- what I attempted to do, taking in to  
 17 consideration there's so many documents here, I -- I  
 18 looked at complaints. I looked at Household's response  
 19 where I -- where I could find it, and I looked at the  
 20 examination reports that may have addressed it, saying  
 21 whether the regulators thought that was a valid response  
 22 or not, and I took all of these documents in to  
 23 consideration in formulating my opinions, but I would --  
 24 there's no way I would characterize -- or agree with  
 25 what you just said, and that is that if it's not in my

38 (Pages 146 to 149)

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1 rebuttal report, I agree with Household's answer.  
 2 That's absolutely not the case.  
 3 MR. BAKER: Ms. Ghiglieri, if you want,  
 4 perhaps you should review your rebuttal report, the  
 5 comments you made specifically regarding Household's  
 6 responses to regulators, and that's on page 62 of your  
 7 rebuttal report, and I think that will help you  
 8 determine how to respond to Mr. Kavalier's questions on  
 9 this issue.  
 10 MR. KAVALER: No. I object to that process,  
 11 Ms. Ghiglieri.  
 12 I have a different question I want to ask you,  
 13 and I'm going to move on, and if Mr. Baker wants to do  
 14 that on his cross examination, he's fine.  
 15 BY MR. KAVALER:  
 16 Q. Here's my question:  
 17 Did you discount any of Household's  
 18 explanations for any of the -- any of its responses to  
 19 the regulators?  
 20 MR. BAKER: I would again think that you  
 21 should look at your Exhibit B -- or Exhibit 2 page 62,  
 22 which discusses that issue.  
 23 THE WITNESS: Would you ask me that question  
 24 again.  
 25 MR. KAVALER: Sure.

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1 Please read back the question.  
 2 (Record Read)  
 3 THE WITNESS: Which responses are you asking  
 4 me about?  
 5 BY MR. KAVALER:  
 6 Q. Throughout the process of forming your  
 7 opinion, when you saw that Household responded to a  
 8 regulator --  
 9 A. Yes.  
 10 Q. -- did you sometimes say "I discount that. I  
 11 find that response to be wholly unpersuasive, wholly  
 12 unacceptable, uncredible, untrue," whatever?  
 13 A. In the beginning, when I started through this  
 14 process, I assumed that what Household was saying was  
 15 credible, and the more documents that I looked at and  
 16 the more responses I looked at based on deposition  
 17 testimony, internal documents, or whatever, the more  
 18 unreliable just as a general pattern I found Household's  
 19 responses.  
 20 Now, it may be that there's a response in  
 21 here, and we haven't gone through every line, that I'll  
 22 say "I agree with that," "I don't agree with that,"  
 23 based on other knowledge I have, but, as I said in my  
 24 rebuttal report here, generally I've found Household's  
 25 responses to be unreliable, because of some major

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1 factors that I found in their responses to the  
 2 regulators, and it kind of varnished all of their other  
 3 responses.  
 4 Q. Now, if a regulator came to that conclusion,  
 5 what would a regulator do?  
 6 A. Well, they would do what they did here, and  
 7 they would go back to them and say, "We don't believe  
 8 what you're telling us, and we want you to, you know,  
 9 refund money, you know, pay a fine or whatever."  
 10 I mean, that is the conclusion that the  
 11 regulators came to.  
 12 Q. Or they would go back and say to Household,  
 13 "We don't find this response credible," to use your  
 14 word, "Please give us a better response;" isn't that  
 15 true?  
 16 A. Well, why would they do that? Because then  
 17 they would just keep getting responses that they found  
 18 to be unreliable.  
 19 Generally regulators don't give a regulated  
 20 entity another opportunity to give them another  
 21 unreliable response. They go on and take some sort of  
 22 action.  
 23 And -- and I cite in my report and in my  
 24 rebuttal -- I -- one specifically that comes to mind is  
 25 the Iowa A.G. where she said, you know, "There are

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1 things that, you know, they told us, and it's just not  
 2 what was happening on the ground," for example.  
 3 And so they -- their responses -- the  
 4 responses that Household made to them became varnished  
 5 as unreliable.  
 6 Q. So a regulator would not go back to Household  
 7 and ask for a better explanation; that's your testimony?  
 8 MR. BAKER: Objection. Asked and answered.  
 9 THE WITNESS: Well -- you know, you're pulling  
 10 out a document, so maybe somewhere someone asked them  
 11 to, but I don't know why they would.  
 12 If they found their answers to be unreliable,  
 13 they should take enforcement action, which is what most  
 14 of them did.  
 15 MR. KAVALER: No. That's not what I'm looking  
 16 for.  
 17 Oh, maybe it is. You're right.  
 18 BY MR. KAVALER:  
 19 Q. Let's go back to Exhibit 3. I think that's  
 20 the one you testified you didn't see.  
 21 A. My documents aren't marked, so I don't know  
 22 what you're talking about.  
 23 Q. The Doreen Hughes file.  
 24 MR. BAKER: I think the witness needs another  
 25 copy.

39 (Pages 150 to 153)

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1  
2 MR. KAVALER: What happened to the one I gave  
3 her?  
4 THE WITNESS: I don't know.  
5 MR. BAKER: Actually, not her counsel. I took  
6 it.  
7 THE WITNESS: What is this number?  
8 MR. KAVALER: 3.  
9 THE WITNESS: I'm going to mark them.  
10 And what is this number?  
11 MR. KAVALER: 4.  
12 MR. BAKER: Does the Court Reporter not have a  
13 copy? Do you not have a copy?  
14 BY MR. KAVALER:  
15 Q. If you look at Exhibit 3, Ms. Ghiglieri, some  
16 of these things are actual Household or Beneficial  
17 agreements with Doreen Hughes; correct?  
18 A. What page are you on? I'm sorry.  
19 Q. Well, thumb through it. A lot of these are  
20 actual loan documents, right, or truth in lending  
21 disclosures?  
22 These are documents that Ms. Hughes signed.  
23 For example, I'll direct you specifically to a  
24 couple.  
25 A. I haven't come to one yet, but let's see

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1 what's in here.  
2 Q. Okay. Let's look at page 2936623. It's  
3 called "Loan Repayment and Security Agreement."  
4 Do you see that?  
5 A. Yes.  
6 Q. All right. Paragraph -- one, two, three, four  
7 -- fourth one down, solid caps, "Prepayment Penalty."  
8 It says "A prepayment penalty will be assessed  
9 in the following situations."  
10 Do you see that?  
11 A. I do.  
12 MR. BAKER: That's actually the fifth  
13 paragraph down. The fourth one just says -- prepayment  
14 says "You may prepay your loan at any time and may be  
15 charged a prepayment penalty. If you prepay, the  
16 principal's fully earned when this loan is made and you  
17 will not be entitled to the refund of the points."  
18 That's the fourth paragraph.  
19 Do you see that, Ms. Ghiglieri?  
20 THE WITNESS: I do.  
21 BY MR. KAVALER:  
22 Q. Do you see the paragraph I read to you?  
23 MR. BAKER: Are you referring to the fifth  
24 paragraph now, Mr. Kavalier?  
25 THE WITNESS: And which paragraph are you

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1 reading from?  
2 BY MR. KAVALER:  
3 Q. Do you see the paragraph I read to you?  
4 A. And what was that that you read?  
5 Q. The one that I read.  
6 A. Can you read that back to me.  
7 Q. You've forgotten what I read?  
8 A. Everyone is talking at the same time. I'm  
9 trying to be responsive.  
10 Q. No. Not everyone is talking.  
11 Mr. Baker is deliberately disrupting this  
12 deposition for a purpose which will be obvious to the  
13 reviewing Court.  
14 Mr. Baker is under the impression he's smarter  
15 than I am, he's smarter than the Judge is, and he won't  
16 get caught. He will get caught and there will be  
17 retribution. There will be penalties. There will be  
18 justice.  
19 But, if he wants to do that, that's absolutely  
20 his right. I can't stop him. I'm not his counsel.  
21 Apparently there's no one on his side giving  
22 him any useful advice. So we'll just have to both put  
23 up with constant interruptions and childish behavior,  
24 but there it is.  
25 "Prepayment penalty. A prepayment penalty may

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1 be assessed in the following situations:"  
2 Do you see that paragraph?  
3 A. I do.  
4 Q. Okay. Is that in your view concealed or  
5 hidden or something?  
6 A. Well, I discussed this issue quite a bit in my  
7 report.  
8 Q. But I'm asking you a question now about this  
9 particular document.  
10 MR. BAKER: Could you please let her finish.  
11 Feel free to finish your answer.  
12 THE WITNESS: In my report of -- or in my  
13 expert report and in my rebuttal I talk about disclosure  
14 of prepayment penalties and how -- you know, you have a  
15 stack of documents that you sign at a closing.  
16 The customers were confused about whether  
17 there was a prepayment penalty, and I acknowledged that  
18 there is a prepayment penalty section in the loan  
19 documents.  
20 Whether the -- the customer understood that or  
21 not, I -- I don't know, but based on the complaints it  
22 looked like there was confusion.  
23 There was some discussion with Household  
24 employees about, you know, while there's a prepayment  
25 penalty, I didn't think there was. Well, that can be

40 (Pages 154 to 157)

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1 waived.  
2 So there was iterations of issues surrounding  
3 prepayment penalties, and I acknowledge that I'm looking  
4 at it in the loan document, but whether the customer  
5 understood that it was in there is another issue.

6 BY MR. KAVALER:

7 Q. Did you talk to any customers to find out why  
8 they didn't understand it?

9 A. I've already testified that I did not talk to  
10 customers, I did not talk to Household employees, I  
11 looked only at the record.

12 Q. Okay. Do you know how many states -- in how  
13 many states the law is to the effect that when a person  
14 signs a document they're presumed to have read it and  
15 understood it?

16 A. I assume all states.

17 Q. Uh-huh.

18 Do you know what percentage of Household's or  
19 Beneficial's total customers at any given time claim not  
20 to have understood or noticed the paragraph with the  
21 solid capital letters "Prepayment Penalty" or an  
22 analogous paragraph in a document like this?

23 THE WITNESS: Could you read that back to me.  
24 (Record Read)

25 THE WITNESS: I -- I do not know what

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1 There were a lot of issues regarding this form  
2 that I read in the regulatory reports, and there were  
3 specific criticisms by the regulators about the ability  
4 to -- especially I think it was in the Washington  
5 report, someone to go back through and check whether the  
6 insurance -- you know, whether they wanted this  
7 insurance.

8 I also saw in some of the complaints that  
9 customers complained that when they got to the closing  
10 the insurance was already a part of the package, and I  
11 saw in the training documents that Household trained  
12 their employees to say, you know, assume that you're  
13 going to sell insurance like the assumptive close, and  
14 when the customers complain and say, "You know, you have  
15 a chance to cancel it. We'll just do it on a free  
16 look."

17 So there are a lot of issues surrounding this  
18 form and whether or not insurance was required or not,  
19 and I go in to a lot of detail in my report and in my  
20 rebuttal about other issues, such as penetration rates,  
21 and that's one thing that I've checked as an examiner  
22 and the regulators look at, too, to determine if the  
23 practice by the lender is different than what they're  
24 saying.

25 So if they say, "No, it's not required," but

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1 percentage at any one given time.

2 BY MR. JAVAKER:

3 Q. Let's turn to the next page, 293625, it's  
4 called "CE Optional Credit Insurance Disclosure."

5 Do you see that?

6 A. Yes.

7 Q. All right. And the first full left line in  
8 the full left margin says "Credit insurance is optional,  
9 not required to obtain this loan," and that's in solid  
10 capital letters.

11 Do you see that?

12 A. Yes.

13 Q. And then there are a bunch of boxes down below  
14 that the customer can check including one that says "no  
15 insurance."

16 Do you see that?

17 MR. BAKER: Objection. Mischaracterizes the  
18 testimony. Also assumes facts not in evidence that the  
19 customer can check this particular box or any box on  
20 this form.

21 THE WITNESS: I see this box on the form.

22 BY MR. KAVALER:

23 Q. Uh-huh.

24 And then turn to the --

25 A. There were -- I'm not done with my answer.

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1 the penetration rate is real high, the conclusion the  
2 regulators reach is that it is, in fact, required and  
3 that is a conclusion that I reached.

4 So, if you're moving on from this form, I just  
5 want to make sure that I say there -- there's a lot of  
6 issues surrounding this form in this case.

7 Q. I may or may not be moving on from the form,  
8 but in the meantime I want to ask you these questions  
9 before we break for lunch.

10 A. Okay.

11 Are we moving on from this form, did you say?

12 Q. Well, I'm going to ask you some questions at  
13 the moment --

14 A. Okay.

15 Q. -- and we'll come back to this form.

16 A. Okay.

17 Q. Are you aware whether Household disclosed to  
18 its shareholders the very subject you were just talking  
19 about, that there were issues out there in the regulator  
20 community and in the ACORN community about the way  
21 Household dealt with the whole issue of credit  
22 insurance?

23 A. In -- in what document are you asking?

24 Q. Any documents.

25 A. That was outside the scope of what I was asked

41 (Pages 158 to 161)

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1 to look at, and I -- I don't recall seeing anything one  
 2 way or the other.  
 3 Q. Are you aware that Household disclosed to its  
 4 shareholders and to the market generally that there were  
 5 issues in the regulator community about prepayment  
 6 penalties?  
 7 A. I'm not sure I understand specifically your  
 8 question.  
 9 Can you read it back to me, please.  
 10 (Record Read)  
 11 THE WITNESS: I don't understand that  
 12 question.  
 13 BY MR. KAVALER:  
 14 Q. I'll ask you a different one.  
 15 A. Okay.  
 16 Q. Are you aware that Household disclosed to its  
 17 shareholders and to the market generally what its  
 18 practices were with regard to prepayment penalties?  
 19 A. Umm -- that's outside of what I was asked to  
 20 look at, and I don't recall seeing that.  
 21 Q. Are you aware that Household disclosed to its  
 22 shareholders and to the market generally what its  
 23 practices were with regard to loan to value ratios?  
 24 MR. BAKER: Okay. And, again, I just would  
 25 caution the witness that statements made by Mr. Kavalier

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1 about were or were not disclosed are not evidence or not  
 2 necessarily true.  
 3 THE WITNESS: Could you read that back to me  
 4 again.  
 5 (Record Read)  
 6 THE WITNESS: I do remember seeing some  
 7 documents that I've discussed in the -- the reports that  
 8 said --  
 9 No, that's not right.  
 10 As I'm sitting here, I can't think of  
 11 anything, but I think I have seen some documents on  
 12 that.  
 13 Q. What is a "side loan"?  
 14 Do you know?  
 15 A. A "side loan"?  
 16 Q. Uh-huh.  
 17 A. Well, as Household used it, it was a loan  
 18 secured by the property, by the home that was over and  
 19 above the first mortgage.  
 20 Q. The second loan?  
 21 A. Well, in some cases they call it "a second  
 22 loan." Sometimes they called it a -- an "unsecured  
 23 loan." Sometimes they called it a "personal home loan,"  
 24 PHL.  
 25 I saw different iterations --

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1 Q. More than one loan on the same piece of  
 2 property?  
 3 A. -- of another loan, yeah.  
 4 Q. Okay.  
 5 A. And sometimes it was unsecured, but it was  
 6 connected to the same time. So --  
 7 Q. Are you aware that Household disclosed its  
 8 practices with regard to that phenomenon, side loans, to  
 9 its shareholders and to the investment community at  
 10 large?  
 11 A. I don't recall looking at those documents.  
 12 MR. KAVALER: I believe Mr. Burkholz indicated  
 13 he wanted to break for lunch around a quarter to 1:00.  
 14 It's about a quarter to 1:00, five minutes over.  
 15 So I would be happy to take a lunch break.  
 16 Say an hour?  
 17 VIDEOGRAPHER: Off the record at 12:51.  
 18 (Thereupon a recess was taken at 12:51 p.m.  
 19 and the deposition resumed at 1:46 p.m.)  
 20 VIDEOGRAPHER: On record at 1:46.  
 21 BY MR. KAVALER:  
 22 Q. Ms. Ghiglieri, turn, please, to page 75 of  
 23 Exhibit 1.  
 24 You see one paragraph up from the bottom  
 25 you're talking about Thomas Schneider?

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1 A. Yes.  
 2 Q. And you say that he testified that it happened  
 3 -- that in the course of answering a consumer complaint  
 4 he would find that the customer was lied to by a  
 5 Household employee.  
 6 Do you see that?  
 7 A. Yes.  
 8 Q. You see Schneider deposition page 127?  
 9 A. Yes.  
 10 Q. So if I look at 127, I'll find Mr. Schneider  
 11 giving that testimony?  
 12 A. You should, yeah.  
 13 Q. Well, I know I should, but the question is,  
 14 will I?  
 15 A. Well, unless I put down the wrong page number.  
 16 I tried to have it be accurate.  
 17 Q. Okay. Let's look at Mr. Schneider's  
 18 deposition.  
 19 You did put down the wrong page number, but  
 20 I'm not going to hold that against you.  
 21 At page 128 -- you know what? You're right in  
 22 part. Mr. Sloane's objection is on 127. The question  
 23 begins on 127.  
 24 Let's see.  
 25 "Question: Let me see if I understand this

42 (Pages 162 to 165)



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1 right. Are you saying that any time that I --"  
 2 MR. BAKER: Mr. Kavalier, you just want to hang  
 3 on one second so if I find it I think we can follow  
 4 along with you.  
 5 MR KAVALER: No. You know, I'm going to start  
 6 even earlier on the page.  
 7 I'll start all the way back here.  
 8 "Question: Did any of your investigations  
 9 result in the conclusion that customers were actually  
 10 misled by Household?  
 11 Answer: Typically on this type of  
 12 investigation my department did not do the  
 13 investigations. It was done by the sales group.  
 14 Question: I'm not focusing specifically here.  
 15 I'm now referring to any investigations that you did  
 16 from '99 in to 2002 in response to the complaints of the  
 17 examination -- or the examinations that came in to your  
 18 department. Did you or your department conclude that  
 19 customers were actually misled by Household?"  
 20 Mr. Sloane made an objection.  
 21 "Answer: Let me see if I understand this  
 22 right. Are you saying that any time that I in the  
 23 course of answering complaints and in all the different  
 24 states did I ever find an incident where a customer lied  
 25 -- where a customer was lied to?"

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1 Question: Yes.  
 2 Answer: I'm sure that happened.  
 3 Question: Okay. Do you recall any specific  
 4 instances?  
 5 Answer: No. It was such a rarity. I mean,  
 6 those employees, they are gone and off to the next  
 7 race."  
 8 Is that the testimony you're referring to?  
 9 A. The testimony -- that -- I guess it starts on  
 10 page 128, is the testimony I was characterizing here,  
 11 yes.  
 12 Q. Okay. And let me -- now that we're focused on  
 13 the exact testimony let me read the testimony again.  
 14 MR. BAKER: Do you want to give her a copy of  
 15 it?  
 16 BY MR. KAVALER:  
 17 Q. Okay.  
 18 "Do you recall any specific instances?  
 19 Answer: No. It was such a rarity. I mean,  
 20 those employees, they were gone and off to the next  
 21 race."  
 22 Do you believe that that testimony by  
 23 Mr. Schneider is fairly encapsulated by your statement  
 24 at page 75 he testified that it had happened -- that in  
 25 the course of answering a consumer complaint he would

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1 find that the customer was lied to by a Household  
 2 employee?  
 3 A. I don't have it right in front of me, but --  
 4 Q. Feel free to look at it. It's right there  
 5 next to you.  
 6 MR. BAKER: No, actually, we have page 127.  
 7 THE WITNESS: The next page.  
 8 MR. KAVALER: Oh, okay.  
 9 MR. BAKER: So if you have 128, we would  
 10 appreciate it if you share it with the witness.  
 11 THE WITNESS: May I look at what you've read  
 12 to me?  
 13 MR. KAVALER: Why don't you have 128?  
 14 Do you know what the answer is, Ms. Ghiglieri?  
 15 MR. BAKER: Are you going to -- are you going  
 16 to help her or are you just going to badger her?  
 17 BY MR. KAVALER:  
 18 Q. No, it's a question.  
 19 Do you know why --  
 20 A. I would like to refer to the --  
 21 Q. Do you know why your counsel has the wrong  
 22 page?  
 23 A. Well, no, we don't have the wrong page. We  
 24 have 127, which is what I --  
 25 Q. That's my point. That's precisely my point.

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1 Your report at page 75 cites to page 127.  
 2 Your diligent counsel has page 127. The  
 3 testimony, of course, is on page 128, and this is  
 4 another typo; correct?  
 5 A. Well, it starts on 127.  
 6 Q. Okay. But it now turns, to understand you,  
 7 one needs 128; correct?  
 8 A. It continues over to 128.  
 9 Q. Well, actually, the testimony you're quoting  
 10 from, or paraphrasing, or misquoting is on 128; correct?  
 11 And the reason you can't answer my question --  
 12 A. I take exception to characterizing what I have  
 13 here as "misquoting."  
 14 Q. Right. That's what we're finding out right  
 15 now.  
 16 The reason we're having a problem is because  
 17 both your counsel and I thought your report was accurate  
 18 when you said page 127, and it turns out the page we  
 19 need is 128; correct?  
 20 MR. BAKER: No. The reason why we're having a  
 21 problem here is you in your wisdom have decided not to  
 22 share testimony that you want to present to the witness.  
 23 You want to ask her about the testimony but  
 24 you don't want to present it to her.  
 25 Any other lawyer would, in fact, give the

43 (Pages 166 to 169)

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1 witness the testimony, let her look at it, look at her  
 2 answer, your question.  
 3 You decide you don't want to do that. That's  
 4 the source of the problem.  
 5 BY MR. KAVALER:  
 6 Q. Can you answer the pending question?  
 7 MR. BAKER: What pending question?  
 8 There happens to be several.  
 9 Why don't you pick and choose?  
 10 THE WITNESS: I don't want to answer it until  
 11 I look at what you're reading, and I don't have it here.  
 12 MR. KAVALER: Okay. I'll be happy to show you  
 13 what I'm reading from.  
 14 THE WITNESS: Okay.  
 15 MR. KAVALER: Here's page 128 here. You can't  
 16 have the binder, but you can look at it.  
 17 THE WITNESS: Okay.  
 18 MR. KAVALER: Okay. I'll hold it. I'll hold  
 19 it.  
 20 MR. BAKER: I don't think she can read it that  
 21 far.  
 22 THE WITNESS: I can't see it from there.  
 23 MR. KAVALER: All right. Then we'll have to  
 24 proceed in another fashion. I won't let Mr. Baker touch  
 25 my book.

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1 MR. BAKER: Luke, you want to get -- see if we  
 2 can get page 128.  
 3 All right. We'll get you 128, and then you  
 4 can ask the witness the question.  
 5 MR. KAVALER: That's fine. I'm happy to show  
 6 the witness my binder. I will not allow Mr. Baker to  
 7 touch my work product.  
 8 MR. BAKER: All right. That's fine.  
 9 Look, I don't need to look at it.  
 10 MR. KAVALER: All right. Then you sit in your  
 11 chair.  
 12 Ms. Ghiglieri, please look at page 128 here.  
 13 BY MR. KAVALER:  
 14 Q. And my question to you, ma'am, is, is your  
 15 statement on page 75 --  
 16 A. Wait, wait. Wait 'til I have a chance to look  
 17 at it, please.  
 18 Q. I'm telling you what the question is so you  
 19 know what you're looking at.  
 20 Is your statement on page 1 -- on page 75 of  
 21 your initial report a fair summary of that testimony,  
 22 "yes" or "no"?  
 23 MR. BAKER: And here, Cathy. Here's the  
 24 report on page 175.  
 25 THE WITNESS: I've got it.

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1 Would you read back the question.  
 2 BY MR. KAVALER:  
 3 Q. The question is -- page 75, your sentence  
 4 about Mr. Schneider's deposition cited at page 127 a  
 5 fair summary of what Mr. Schneider actually said at his  
 6 deposition, "yes" or "no"?  
 7 A. I think it's a fair characterization, yes.  
 8 Q. Okay. Now, Ms. Ghiglieri, did you address  
 9 yourself to the subject of loan flipping?  
 10 A. Yes. In the reports, are you talking about?  
 11 Q. Yes.  
 12 And you said that Household engaged in loan  
 13 flipping, a predatory practice which you defined as  
 14 repeated refinancing of loans; correct?  
 15 A. That's how I defined it, yes.  
 16 Q. Uh-huh. And is it your view that that is a  
 17 systemic and companywide predatory lending practice of  
 18 Household?  
 19 A. Well, repeated refinancings was actually --  
 20 one of the ways that the internal documents -- that the  
 21 internal documents that I looked at was a way for  
 22 Household to grow their loan portfolio, and I cite in my  
 23 report and in my rebuttal numerous documents where they  
 24 talk about refinancing either their own loans or loans  
 25 outside of Household.

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1 The compensation plan compensated the  
 2 employees for doing refinances, and, of course, nothing  
 3 is in isolation.  
 4 When they would do a refinance, you know,  
 5 sometimes they would split the loan. There were --  
 6 there are all kinds of issues that I talk about  
 7 specifically in my rebuttal report and in my initial  
 8 report.  
 9 Q. But not withstanding all of that --  
 10 A. But I give you --  
 11 Q. And Mr. Baker will say I'm interrupting you,  
 12 but let's do this. If you don't understand my question,  
 13 just say "I don't understand it."  
 14 A. Then I'm not through.  
 15 Q. Because you're not even close to answering;  
 16 okay?  
 17 We did a lot of that this morning. This  
 18 afternoon we're going to try to be focused.  
 19 So if you don't understand the question --  
 20 A. I'm not through with my answer.  
 21 Q. Fine. I withdraw the question.  
 22 I'm going to ask another question.  
 23 At page 87 you say in a bold headline,  
 24 "Household engaged in numerous systemic and companywide  
 25 predatory lending practices," and the second bullet

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1 under that is "loan flipping."  
 2 Do you see that?  
 3 A. Yes.  
 4 Q. Is it your impression, or conclusion, or  
 5 expert testimony, that loan flipping was systemic and  
 6 companywide at Household?  
 7 A. Yes.  
 8 Q. Uh-huh.  
 9 Is it your impression or testimony that it was  
 10 condoned by senior management?  
 11 A. I -- my opinions that I've discussed in my  
 12 report and in my rebuttal specifically say it was  
 13 condoned by senior management.  
 14 Q. Okay.  
 15 A. And also I discuss equity stripping and equity  
 16 based lending.  
 17 So, I mean, there's a whole host of areas  
 18 around loan flipping that -- that I discuss, and that I  
 19 was trying to give a more complete answer before.  
 20 MR. KAVALER: Let's mark as Exhibit Number 4  
 21 -- you've given a great answer. Thank you.  
 22 Let's mark as Exhibit Number 5 a document  
 23 bearing production number HHS 338820.  
 24 (Exhibit No. 5 was marked for Identification.)  
 25 BY MR. KAVALER:

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1 Q. Did you see that document in the course of  
 2 your review of a large universe of Household documents?  
 3 A. Yes, I did see this. I cited it.  
 4 Q. Okay. Correct.  
 5 A. Possibly with another.  
 6 Q. This is from Mr. Gilmer; correct?  
 7 MR. BAKER: Is the record -- just so we're  
 8 clear on this, is Exhibit 5 a complete document, or have  
 9 you excluded a -- another page that there's initial  
 10 E-mail from Mr. Gilmer that's part of this E-mail chain?  
 11 BY MR. KAVALER:  
 12 Q. You recognize Exhibit 5 to be an E-mail from  
 13 Gilmer; correct?  
 14 MR. BAKER: Okay. So let me object to the use  
 15 of this document as incomplete.  
 16 THE WITNESS: Excuse me.  
 17 Would you ask me that question again.  
 18 BY MR. KAVALER:  
 19 Q. For the third time, you recognize this as an  
 20 E-mail from Mr. Gilmer; correct?  
 21 A. Well, there's several E-mail.  
 22 Q. The one on the top, the first one on the page?  
 23 A. Yes. Yes.  
 24 Q. Mr. Gilmer is a named Defendant in this case?  
 25 A. Yes.

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1 Q. Mr. Gilmer was at the time one of the three  
 2 most or four most senior officers of Household?  
 3 A. Yes.  
 4 Q. Uh-huh.  
 5 Mr. Gilmer says in his E-mail -- can you tell  
 6 who it's to?  
 7 A. There's a list of people at the top.  
 8 Q. Do you know who any of them are?  
 9 A. Mr. Detelich I know. Mr. Quigley's one of the  
 10 employees down below.  
 11 Q. All right.  
 12 A. I don't know who the other folks are.  
 13 Q. Mr. Gilmer says, "There is a tremendous  
 14 difference in our procedures and those companies who  
 15 employ loan flipping tactics. Loan flipping is an  
 16 abhorrent practice where a company orchestrates a tactic  
 17 designed to gouge consumers by employing a practice of  
 18 making a rapid succession of loans to a customer where  
 19 little or no value is provided to the customer, i.e.,  
 20 no or minimal cash advance, and where the objective is  
 21 to load up the customer with outrageous fees, points,  
 22 rates and/or worthless products, often without any  
 23 explanation and/or disclosure to the customer."  
 24 And he cites an example, and then he says,  
 25 "This kind of behavior is absolutely not our policy,

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1 and, in fact, we cannot ever allow it to happen."  
 2 You see that?  
 3 And that's all in solid capital letters?  
 4 A. Yes, I see it.  
 5 Q. Did you take that in to account in coming to  
 6 the conclusion that senior management condoned loan  
 7 flipping?  
 8 A. I took this E-mail in to account and looked  
 9 at, again, all the documents, deposition testimony, and  
 10 complaints and regulatory reports, and what -- what  
 11 actually was happening in Household, which was condoned  
 12 by senior management, was loan flipping or equity  
 13 stripping, and all you have to do -- and I've discussed  
 14 this in detail in my rebuttal, and in -- in my initial  
 15 report.  
 16 But let's just take, for example, the  
 17 compensation plan. The compensation plan compensated  
 18 employees for doing just this thing, and the employee  
 19 that's down below here, Scott Quigley, says "I thought  
 20 loan flipping was, you know, what we did," and this is a  
 21 case where Household said one thing and actually --  
 22 something else was happening on the ground.  
 23 There are numerous instances of this, but one  
 24 only has to look at the compensation plan, and there are  
 25 other ways that you can tell there was loan flipping

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1 going on, but I think the strongest is looking at the  
2 compensation plan to see what people were rewarded for  
3 doing, and one of the things that they were rewarded for  
4 doing was continual refinances.

5 The second document that I recall, and, of  
6 course, there's so many documents here I can go through  
7 this rebuttal to pull them all out, but is a -- document  
8 from Mr. Gilmer where he's talking about -- I believe it  
9 was to Mr. Aldinger where he said that he wanted to do  
10 refinances of the HMS portfolio or maybe it was Mr.  
11 Schenholz.

12 And so -- what he wanted to do and what he  
13 says Household doesn't do are directly at odds.

14 And so my conclusion in my rebuttal report and  
15 in my initial report was that, in fact, systemic loan  
16 flipping, equity based lending, or equity stripping was  
17 occurring.

18 Another example of why I concluded it is  
19 because Household decided to make a hundred percent LTV  
20 loans, and with a second loan would go up to 125  
21 percent, which is basically equity stripping, and the  
22 employees, you know, would be compensated based on how  
23 many loans they made, and -- and they could go up to 125  
24 percent combined loan to value.

25 So I believe based on looking at all the

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1 documents that this, in fact, was happening,  
2 notwithstanding this document that you've given me to  
3 look at, which I've discussed in my reports.

4 Q. So although Mr. Gilmer is sending this memo,  
5 this E-mail, in solid capital letters saying it's an  
6 abhorrent practice, saying we don't want to do it, we  
7 don't want it done, then he tells this guy "If you think  
8 it's happening in your branch, you should call me  
9 immediately," notwithstanding that, you concluded  
10 senior management including Mr. Gilmer actually  
11 supported this practice, which he called abhorrent and  
12 which he said should never be allowed to happen;  
13 correct?

14 A. Well, I just discussed three or four different  
15 items that I looked at that directly contradict this.

16 So my conclusion is that he said one thing,  
17 but, in fact, was doing another.

18 Q. Okay.

19 A. I see here in my rebuttal one other document  
20 that I used in this area, and that was a memo from  
21 Mr. Voza, where he says "Seems to me our policy  
22 encourages flipping," and there may be more, if I  
23 actually took a little bit more time to read it.

24 But those were a few of the documents that  
25 persuaded me that Mr. Gilmer was saying one thing, and,

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1 in fact, doing another.

2 Q. Turn to your rebuttal report at page 29,  
3 please.

4 If I understand you correctly, you looked at  
5 something called the "Net Tangible Benefits Test" that  
6 Household used and you were unimpressed with it?

7 A. Yes. I'm discussing it here on page 29.

8 MR. KAVALER: Uh-huh.

9 Let's mark as Exhibit 6 a document bearing  
10 production numbers HOO 7543 through 45.

11 (Exhibit No. 6 was marked for Identification.)

12 BY MR. KAVALER:

13 Q. Is that a document you looked at in your -- in  
14 your review of your documents that you reviewed in  
15 preparing your reports?

16 A. What is this number?

17 THE REPORTER: 6.

18 THE WITNESS: Okay.

19 What was your question?

20 BY MR. KAVALER:

21 Q. Let me see the document you're looking at.

22 A. Oh.

23 Q. Okay. The question is, did you see that  
24 document in the course of preparing your reports?

25 A. I don't recall seeing this specific one, but a

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1 lot of what's in here I've seen in other documents.

2 Q. All right. And this is -- you mentioned  
3 compensation a couple minutes ago?

4 A. Yes.

5 Q. And you see this is something called a "2001  
6 Sales Compensation Plan Rules and Regulations" effective  
7 January 1, 2001?

8 A. I see that's the title of it.

9 Q. And if you look at the second page, it says  
10 "Responsible Lending Statement."

11 It says "Each and every loan we prepare for  
12 our customers must provide our customers with tangible  
13 benefits according to company policy," and the word  
14 "must" is capitalized.

15 Do you see that?

16 A. I see that.

17 Q. And underneath that it says, "In the event it  
18 is determined by management that a loan was made to a  
19 customer and no tangible benefit exists, a penalty will  
20 occur. This penalty will involve suspension and/or  
21 cancellation of part or all of your subsequent incentive  
22 payments. In addition, corrective action may apply up  
23 to and including termination of employment."

24 Do you see that?

25 A. I see it.

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1 Q. All right. And how did that impact your  
2 thinking about the subject of whether senior management  
3 actually meant what it said about the responsible  
4 lending policy and the net tangible benefit rule in  
5 light of compensation issues as you mentioned in your  
6 testimony a minute ago?

7 MR. BAKER: Objection. Vague and ambiguous.

8 THE WITNESS: As I said, I -- I don't recall  
9 seeing this specific document, but I would like to  
10 address this.

11 Having written policies and procedures, as  
12 I've discussed in my reports, is something that you  
13 always want a lender to have so that employees know what  
14 they're supposed to be doing.

15 But what regulators do is they take the  
16 additional step to determine whether or not the policies  
17 are being complied with, and based on the documents that  
18 I've seen it -- it makes me suspicious that this was, in  
19 fact, not occurring because, if you look at the appendix  
20 that I have to my rebuttal, if you look at the benefits  
21 test studies that they did --

22 MR. BAKER: Is that Appendix D?

23 THE WITNESS: I'm sorry. You're right.

24 It's Appendix D of to my rebuttal.

25 They did a benefits test, and you can see on

1 extensively in both of my reports, the QAC was  
2 eliminated and the duties given to the District Sales  
3 Managers, who were compensated based on the branches  
4 meeting their quotas.

5 And I would be interested to see who was  
6 checking for compliance with those, and where there were  
7 problems what was done about it, and that -- that would  
8 be something that I would like to see.

9 Q. You'd be interested in seeing people  
10 terminated for compliance violations?

11 A. Well, you're giving me their policy.

12 I'm reading their policy, and it says  
13 "corrective action may apply up to and including  
14 termination."

15 Q. Right.

16 A. So it mischaracterizes my testimony to say I  
17 want to see people terminated --

18 Q. No, no, no, no. You misheard me.

19 A. -- for compliance.

20 Q. You want to see documents reflecting that  
21 people were terminated?

22 A. I want to see whether or not this policy was  
23 checked for compliance, who did it, and what were the  
24 results.

25 Q. Uh-huh.

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1 here that the customer did not benefit from these loans.

2 Now, what I've included here is a series of  
3 studies that they did, but I included one as an example,  
4 and we can get the rest of them out and look at them, if  
5 you want.

6 But you can see that the interest rate that  
7 they paid off was just on the first one 7.5 percent, and  
8 the contract APR -- I'm sorry -- the APR rate was 11  
9 percent, and for this one they paid 7. -- or I'm  
10 sorry -- they paid 5 percent in fees.

11 And so if this was, in fact, the case, then  
12 whoever made all of these loans in all of these studies  
13 here, something would have been done, and I saw no  
14 documents where someone was -- does that say "up to and  
15 including termination of employment or corrective  
16 action"?

17 I did not see any files that told me that, in  
18 fact, this policy was being fulfilled.

19 BY MR. KAVALER:

20 Q. And if you'd seen such files, would it have  
21 impacted your view?

22 A. I would have been interested to see how these  
23 policies -- there would have been a couple of things I  
24 would have liked to have seen, who was checking to see  
25 if there was compliance, because I think, as I said

1 And you mentioned the QAC being eliminated.

2 You understood, did you not, that that was a  
3 return to the structure Household had had for its entire  
4 hundred plus history save only the last couple of years?

5 A. I understand that.

6 I still have a problem with it, but I  
7 understand that.

8 Q. Okay. All right.

9 Let's turn to -- if you would turn to your  
10 rebuttal report at page 44, you're criticizing the Bley  
11 report for ignoring compensation plans, and in the  
12 second -- I'm sorry -- the first full paragraph under  
13 that heading about four lines down you say, "More  
14 persuasive indicators of actual practices include such  
15 things as compensation plans, because they create the  
16 financial incentives that motivate company practices."

17 Do you see that?

18 A. Yes.

19 Q. And the document we just looked at, Exhibit 6,  
20 is one of those compensation plans; correct?

21 A. Well, the documents that I saw, the  
22 compensation plans were more -- they took a different  
23 format from this, and you could tell what the  
24 percentages were that the people got compensated.

25 I don't know -- I can't remember what they

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1 were called. We could look them up, but it took a  
 2 different format from this.  
 3 Q. But this is a sales compensation plan;  
 4 correct?  
 5 It's called "The 2001 Sales Compensation Plan  
 6 Rules and Regulations"?  
 7 MR. BAKER: Objection. Assumes facts not in  
 8 evidence.  
 9 THE WITNESS: I understand that's what this is  
 10 entitled, but this is not the document that I was  
 11 referring to.  
 12 BY MR. KAVALER:  
 13 Q. You don't remember seeing this document in  
 14 your review of the 40 banker's boxes?  
 15 A. I don't -- I don't recall seeing this, no.  
 16 Q. So either you saw it and you don't remember it  
 17 or you didn't see it?  
 18 MR. BAKER: Or it wasn't produced in this  
 19 case.  
 20 THE WITNESS: Any -- any and all of them.  
 21 I mean, I don't recall. I may have it, but I  
 22 was relying on this information -- on different  
 23 documents that had to do with compensation.  
 24 BY MR. KAVALER:  
 25 Q. Okay.

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1 A. Which -- I mean, which I've noted with Bates  
 2 numbers and that.  
 3 We can pull them out if you want to get them.  
 4 Q. Okay. In your rebuttal report -- I think it's  
 5 page 32. Let me just see.  
 6 In footnote 140 you quote Mr. Vozar as saying,  
 7 "Mr. Vozar acknowledged internally that Household's  
 8 practice of adding points and insurance fees to the loan  
 9 balance was, quote, 'the reason we have so many loans  
 10 over one hundred percent,'" and then it says four dots,  
 11 closed quote.  
 12 Do you see that?  
 13 A. I do.  
 14 Q. And that's from Vozar Deposition Exhibit 56.  
 15 Let me show you a document which we'll mark as  
 16 Exhibit 7.  
 17 (Exhibit No. 7 was marked for Identification.)  
 18 THE WITNESS: What's this number?  
 19 THE REPORTER: 7.  
 20 BY MR. KAVALER:  
 21 Q. Is that Mr. Vozar's memo that you're  
 22 referring to?  
 23 A. I don't know. I need to get out the -- can we  
 24 pull it out?  
 25 MR. BAKER: Just so the record reflects,

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1 Exhibit 56 appears to be a four-page document and the  
 2 document that's given to the witness is a two-page  
 3 document, so, obviously, there's something different.  
 4 MR. KAVALER: Ms. Ghiglieri, are the first two  
 5 pages of Exhibit 56 the same as the two pages of Exhibit  
 6 7?  
 7 MR. BAKER: You want the witness to take the  
 8 time to read them and confirm that's the case or is this  
 9 just a question that you can answer yourself?  
 10 BY MR. KAVALER:  
 11 Q. Why don't you look at Vozar Exhibit 56.  
 12 Does it have that paragraph at the bottom, it  
 13 says, "The reason that we have so many loans over one  
 14 hundred percent --"  
 15 Under two, second paragraph under that number.  
 16 Do you see it?  
 17 A. Yes.  
 18 Q. Okay. Read me the full sentence, please.  
 19 Read me the full sentence from Vozar 56.  
 20 A. The full sentence or --  
 21 Q. Beginning with "The reason we have so many  
 22 loans."  
 23 A. "The reason that we have so many loans over a  
 24 hundred percent in the prospectus is a difference in  
 25 definition."

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1 MR. BAKER: He asked you to read one sentence.  
 2 MR. KAVALER: One sentence.  
 3 THE WITNESS: I'm sorry.  
 4 BY MR. KAVALER:  
 5 Q. Now, is that sentence in Mr. Vozar's memo that  
 6 you just read me fairly summarized by your quotation  
 7 with an ellipses in it in footnote 140 in your rebuttal  
 8 report?  
 9 A. I think it fairly characterizes it.  
 10 Q. Okay. So you think eliminating the words  
 11 where he says "The reason we have something is because  
 12 of X," you leave out the X, and you put the words "The  
 13 reason we have something" behind some text of your own,  
 14 that doesn't change the meaning?  
 15 A. Well, I could have either quoted it or I could  
 16 summarize it, and sometimes I do one or the other.  
 17 I try to accurately characterize it. I think  
 18 this is an accurate characterization.  
 19 Q. All right. Just so that we're clear, the  
 20 footnote reads, "Mr. Vozar acknowledged internally that  
 21 Household's practice of adding points and insurance fees  
 22 to the loan balance was the reason we have so many loans  
 23 over a hundred percent," and what Mr. Vozar actually  
 24 said was, "The reason we have so many loans over 100  
 25 percent in the prospectus is a difference of

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1 definition."  
 2 And you believe those two are the same?  
 3 MR. BAKER: Objection. Asked and answered.  
 4 THE WITNESS: Well, you have to take in to  
 5 consideration the rest of the information that's in this  
 6 document, and what I started to read when you told me to  
 7 stop was that, in fact, they do finance points and  
 8 insurance fees, that they did not take in to account in  
 9 the combined loan to value calculation, but they had to  
 10 disclose it in their securitizations, as I understand  
 11 this, although the securitization issue was outside of  
 12 what I was asked to look at, but I just saw documents  
 13 discussing that, so I don't think I've mischaracterized  
 14 it. I've taken it all in to account.  
 15 BY MR. KAVALER:  
 16 Q. By adding the three dots and leaving out the  
 17 part of Mr. Vozar's sentence where he explained that  
 18 it's because of a difference in definition, you were  
 19 being fair?  
 20 A. I believe I was accurately characterizing it,  
 21 yes.  
 22 Q. Okay.  
 23 MR. BAKER: Are we finished with Exhibit 56?  
 24 Are we finished with Vozar Exhibit 56?  
 25 Can we put this away?

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1 Mr. Hall? You don't know?  
 2 I'll put it away.  
 3 BY MR. KAVALER:  
 4 Q. If you'll look at your initial report at page  
 5 102, at the top, I think it begins on the page before,  
 6 you're talking about an E-mail regarding Arizona  
 7 insurance cancellations, and you quote from it for  
 8 several lines, and you give a citation to the Bates  
 9 numbers, and you say that which responded to this E-mail  
 10 -- saying "This is discouraging considering the emphasis  
 11 we placed on this issues. Ned, as we've been  
 12 discussing, our focus should be on supervision of the  
 13 employees who violated policy. Someone other than AE  
 14 must be held accountable to resolve these issues for  
 15 good."  
 16 Do you see that language?  
 17 A. I see it.  
 18 Q. And the understanding you derived from that is  
 19 that Household actually was tolerating insurance packing  
 20 even though it said it was prohibiting it; correct?  
 21 A. Yes, that's my conclusion.  
 22 MR. KAVALER: Uh-huh.  
 23 And if you'll look at Exhibit 8 -- which is a  
 24 copy of the E-mail you're citing there,  
 25 (Exhibit No. 8 was marked for Identification.)

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1 BY MR. KAVALER:  
 2 Q. With the same Bates numbers on the second page  
 3 with the Bates number ending in 41 you see that's  
 4 Mr. Hennigan talking and he says in the bottom of the  
 5 second full paragraph, "I want you to address  
 6 recommended disciplinary action up to and including  
 7 termination."  
 8 Do you see that?  
 9 A. I'm -- what page are you on?  
 10 Q. It's the second page ending in 841.  
 11 A. Okay. And where on this page?  
 12 Q. The first full paragraph, beginning with the  
 13 word "thirdly."  
 14 A. Okay.  
 15 Q. You see the last sentence. This is Hennigan.  
 16 He says "I want you to address recommended disciplinary  
 17 action up to and including termination."  
 18 Do you see that?  
 19 A. I see it.  
 20 Q. Okay. That's Mr. Hennigan saying somebody  
 21 should be fired for this; right?  
 22 A. Well, "disciplinary action" is what he says up  
 23 to and including.  
 24 Q. All right.  
 25 Do you know if anybody was fired?

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1 A. I don't know.  
 2 Were they?  
 3 Q. And then below there's a -- an E-mail from  
 4 Kevin Sullivan, and he says that they're in the process  
 5 of calling customers who cancelled insurance, et cetera,  
 6 all calls are not complete, and he gives the report on  
 7 the status of those calls.  
 8 Do you see that?  
 9 A. And are you still on the second page?  
 10 Q. I am.  
 11 A. And what section on the second page?  
 12 Q. It's the portion you quote at the top of page  
 13 102 of your report.  
 14 A. "I need to let you know --"  
 15 And is there a question?  
 16 Q. You see that?  
 17 You understood that this showed that Household  
 18 was conducting an investigation, they were calling these  
 19 people trying to find out what happened; correct?  
 20 A. Can you read back that question.  
 21 (Record Read)  
 22 THE WITNESS: I want to take a minute just to  
 23 look at this document in its entirety.  
 24 MR. KAVALER: I'll withdraw the question.  
 25 Let's move on.

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1 THE WITNESS: Okay.  
 2 BY MR. KAVALER:  
 3 Q. Let me show you a document which we'll mark  
 4 Number 9.  
 5 (Exhibit No. 9 was marked for Identification.)  
 6 BY MR. KAVALER:  
 7 Q. Is this one of the documents that you looked  
 8 at called "HFC Sales Incentive Compensation Program  
 9 Document, March 1998"?  
 10 Is this one of the documents you looked at in  
 11 review of your documents to prepare these reports?  
 12 A. The -- the information that's in here I've  
 13 seen it in another document. I don't recall seeing this  
 14 exact document.  
 15 Q. Uh-huh.  
 16 A. But I've seen this information, a thing called  
 17 "Compensation Plan."  
 18 Q. Uh-huh. And you see in here in the second  
 19 page it says -- end of the second paragraph, "Should an  
 20 employee be found in violation of any procedure or  
 21 ethical policies, management reserves the right to  
 22 withhold or reduce any incentive payment based on  
 23 calculation methods set forth."  
 24 Do you see that?  
 25 A. I see it. I didn't see any evidence that

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1 that, in fact, was what was happening. I didn't see any  
 2 document to that effect.  
 3 Q. You didn't see anybody being fired for  
 4 violating any of these ethical rules or policies;  
 5 correct?  
 6 A. I didn't see anybody having their -- doesn't  
 7 it say "reduce or withhold the incentive payment based  
 8 on the calculation methods set forth"?  
 9 I didn't see a document that said they  
 10 violated this and so we're withholding their  
 11 compensation.  
 12 Q. But, nevertheless, whether you saw those  
 13 documents or not, this is the compensation plan of the  
 14 company, and it tells employees if you violate these  
 15 procedures, if you act in an unethical manner, you're  
 16 subject to having your compensation reduced or  
 17 withheld; right?  
 18 MR. BAKER: Just so the record is clear, this  
 19 is the compensation plan for 1998.  
 20 THE WITNESS: The -- this goes back to what I  
 21 said previously and that is you want to see written  
 22 policies in a lending institution, but regulators also  
 23 want to see, and this is the approach that I took, is I  
 24 want to see if, in fact, this is being complied with,  
 25 and I saw no evidence where people were being chastized,

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1 their compensation was being withheld, or any -- any  
 2 sort of thing where they were in violation of this, and  
 3 that's the missing piece here.  
 4 BY MR. KAVALER:  
 5 Q. That's important?  
 6 A. Well, I mean, you can have all the written  
 7 policies in the world, but if people aren't complying  
 8 with them, what good are they?  
 9 And, as I said, you know, that's one of the  
 10 quarrels that the AGs had, is they were saying Household  
 11 has policies and procedures, but it's not what's  
 12 happening on the ground.  
 13 So that's the missing piece from what you're  
 14 asking me here.  
 15 Q. And this document on the same page has a  
 16 heading called "Honesty, Candor and Integrity," a box  
 17 that says, "You must be honest," italicized, "and provide  
 18 your customer full disclosure of all steps of the loan  
 19 process."  
 20 Next box, "You must have candor," also  
 21 italicized, "be always telling the truth, even though it  
 22 might not be popular at the time."  
 23 Next box, "You must have integrity,"  
 24 italicized, "as the company you represent has the  
 25 highest ethical standards."

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1 Next page is called "Code of HFC Sales  
 2 Ethics."  
 3 The fourth checkmark down says, "We're  
 4 completely honest with our customers at all times,  
 5 making sure they understand what they're committing to.  
 6 We explain all elements of the sale in a manner which is  
 7 completely understood by our customers."  
 8 Can you agree that that is what's contained in  
 9 this Sales Incentive Compensation Plan document dated  
 10 March 1, 1998?  
 11 A. That's what it says here, but the quarrel that  
 12 I have with it and which I discuss extensively in both  
 13 of these reports is that, in fact, what was happening in  
 14 the branches wasn't that they were telling the truth.  
 15 You know, a lot of times they would say "No.  
 16 There is no prepayment penalty," or "Go ahead and take  
 17 this insurance, you know, you have 30 days to cancel."  
 18 I mean, there are -- there are any number of  
 19 those types of issues which go directly against this in  
 20 policy that I discuss in -- in both of these reports.  
 21 So having all the written policies in the  
 22 world doesn't do any good if no one's following them.  
 23 Q. And just so I'm understanding you, the  
 24 incidents you're referring to are the same as we talked  
 25 about this morning, that is, an incident here, an

50 (Pages 194 to 197)



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1 incident there, antedotal, and you made no study to  
2 determine the numerator or the denominator, whether that  
3 represents 1 percent of Household's accounts, 23 percent  
4 of Household's accounts, 98 percent of Household's  
5 accounts, they're just some random bunch of episodes  
6 that you looked at; right?

7 A. Well, let me see if I can break -- break this  
8 down.

9 First of all, it's not anecdotal. They were  
10 complaints that were lodged.

11 The regulatory agency reports that I looked at  
12 had -- even if you take Washington state aside, there  
13 were conclusions that the regulators reached that said  
14 the opposite of what's here, that there were -- even --  
15 even the senior management, when they would respond to  
16 examination reports wouldn't tell the truth.

17 So there are a lot of conflicts between this  
18 policy and what was actually happening at Household, and  
19 even what the senior management was saying was going on.

20 Q. But you can't quantify that, huh?

21 A. So that's only a portion of what you've said.

22 The other thing that I've said repeatedly is  
23 the sheer number of complaints in and of itself is not  
24 what you say -- there's only one complaint, there's only  
25 10 complaints, you know, we're not going to worry about

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1 it because it's a small percentage.

2 That's not right.

3 You look at what the complaints are based on.  
4 You look at the nature of the complaints, and in  
5 Household's case they looked at it and saw that there  
6 were similar complaints being lodged in different parts  
7 of the country.

8 The effective rate presentation is a good  
9 example. You know, there were complaints on -- in all  
10 parts of the country saying, you know, "I was told I was  
11 going to have an effective rate of 7 percent," but no  
12 customer could come up with that language.

13 So it was something that people were trained  
14 to do. Lou Walters training was held everywhere but in  
15 the southwest, and, of course, they had done this Hueman  
16 teaching the tea sale and the trap sale.

17 So it was widespread, and you can take any  
18 number of complaints and divide it by Household's number  
19 of accounts and say it's immaterial, but that's not what  
20 the regulators found and that's not what my conclusions  
21 are.

22 My conclusions are it was serious, it misled  
23 customers, and it -- it went directly against these  
24 policies that said, you know, "We're held to the highest  
25 standard."

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1 So if you go back and look at my report where  
2 I talk about Jim Dell giving his testimony in front of  
3 Congress, all those types of things are what was  
4 happening in Household.

5 Q. Go to the page ending with number 152.

6 VIDEOGRAPHER: We need to change the tape.

7 MR. KAVALER: Okay.

8 THE VIDEO: This marks the end of Tape 2, and  
9 Volume 1 in the deposition of Catherine Ghiglieri. At  
10 2:36 going off the record.

11 (Thereupon a recess was taken at 2:36 p.m.  
12 and the deposition resumed at 2:50 p.m.)

13 VIDEOGRAPHER: On record at 2:50. This marks  
14 the beginning of tape 3 in volume 1 of the deposition of  
15 Katherine Ghiglieri.

16 BY MR. KAVALER:

17 Q. In document 9, which you still have in front  
18 of you, if you turn to the page ending in 152, you'll  
19 see the following paragraph. "Compliance. Branch  
20 audits are a regular part of business and are conducted  
21 on a routine basis. Based on the severity of  
22 noncompliance situation the BSM may receive a reprimand  
23 and a short time, generally 30 days, in which to correct  
24 the error. If the branch does not successfully complete  
25 the follow-up audit, the BSM will lose one hundred

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1 percent of his/her incentive pay for the next possible  
2 BSM monthly incentive payout. Incentive pay will  
3 continue to be withheld until the audit concerns is  
4 fully corrected."

5 Do you see that?

6 A. I see it.

7 Q. And then on page ending 154, again, it says  
8 "Compliance. Branch audits are a regular part of  
9 business and are conducted on a routine basis. Based on  
10 the severity of a noncompliance situation a branch may  
11 receive reprimand and a short time, generally 30 days,  
12 in which to correct the error. Senior management will  
13 review noncompliance situations and determine the  
14 appropriate corrective action necessary, parens, this  
15 may include but not be limited to deductions from  
16 incentive compensation, closed parens, to minimize  
17 future errors."

18 And, again, those are the kind of policies  
19 regulators like to see, but they don't answer the  
20 question of what's actually happening on the ground;  
21 correct?

22 A. Yes.

23 And, in fact, this date -- the QAC, I believe  
24 was disbanded after this document, if I'm not mistaken.

25 So when they're talking about "branch

51 (Pages 198 to 201)

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1 audits" -- let me just check.  
 2 Oh, wait. I've got the wrong report. Let me  
 3 just make sure I'm right on this.  
 4 I wish I had -- could do a word search real  
 5 quick here. Let's see.  
 6 MR. BAKER: Maybe page 49?  
 7 THE WITNESS: No. I want to check the date  
 8 that the QAC was disbanded.  
 9 What's the date?  
 10 Yeah. So -- so this document talks about the  
 11 audit, and at this time the QAC was doing the audit and  
 12 that's another issue that I have, was the QAC being  
 13 disbanded and having the DSMs do the audits of this type  
 14 of stuff, because their compensation, as you read here,  
 15 is directly affected by what happens at the branch. And  
 16 if their sales goals are met -- and policies like this  
 17 would be good if people's compensation was diminished if  
 18 they didn't comply, but there's no evidence that I saw  
 19 that they actually fulfilled this policy.  
 20 MR. KAVALER: Right.  
 21 Let's mark as Exhibit 10 a document bearing  
 22 production numbers H 4616 through H 4618.  
 23 (Exhibit No. 10 was marked for  
 24 Identification.)  
 25 MR. KAVALER: Oh. I'm sorry. That's number

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1 84. I apologize.  
 2 BY MR. KAVALER:  
 3 Q. Is this a document you saw in your review of  
 4 the 40 boxes of documents that you reviewed in  
 5 preparation for your reports?  
 6 A. Let's see.  
 7 I don't recall this document, but I know there  
 8 was testimony as to in light of Dennis Hueman and  
 9 Melissa Drury up in Washington about whether or not they  
 10 were -- some sort of an action was taken, and some of  
 11 the information that's in here was discussed in -- in  
 12 that testimony, but I didn't see this specific document.  
 13 Q. Okay. And you see at the end of the first  
 14 full paragraph in the summary the last sentence says,  
 15 "For example, an employee who violates company policy or  
 16 commits other serious offenses may be immediately  
 17 terminated"?  
 18 A. I see that in here.  
 19 Q. Right. And this is a Hueman resources  
 20 guidelines and procedures?  
 21 A. Yes.  
 22 Q. Dated in October of '01?  
 23 A. '01. I see that.  
 24 Q. But you didn't see anybody being terminated  
 25 for violating these guidelines?

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1 A. Well, now, there was some discussion around  
 2 Melissa Drury, I think was her name --  
 3 MR. BAKER: Melissa Rutland-Drury.  
 4 THE WITNESS: I'm sorry Rutland-Drury.  
 5 Melissa Rutland-Drury, whether, you know,  
 6 there was some sort of action taken against her, and I  
 7 know that there was no action taken for a while, and  
 8 then eventually she was terminated.  
 9 Dennis Hueman, there was some discussion about  
 10 whether there was a reprimand, and there was some  
 11 confusion in the testimony about that, because he says  
 12 there wasn't.  
 13 I think it was Detelich or somebody that said  
 14 there was.  
 15 But I'm not saying that I didn't see evidence  
 16 of anyone being terminated. What I would have liked to  
 17 have seen is these policies being checked for compliance  
 18 by audit, or whoever, and then looking at a summary of  
 19 what was actually done to these employees, was their pay  
 20 reduced, were they put on suspension, what actually  
 21 happened in accordance with these policies.  
 22 I did not see that.  
 23 BY MR. KAVALER:  
 24 Q. Uh-huh. Okay.  
 25 And, indeed, at page 86 of your first report,

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1 Exhibit 1, in the bottom bullet on the bottom of the  
 2 page you say, "No employees were fired or censured for  
 3 noncompliance;" correct?  
 4 MR. BAKER: What was the page again,  
 5 Mr. Kavalier?  
 6 THE WITNESS: Tell me the number again.  
 7 MR. KAVALER: 86.  
 8 THE WITNESS: 86.  
 9 Do I have the wrong one?  
 10 BY MR. KAVALER:  
 11 Q. See where I am, last bullet, bottom of the  
 12 page?  
 13 A. Yes.  
 14 Q. It says "No employees were fired or centured  
 15 for noncompliance."  
 16 That's based on your review of the record?  
 17 A. Melissa Drury-Rutland --  
 18 MR. BAKER: Rutland-Drury.  
 19 THE WITNESS: Rutland-Drury.  
 20 MR. KAVALER: Let's -- let's -- let's --  
 21 let's --  
 22 THE WITNESS: Do you know who I'm talking  
 23 about?  
 24 MR. KAVALER: I do.  
 25 THE WITNESS: Melissa.

52 (Pages 202 to 205)

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1 BY MR. KAVALER:  
 2 Q. Melissa.  
 3 Other than Melissa nobody was fired for  
 4 noncompliance, as far as you know?  
 5 A. As far as I was able to determine from the  
 6 record.  
 7 Now, that's not to say no one was, but in all  
 8 the depositions I did not see a document or -- or any  
 9 other document. One may exist, but I did not see it.  
 10 Q. Okay. Okay.  
 11 And in your mind that calls in to question the  
 12 validity of these various policies?  
 13 A. It doesn't call in to question the validity of  
 14 the policy.  
 15 It calls in to question whether -- what was  
 16 happening on the ground in practice was in compliance  
 17 with the policies, because you can have all the great  
 18 policies in the world, but if no one is complying with  
 19 them, they don't do any good, and that's the quarrel  
 20 that -- that I have.  
 21 I didn't look at ever policy they have and  
 22 judge the actual policy, which I would have done -- I  
 23 mean that's what regulators do.  
 24 That's not a part of what I did.  
 25 Q. All right. And look at page 55 of your same

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1 first report, Exhibit 1. Your bolded point heading  
 2 there, says "Until June 2002 employees such as Dennis  
 3 Hueman and Melissa Rutland-Drury were not fired for  
 4 noncompliance with Household's policies;" right?  
 5 A. I'm sorry. I -- page 56 or 55?  
 6 Q. 55.  
 7 A. Oh. I'm sorry. I'm on the wrong page.  
 8 Q. Point heading.  
 9 I've read it accurately?  
 10 A. Yes.  
 11 Are you reading the heading there?  
 12 Q. Yes.  
 13 A. Yes.  
 14 Q. So, again, you found no evidence in the  
 15 documents you looked at that anybody was fired for  
 16 noncompliance with Household's policies prior to June of  
 17 2002?  
 18 A. Of the documents that I looked at, that's  
 19 right.  
 20 Q. Okay.  
 21 A. There very well may be, but I did not see it.  
 22 MR. KAVALER: Jason, 85 -- 85, 86, 87.  
 23 Let's start with 85. Let's mark as Exhibit 11  
 24 a one-page document bearing -- I'm sorry -- I was going  
 25 to hand it to her. I'm doing your job.

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1 Bearing production number HHS 3006598.  
 2 And this document is headed "Compliance,  
 3 Violation and Exception Report by Department Manager,"  
 4 and it says "April '99," and then it identifies some  
 5 people.  
 6 (Exhibit Number 11 was marked for  
 7 Identification.)  
 8 BY MR. KAVALER:  
 9 Q. Do you know -- did you see this?  
 10 A. No, I haven't seen this.  
 11 Q. Okay. Do you know what it is?  
 12 A. No, other than what it just says at the top.  
 13 MR. KAVALER: Okay.  
 14 MR. BAKER: Just can I have a statement for  
 15 the record, Mr. Kavalier, as to whether this is a  
 16 complete document or this is one page that you've  
 17 extracted from a larger document?  
 18 MR. KAVALER: Okay. Let's mark as Exhibit  
 19 12 --  
 20 THE WITNESS: May I ask a question?  
 21 So is this Exhibit 12 or is this 11?  
 22 THE REPORTER: 11.  
 23 THE WITNESS: So are you telling me that these  
 24 employees were fired for violations that are shown here?  
 25 Is that what this document is?

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1 MR. KAVALER: You got 12?  
 2 Mark this as 12.  
 3 (Exhibit No. 12 was marked for  
 4 Identification.)  
 5 BY MR. KAVALER:  
 6 Q. Did you see a document like this, or this --  
 7 did you see this document, Exhibit 12 or other documents  
 8 like it, in the course of your review of the 40 boxes of  
 9 documents that you reviewed in preparing your reports?  
 10 A. May I make a comment about this Exhibit 11?  
 11 Go back?  
 12 Q. No. We're not talking about Exhibit 11 now.  
 13 You told me you never saw it before.  
 14 We're talking about Exhibit 12.  
 15 My question is, do you recognize Exhibit 12?  
 16 MR. BAKER: Ms. Ghiglieri, if you want to make  
 17 a comment about Exhibit 11 --  
 18 MR. KAVALER: Excuse me.  
 19 Ms. Ghiglieri, Mr. Baker is not allowed to  
 20 high-jack my deposition. There is no pending question  
 21 about Exhibit 11.  
 22 You must answer the pending questions. You  
 23 may not respond to Mr. Baker's running commentary, his  
 24 witness coaching, his outrageous behavior, his  
 25 impermissible interjections, his frequent violations of

53 (Pages 206 to 209)

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1 Magistrate Jolan's -- Nolan's strict instructions as to  
2 how to behave yourself at a deposition, which he said  
3 there would be sanctions for violating. You may not let  
4 any of that deter you from doing your job, which is to  
5 answer my questions as best you can.

6 Just ignore him.

7 My question was, did you see this document or  
8 documents like it in the course of your review, "yes" or  
9 "no"?

10 THE WITNESS: Yes.

11 BY MR. KAVALER:

12 Q. Okay. If you turn to the last page, the  
13 second page, under the words "Action Plan," do you see  
14 that?

15 A. I do.

16 Q. It says "Immediate loss \$11,000,000 refunded  
17 points to customer. BSM Woody Aldridge was terminated  
18 on February 28th, 2001, due to deceptive loan  
19 practices."

20 Do you see that?

21 A. I see it.

22 Q. Would this be an example of somebody who was  
23 terminated prior to June 2002 for noncompliance with  
24 Household's policies?

25 A. Yes, it would be an example.

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1 Q. All right. So if you had focused on this  
2 document, you would have changed your heading on page 55  
3 of your initial report, which is Exhibit 1, where you  
4 said "Until 2002 employees were not fired for  
5 noncompliance with Household's policies," to say "Until  
6 2001" or you would have said "except for one guy"?

7 A. Well, this is the type of information that I  
8 would like to see -- to see what -- how broad based the  
9 sanctions were against the employees to see if it  
10 complies with the policies, and what types of violations  
11 were found, because, for example, in the -- this  
12 document that you handed me, it doesn't have any  
13 violations of what we're talking about here.

14 It's got a fair dec collection document and  
15 things.

16 Q. You're pointing to 11?

17 A. I don't know. Whatever the document is.

18 Q. But the document we're looking at is 12, which  
19 says "A branch manager was fired for violating Household  
20 policy in 2001;" correct?

21 A. Right. Right.

22 And then some of the issues are contained in  
23 here.

24 Q. And your point is you'd like to know how much  
25 of that was going on, how many branch managers were

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1 fired?

2 A. Or how many people had a reduction in pay.

3 Q. In pay, sure.

4 A. I didn't see any summaries of that, and -- you  
5 know, there were no exhibits attached to the  
6 depositions.

7 Q. So you concluded because you didn't see any  
8 that it never happened; right?

9 A. Well, I looked at a lot of documents, and I  
10 searched for it and didn't see any.

11 So, if it does exist, like I said, if there's  
12 more information that becomes available, I will take  
13 that in to consideration.

14 Q. Sure.

15 A. So if you've got studies, I would like to see  
16 that.

17 Q. Do you know how many documents were produced  
18 by Household in this case?

19 A. I don't know the total. A lot.

20 Q. Do you know whether there's a million?

21 A. I don't.

22 Q. Two million? Three million?

23 A. I don't know the number.

24 Q. Do you know that Household produced over five  
25 million documents?

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1 Never knew that 'til just now?

2 A. No.

3 Q. And somehow 40,000 of those or 40 boxes of  
4 those wound up in your possession; right?

5 A. Well, that's just a number that I threw out.  
6 I looked at a lot of documents.

7 Q. Did you look at five million documents?

8 A. I didn't look at every single solitary  
9 document.

10 Q. All right. Is it possible somewhere in the  
11 five million there are documents showing exactly how  
12 many people were fired and exactly how many people had  
13 their compensation cut for violating policies?

14 A. It's possible, and I would like to see that  
15 information.

16 Q. But based on what you saw you concluded that  
17 until June 2002 employees such as Dennis Hueman and  
18 Melissa Rutland-Drury were not fired for noncompliance  
19 with Household policies, that's on page 55 of Exhibit 1,  
20 and now looking at Exhibit 12 you would modify that to  
21 say, well, except for Woody Aldridge, a branch manager?

22 A. Well, I can only generate my opinions based on  
23 the -- you know, the documents that I look at.

24 Based on the documents I looked at these were  
25 the conclusions that I reached.

54 (Pages 210 to 213)

Page 214

1 Q. Understood.  
 2 But I'm asking whether you would change your  
 3 conclusion now.  
 4 A. Well, I mean, this is one.  
 5 I would like to see how many, was there a  
 6 study done? Was compliance checked with the policy?  
 7 I mean, there are a lot of issues.  
 8 Q. But at least we know there was one branch  
 9 manager who was terminated in February '01, and we know  
 10 his name and we know something about him?  
 11 A. And we know it's in Ohio.  
 12 Q. Okay. So we're making progress.  
 13 Let's mark as Exhibit 13 a document bearing  
 14 production numbers HHS-ED 501232 through 501235.  
 15 (Exhibit Number 13 was marked for  
 16 Identification.)  
 17 BY MR. KAVALER:  
 18 Q. This is another document like Exhibit 12.  
 19 Do you see that?  
 20 A. Yes.  
 21 Q. And you see it says in the first one under  
 22 "Actions taken," "Two account executives were  
 23 terminated for violation of the rescission policy. The  
 24 BSM was put on corrective action."  
 25 Do you see that?

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1 A. I see that.  
 2 Q. And this is based on a visit that took place  
 3 on January 16 and 17 and in 2001; correct?  
 4 A. Yes, in Jersey, New Jersey, I guess.  
 5 Q. In New Jersey.  
 6 So different than Ohio?  
 7 A. Yes.  
 8 Q. Okay.  
 9 A. But this goes to my reports directly in that  
 10 these practices were being done companywide instead of  
 11 just in Bellingham where Melissa Rutland-Drury was  
 12 based.  
 13 Q. And we now have seen a guy who was fired in  
 14 Ohio, and we now see two more people being fired in New  
 15 Jersey; correct?  
 16 A. Yes.  
 17 Q. So your point --  
 18 A. Weren't the same sort of practices that I  
 19 discuss in my report.  
 20 Q. Exactly my point.  
 21 So what you now learned is that contrary to  
 22 what you said at page 55 of your report that until 2002  
 23 people were not fired for noncompliance with policies,  
 24 we're now up to three people; correct?  
 25 A. Right. But, also, I would use these documents

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1 to say it just bolsters my discussion how nationwide  
 2 these practices were that they're doing stuff, censured  
 3 people all over the country, not just in one location,  
 4 which was a Household argument, "Oh, this is -- umm --  
 5 isolated and unauthorized," or whatever.  
 6 Q. Haven't you put your finger on the entire  
 7 problem with both of your reports, Mrs. Ghiglieri?  
 8 A. No.  
 9 Q. Isn't that single answer you gave the single  
 10 most telling point of what's wrong with your reports?  
 11 A. No. I think it bolsters what my reports say.  
 12 Q. That's my point.  
 13 You don't see it; do you?  
 14 A. I think my reports are right on target.  
 15 Q. Uh-huh. Okay.  
 16 So now we're up to three people who the record  
 17 reveals were fired but didn't make it in to page 55 of  
 18 your report in bold heading that says "Until 2002 nobody  
 19 was fired;" right?  
 20 A. Right.  
 21 And how many employees does Household -- did  
 22 Household have, 50,000 or so?  
 23 Q. Oh. Let me understand.  
 24 So you need to know the numerator and the  
 25 denominator now to understand whether this is

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1 significant; do you?  
 2 A. All I'm saying is putting it in what you were  
 3 asking me this morning.  
 4 Q. Yeah. But you understand the rule of  
 5 goose/gander; don't you?  
 6 A. Yes.  
 7 Q. Okay. I agree with you. You're absolutely  
 8 right. You're absolutely correct.  
 9 To know whether this is significant we have to  
 10 know how many employees there were and then we can say  
 11 the gazentas. You know what the gazentas are?  
 12 Three gazentas, that number, a certain number  
 13 of times and that will give us a ratio or a percentage;  
 14 right?  
 15 A. I've heard that before, right.  
 16 Q. And if all they did is fire three people out  
 17 of, let's say, 50,000 then it's insignificant; right?  
 18 A. Well, how come this practice -- these  
 19 practices were widespread, and you only are showing me  
 20 -- well, you're probably going to show me some more, but  
 21 how many --  
 22 Q. Oh, yeah. Oh, yeah.  
 23 A. I would like to know why it wasn't more than  
 24 that, because I found evidence of practices nationwide.  
 25 Q. Well, how many people did you find engaged in

55 (Pages 214 to 217)

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1 these practices?  
 2 A. I didn't find specific people engaged. I  
 3 found branches engaged.  
 4 Q. Right.  
 5 A. Or I found states engaged, and I found  
 6 training done nationwide.  
 7 I found complaints around the country.  
 8 Q. Do you have any reason to believe Household  
 9 didn't fire every single person it found was responsible  
 10 for any of these violations?  
 11 A. I'm -- I -- I never saw any sort of summary of  
 12 that, any problem.  
 13 Now --  
 14 Q. Five minutes ago you testified nobody was  
 15 fired, you saw nothing that said anybody was fired.  
 16 I've now shown you two or three documents.  
 17 We're up to three. You're a very smart lady. You know  
 18 what the next document is, it's going to be four, it's  
 19 going to go higher. I got a whole bunch of people who  
 20 were fired here.  
 21 So clearly there's something wrong with your  
 22 process; isn't there?  
 23 You didn't see any of the -- you didn't focus  
 24 on or, as you said, it didn't bolster your argument.  
 25 You didn't --

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1 A. No. No. I never said that, it didn't bolster  
 2 my argument. That totally mischaracterizes any of my  
 3 testimony.  
 4 Q. Well, the record is what the record is.  
 5 Let me ask you this question, Ms. Ghiglieri.  
 6 You told us before the break that you reject  
 7 all Mr. Gilmer's pious statements where he says, "We  
 8 don't like to do this, this is all bad, because it was  
 9 all happening out there in the field."  
 10 Did you see any documents from Mr. Gilmer  
 11 saying to people, "Look, don't pay attention to all  
 12 those memos I send out in the big, bold, angry print  
 13 saying this stuff is abhorrent to me and we don't do it.  
 14 I really want you to do it, but just ignore my -- my  
 15 memo saying don't do it?"  
 16 Did you see anything like that?  
 17 A. I discussed several documents that are like  
 18 that, where he --  
 19 Q. Where he says "ignore my other memos"?  
 20 A. No, where he talks about refinancing the whole  
 21 HMS portfolio, where they talk about compensation and  
 22 what they were going to reward people for, and I can  
 23 take a look in to my report and my rebuttal report and  
 24 identify several other documents, but there are other  
 25 documents that are contra Mr. Gilmore's -- Mr. Gilmer's

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1 E-mail where he said, you know, "We don't engage in loan  
 2 flipping."  
 3 Q. All right. But there's not one single  
 4 document that you've ever seen where Mr. Gilmer says to  
 5 the field, "Look, on occasion I'll write these memos  
 6 that say these good pious things, but that's just window  
 7 dressing. Ignore them. Here's what I really want you  
 8 to do?"  
 9 You've not seen anything like that?  
 10 MR. BAKER: Objection. Mischaracterizes her  
 11 prior testimony.  
 12 THE WITNESS: I haven't seen an E-mail or a  
 13 memo that says those specific words, but I've seen other  
 14 documents that in effect go against saying that they  
 15 don't do loan flipping.  
 16 BY MR. KAVALER:  
 17 Q. But somehow he got the word out to all the  
 18 employees.  
 19 How many employees were they?  
 20 Do you know that?  
 21 A. No.  
 22 Q. He got the word out to all the employees  
 23 somehow magically that you should ignore this constant  
 24 stream of memos from senior management exhorting them to  
 25 do the right thing, benefit the customers, act with high

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1 moral tone, that's what management wants you to do,  
 2 that's what this company is about.  
 3 Somehow he got the word out that nobody should  
 4 actually believe that and thousands upon thousands of  
 5 employees got the message and acted accordingly.  
 6 Is that what you concluded?  
 7 A. Well, no.  
 8 In my report and in the rebuttal report I  
 9 discuss extensively about training and what these folks  
 10 were trained to do, to make the effective rate  
 11 presentations, to mask what the true APR is because the  
 12 rates weren't competitive, and training occurred  
 13 nationwide. Complaints were nationwide with similar  
 14 things.  
 15 And there was 50 percent turnover that they  
 16 had in these branches. In fact, we even looked at the  
 17 rates, that they increased them over the benchmark and  
 18 took out the people that didn't meet the margin  
 19 incentive, and on average rates were increased over what  
 20 they should have been based on their creditworthiness by  
 21 a point-and-a-half.  
 22 So there were just a myriad of things that the  
 23 folks were trained to do, the branches were -- had sales  
 24 goals that were -- at a certain level or they weren't  
 25 going to get compensated, that directly contradicted

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1 what Gilmer's memo said about loan flipping.  
 2 Q. Did you look at the turnover?  
 3 You mentioned Household's turnover was close  
 4 to 50 percent.  
 5 Did you look at the turnover of any of  
 6 Household's peers?  
 7 A. I told you that I didn't look at Household's  
 8 peers.  
 9 Q. So you don't know whether that's a high  
 10 turnover, a medium turnover, or a low turnover?  
 11 A. Except for documents that were produced in  
 12 this report like the KPMG benchmarking study.  
 13 Q. I'm not asking you to reveal any conversations  
 14 you had with counsel.  
 15 But no one told you not to look at anything  
 16 you wanted to look at, or you looked at whatever you  
 17 thought you should look at it?  
 18 A. I looked at whatever I thought I should look  
 19 at, but I do not do outside studies when I do an expert  
 20 witness report.  
 21 Q. So you don't do anything to look at any of  
 22 Household's peers to see whether this is normal or  
 23 abnormal, whether Household is an outlier in any  
 24 respect, or whether it's right in the middle of the  
 25 pack other than looking at the KPMG benchmark study?

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1 A. Well, when I'm looking at 50 percent turnover  
 2 and you have half of your employees that are turning  
 3 over every year, regardless of what the peers are doing,  
 4 that seems high to me.  
 5 It's hard to have any sort of consistency when  
 6 you have half of your people that are new at any given  
 7 time.  
 8 Q. What was the turnover at the executive level?  
 9 What was the average longevity of senior  
 10 executives? Do you know that?  
 11 A. I don't recall that I saw that.  
 12 Q. Was it 22 years?  
 13 A. In the depositions I saw that a lot of them  
 14 had been with Household a long time, but I don't know  
 15 what the average is.  
 16 Q. Okay. Let's go back to where we were.  
 17 Let's look at Exhibit 14.  
 18 A. Do I have it?  
 19 (Thereupon Exhibit 14 was marked for  
 20 Identification.)  
 21 BY MR. KAVALER:  
 22 Q. It's a document bearing production numbers  
 23 HHS-ED 502041 through 043.  
 24 And you see that's another one of these Unsat  
 25 follow up forms like the last couple we looked at?

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1 A. Yes.  
 2 Q. And it says in the first one, "Actions taken.  
 3 BSM Sanchez has filed her second visit in a row.  
 4 Recommendation is that January's bonus be withheld and  
 5 all future bonuses withheld until she passes the audit  
 6 and a controlled environment is in place. A full  
 7 periodic visit will be done in 45 days."  
 8 Do you see that?  
 9 A. I see that.  
 10 Q. Uh-huh.  
 11 Did you see anything like that when you were  
 12 looking at these 40 boxes of documents to prepare your  
 13 reports?  
 14 A. I saw documents similar to this.  
 15 I don't recall seeing this specific one, but  
 16 similar documents.  
 17 Q. Right. I understand.  
 18 A. And this one was San Diego.  
 19 Q. San Diego.  
 20 So this is yet another place where somebody is  
 21 being -- having their compensation adversely impacted  
 22 for misconduct; right?  
 23 A. That's what it says, yes.  
 24 Q. Uh-huh. Okay.  
 25 Let's look at your rebuttal report, Exhibit 2,

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1 at page 25, I think, and you say in the paragraph, third  
 2 paragraph under the heading -- well, the heading reads,  
 3 "The Bley report and Litan reports failed to understand  
 4 Household's insurance products and practices."  
 5 Do you see that?  
 6 A. Yes.  
 7 Q. All right.  
 8 Three paragraphs down you say, "The Bley  
 9 report relies on Household's strained calculation of  
 10 penetration rates for insurance sales, which included in  
 11 the calculation the loans to borrowers who are  
 12 ineligible for the insurance, including loans to  
 13 borrowers who are ineligible for insurance masks the true  
 14 penetration ratio. Instead, regulators calculate  
 15 penetration ratios by determining the number of loans  
 16 that have insurance as a percentage of the number of  
 17 loans where the loan applicants are eligible for the  
 18 insurance."  
 19 Do you see that?  
 20 A. Yes.  
 21 Q. And you have a footnote there which cites  
 22 yourself, your first report, for that proposition.  
 23 Do you see that?  
 24 A. Yes.  
 25 Q. Okay. And what you're telling us there is

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1 that's what regulators do?  
 2 A. Right.  
 3 And if you look above that, I also cite the  
 4 OCC's retail lending examination procedures, which also  
 5 discusses that.  
 6 Q. Right. Okay.  
 7 And the OCC is a regulator?  
 8 A. What?  
 9 Q. The OCC is a regulator?  
 10 A. Yes.  
 11 Q. And so is the OTS?  
 12 A. Yes.  
 13 Q. Uh-huh. And they're among the regulators who,  
 14 as you say here, calculate penetration ratios by  
 15 determining the number of loans that have insurance as a  
 16 percentage of the number of loans where the loan  
 17 applicants are eligible for the insurance?  
 18 A. Yes.  
 19 MR. KAVALER: Okay. Let's mark as Exhibit 15  
 20 a document bearing production numbers OTS 32 through 50.  
 21 (Exhibit No. 15 was marked for  
 22 Identification.)  
 23 MR. KAVALER: I stand corrected. 33 through  
 24 123.  
 25 BY MR. KAVALER:

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1 Q. All right. And it's a big multi-page  
 2 document. You don't need to look at all of it.  
 3 Turn to the one -- two pages bearing -- having  
 4 -- Bates numbers ending in 49 and 50.  
 5 There's a heading called "High Insurance  
 6 Penetration Rates."  
 7 Do you see that?  
 8 MR. BAKER: Ms. Ghiglieri, feel free to  
 9 review the entire portion of the document that you feel  
 10 necessary to review in order to answer any questions.  
 11 BY MR. KAVALER:  
 12 Q. Well, let's start with the cover. It's a  
 13 Special Compliance Examination Report and it deals with  
 14 Household; correct?  
 15 A. Yes. So the bank and the finance company.  
 16 Q. Okay. Now I'm going to direct your attention  
 17 to these two pages.  
 18 If you want to look through the rest of the  
 19 document to see what it's about, we'll have to deal with  
 20 that.  
 21 Do you feel it necessary to read the document?  
 22 A. I would like to just take a moment and read  
 23 these pages.  
 24 MR. KAVALER: Hand it back to me. Hand it  
 25 back to me.

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1 I withdraw exhibit -- what number was it?  
 2 THE REPORTER: 15.  
 3 MR. KAVALER: 15.  
 4 Can I have the copy back, please.  
 5 MR. BAKER: It's got my work product on it.  
 6 MR. KAVALER: Tear off the page with your work  
 7 product.  
 8 You're capable of putting a number on the  
 9 document. I'm impressed.  
 10 Okay. Here's what I'm going to do.  
 11 I'm going to tear off the first page. I'm  
 12 going to tear out pages -- is there a stapler down there  
 13 somewhere, David?  
 14 MR. OWEN: I don't see one. I'm sure we can  
 15 get one.  
 16 MR. KAVALER: Okay. Make conforming copies  
 17 for Mr. Baker. Just give him the cover and 18 and 19.  
 18 You don't have to give him a cover. He's got a cover.  
 19 What about 18 and 19?  
 20 I'm giving you the cover and 18 and 19, and  
 21 this will be 15-A -- 16. Call it 16.  
 22 It will be 16 and I tell you right now, I tore  
 23 them out of the rest of the document. It's out of  
 24 context. That's 16. Look at 16.  
 25 And make a set for the Reporter.

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1 MR. BAKER: What pages are you using?  
 2 15 and 16 are those the pages you're using,  
 3 Mr. Kavalier.  
 4 MR. KAVALER: Pages 49 and 50, Bates numbers  
 5 49 and 50.  
 6 Is that what you gave him? Uh-huh.  
 7 (Exhibit Number 16 was marked for  
 8 Identification.)  
 9 BY MR. KAVALER:  
 10 Q. Do you see where it says "high insurance  
 11 penetration rates"?  
 12 A. Yes. I just want a minute to look at this.  
 13 Q. Oh, sure. Absolutely. Take as long as you  
 14 need to look at those two pages, but we're not going to  
 15 sit here while you read a hundred page document which I  
 16 tell you I have no questions about at the encouragement  
 17 of your counsel.  
 18 We've done enough of that all day.  
 19 Have you had an opportunity to look at those  
 20 two pages?  
 21 A. One more second.  
 22 Q. Uh-huh.  
 23 A. Okay.  
 24 Q. Okay?  
 25 You see in this document the Office of Thrift

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<p>1 Supervision, a regulator, has two tables, one shows at 2 the bottom of the first page with Bates number ending in 3 49 "Insurance Penetration Rates for 2001, "Insurance 4 Eligible Loans," and the second one on page ending in 5 Bates number 50, says "Insurance Penetration Rates For 6 2001, All Loans." 7 Do you see that? 8 A. I see it. 9 Q. Does this reflect the fact -- 10 Withdrawn. 11 And the text above those -- the first chart 12 reads in the second sentence in describing these tables, 13 "The first table discloses the percentage of insurance 14 penetration to those loans where the borrowers were 15 insurance eligible. The second table discloses 16 percentage rates but is based on all loans regardless of 17 borrower eligibility." 18 Do you see that? 19 A. I see it. 20 Q. Does that suggest that in examining the 21 question of penetration and specifically in examining 22 the question of insurance penetration rates with regard 23 to Household, at least this regulator, the OTS, found it 24 appropriate to look at both eligible loans and 25 ineligible loans?</p>	<p>1 insurance," and here's an instance of OTS, a federal 2 regulator, doing it the other way; right? 3 A. No. They did it the way I said. 4 They just happened to have additional 5 information. So, I mean, it makes no sense unless 6 there's a specific reason. There might have been, you 7 know, a problem with gathering some certain type of 8 information, but it -- the first table is what is the 9 norm, and that's what I have in my report. 10 MR. KAVALER: Uh-huh. 11 Okay. Let's look at your rebuttal report, 12 Exhibit 2, at page 35. 13 In the paragraph beginning on a substantive 14 level about three-quarters of the way down there's a 15 sentence that reads, "As noted in my earlier report, the 16 Ernst &amp; Young interviews indicated that most loans had 17 the maximum points, 7.25 percent." 18 Do you see that? 19 THE WITNESS: Yes. 20 BY MR. KAVALER: 21 Q. Let's mark as 17 a document bearing production 22 numbers HHS-ED 1057 through 1059. 23 And that's the document you cite in footnote 24 15; right? 25 A. Yes.</p>
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<p>1 A. Here they did both, but regulators normally 2 look at the percentage of penetration rates for eligible 3 loans. 4 There was a reason why they did this. 5 You're free to do something like that, but 6 it's less meaningful, because you can't sell insurance 7 to people who are not eligible. 8 So to look at a penetration rate based on 9 ineligible borrowers makes no sense. 10 So, for whatever reason they did it, it's not 11 something that's, you know, forbidden, but normally you 12 don't see it. 13 The first table is what you look at -- 14 Q. Right. 15 A. -- when you're examining a lender. 16 Q. But you acknowledge that the OTS is a federal 17 regulator? 18 A. Sure. Of course, they are. 19 Q. And your statement at page 25 is not that 20 regulators sometimes do this or regulators may do this, 21 they may do something else. 22 Your statement is "Regulators calculate 23 penetration ratios by determining the number of loans 24 that have insurance as a percentage of the number of 25 loans where loan applicants are eligible for the</p>	<p>1 Q. I'm sorry. 2 153 on page 35; right? 3 A. Yes. 4 Q. Okay. 5 A. Footnote 153. 6 (Exhibit Number 17 was marked for 7 Identification.) 8 Q. And the language you quote from or refer to is 9 on the second page. It's the third sentence in the 10 paragraph in the bullet under "Rates." It says "BSM has 11 identified that most real estate loans have full points 12 sold, parentheses, 7.25 percent." 13 Do you see that? 14 A. Yes, I do. 15 Q. The very next sentence says, "This is strongly 16 based on customers' desires for lowest possible rates." 17 Do you see that? 18 A. I see that written here, but I don't believe 19 that the discount points had anything to do with the 20 rate. 21 In fact, the chart that I have in the back 22 here of my rebuttal shows clearly that rates were 23 actually increased over the -- the benchmark rate. 24 Q. But regardless of what you believe, at page 35 25 you were attributing a comment to Ernst &amp; Young; right?</p>

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1 You say, "As noted in my earlier report, the  
2 Ernst & Young interviews indicated that most loans had  
3 maximum points, 7.25 percent;" correct?  
4 A. That's what it says here.  
5 Q. That's what it says.  
6 A. Here's an Ernst & Young interview --  
7 Q. Right.  
8 A. -- that said most of the loans --  
9 Q. And the full -- the full context of what Ernst  
10 & Young said is "BSM has identified that most RE loans  
11 have full points sold, parents, 7.25 percent, closed  
12 parents. This is strongly based on customers' desires  
13 for lowest possible rates."  
14 And whether you believed it or not, isn't it  
15 fair to say that you quoted Ernst & Young's report out  
16 of context because you left out the second half of that  
17 quotation?  
18 A. The second half of that quotation is discussed  
19 extensively in both of these reports about whether or  
20 not discount points were actually used to buy down the  
21 rate. And --  
22 Q. You disagree with Ernst & Young?  
23 A. -- based -- based on what I saw in the record,  
24 and also the regulators agree with me, that the discount  
25 rates had nothing to do with the customer buying down

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1 their rate.  
2 Q. But you disagree with Ernst & Young?  
3 A. Well, Ernst & Young here is -- this is a  
4 summary of their interview with Household's staff, and  
5 I'm quoting that.  
6 Q. Well, you're quoting part of it.  
7 A. Well, I quoted it correctly from here.  
8 Q. You quoted it out of context; didn't you?  
9 A. No, I didn't.  
10 Q. You left out the thing that Ernst & Young put  
11 right next to it to explain what they were saying?  
12 MR. BAKER: Objection. Mischaracterizes the  
13 testimony.  
14 THE WITNESS: I don't think I mischaracterized  
15 it, and, in fact, I extensively discussed the next  
16 sentence throughout my other two -- the two reports.  
17 MR. KAVALER: All right. 53.  
18 Let's mark as 18 a document bearing production  
19 numbers HHS 2904313 through 14.  
20 (Exhibit No. 18 was marked for  
21 Identification.)  
22 BY MR. KAVALER:  
23 Q. This is a memo from Mr. Gilmer headed "Growth,  
24 Growth, Growth."  
25 You've seen this document before?

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1 A. Yes.  
2 Q. Okay. And, in fact, you make s reference to  
3 it in your report?  
4 A. Yes.  
5 Q. Sorry.  
6 And you cite this at the bottom of 24 under a  
7 heading that says "Household's corporate culture  
8 emphasized growth at the cost of compliance."  
9 Do you see that?  
10 A. Are you in my regular -- my first report?  
11 Q. I'm in your first report, page 24.  
12 A. Okay. 24.  
13 Q. You've got a heading there.  
14 A. Hang on for one second.  
15 MR. BAKER: Give us a chance, Mr. Kavalier, to  
16 catch up with you.  
17 MR. KAVALER: Life isn't long enough.  
18 BY MR. KAVALER:  
19 Q. Okay. You see the heading, Ms. Ghiglieri,  
20 "Household's corporate culture emphasized growth at the  
21 cost of compliance"?  
22 A. Yes.  
23 Q. Okay. And you discussed Mr. Gilmer's Growth,  
24 Growth, Growth memo right under that?  
25 A. Yes.

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1 Q. Okay. Let's look at Exhibit Number 18  
2 together. That's the Growth, Growth, Growth memo.  
3 On the second page, page ending in 314, in the  
4 paragraph about halfway down in the answer he says as  
5 follows, last three lines, "Given our past history of  
6 taking good care of our customers --"  
7 A. I'm sorry. I don't know where you are.  
8 Q. Halfway down the page it says, "A, you are  
9 absolutely correct."  
10 Do you see that?  
11 A. Okay.  
12 Q. All right. End of that paragraph.  
13 "Given our past history of taking good care of  
14 our customers and our commitment to do so in the future  
15 I'm confident that we will be able to make this  
16 strategic change with minimal customer disruption. In  
17 fact, this is another opportunity to demonstrate to our  
18 customers just how good we are."  
19 On page 315 at the top he says -- in the first  
20 paragraph, second sentence, "By that I mean to say that  
21 we are one -- we are truly one company with a singular  
22 focus, to take care of our customers. If we do that  
23 well, our customers, our employees, and our shareholders  
24 will benefit."  
25 Do you see that?

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1 A. I see it.  
 2 Q. Okay. And that is a document that you used to  
 3 support your position that Household's corporate culture  
 4 emphasized growth at the cost of compliance?  
 5 MR. BAKER: Just so the record is clear, are  
 6 you representing this as Gilmer Exhibit 23? Because it  
 7 doesn't appear to be the case.  
 8 THE WITNESS: This doesn't have all the Bates  
 9 numbers of what I've got here.  
 10 This only has 13 to 15, and I say -- it's 10  
 11 to 19, so I don't know what else is there.  
 12 BY MR. KAVALER:  
 13 Q. Can you answer the pending question?  
 14 A. I'm not sure I can, because this document  
 15 isn't what I cited.  
 16 Q. You testified a minute ago that you're  
 17 familiar with this document. This is Mr. Gilmer's  
 18 Growth, Growth, Growth memo; right?  
 19 A. It's not entirely what I cited.  
 20 Q. Your report says "The Growth, Growth, Growth  
 21 memo at page 24."  
 22 I've read you some quotes from it, and my  
 23 question to you is nothing about Bates numbers, nothing  
 24 about pages, nothing about any of that.  
 25 My question very simply was, this is a

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1 document whose quotes I've accurately read to you that  
 2 in your view supports the proposition that Household's  
 3 corporate culture emphasized growth at the cost of  
 4 compliance; correct?  
 5 A. And I'm telling you that the document that I  
 6 cite is not this document.  
 7 MR. KAVALER: Fine.  
 8 BY MR. KAVALER:  
 9 Q. Does that document -- does Exhibit 18 support  
 10 the proposition that Household's corporate culture  
 11 emphasized growth at the cost of compliance, "yes" or  
 12 "no"?  
 13 A. The documents that I cite in my report I  
 14 feel --  
 15 BY MR. KAVALER:  
 16 Q. Ms. Ghiglieri, answer my question, please.  
 17 A. I'm trying to answer your question.  
 18 Q. No, you're not. You're not even coming close.  
 19 Listen to my question carefully.  
 20 Does the document you're holding in your hand,  
 21 Exhibit 18, whatever it is, whatever it turns out to be,  
 22 whatever the record ultimately reveals it is, whatever  
 23 is beyond Mr. Baker's kin, does that document support  
 24 your proposition that Household's corporate culture  
 25 emphasized growth at the cost of compliance, "yes" or

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1 "no"?  
 2 MR. BAKER: Ms. Ghiglieri, he wants you to  
 3 review the document and answer his question.  
 4 I think that's what he wants you to do, and  
 5 so, if you'd review that document and determine if you  
 6 believe it supports your position.  
 7 THE WITNESS: Okay. All right.  
 8 MR. BAKER: Is that what you want, Mr. Kavler?  
 9 Okay. Barring an answer we're going to assume  
 10 that's the case.  
 11 BY MR. KAVALER:  
 12 Q. I put a question to you, Ms. Ghiglieri.  
 13 You answer it as best you can.  
 14 A. Okay. I'm going to look at this document.  
 15 Q. If you want to be -- if you want to act in a  
 16 manner other than as a proper witness, you feel free to  
 17 do that, too. You can do anything you want.  
 18 Everything is on the record. It will all be  
 19 reviewed by the Court, and we'll see what everybody was  
 20 doing, and it will all be clear.  
 21 A. Could you read back the question to me.  
 22 (Record Read)  
 23 THE WITNESS: Okay. It supports my position.  
 24 It's not all of the documents that support my position,  
 25 but it's one of them.

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1 And one of -- of course, you've read quite a  
 2 few quotes, and this is a two-and-a-half page document,  
 3 but one of the things I focused on in this document is  
 4 the elimination of the QAC, which I've discussed earlier  
 5 and I discuss in both of my reports about the quarrel  
 6 that I have with giving the QAC responsibilities to the  
 7 sales staff, but I believe that this in part supports  
 8 what I'm saying here, as do the other documents I cite.  
 9 MR. KAVALER: Let's mark as 19 a one-page  
 10 document bearing production number HHS 2362549.  
 11 This is an E-mail from Mr. Gilmer on ethical  
 12 behavior dated October 3, 2001.  
 13 (Exhibit Number 19 was marked for  
 14 Identification.)  
 15 BY MR. KAVALER:  
 16 Q. Did you see this E-mail?  
 17 A. Let me read it and see if I've seen it.  
 18 I'm not sure that I have seen this. I've seen  
 19 mentions to some of the issues in here, but I don't know  
 20 if I've seen this specific document.  
 21 Q. Okay. Mr. Gilmer says "Taking good care of  
 22 our company is everyone's responsibility, yours and  
 23 mine. With each loan we make, with every customer we  
 24 serve, we uphold Household's 123-year reputation as a  
 25 fair and ethical lender. This is -- that is why, when

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1 people violate our standard of ethics, they damage our  
2 reputation, and they hurt you and me. That, too, is why  
3 we want to insure all employees have every opportunity  
4 and avenue to escalate concerns or known violations of  
5 Household's ethical standards. To this end and in  
6 keeping with our tradition of open communications we are  
7 introducing a specific toll free telephone line to be  
8 used to report any incidents or suspicion of fraud."

9 The next paragraph he talks about the line.

10 The paragraph after that he says, "In the very  
11 rare circumstance where you know of or suspect a  
12 violation of policy, it is your responsibility to bring  
13 this to the attention of your direct manager or  
14 management team."

15 Down at the bottom paragraph he says, "As I  
16 have communicated before, I take pride in the fact that  
17 we maintain a zero tolerance for inappropriate unethical  
18 behavior and demonstrate that with swift action."

19 Are those thoughts expressed by Mr. Gilmer  
20 sent in this E-mail sent to all consumer lending  
21 employees on October 3, 2001 consistent with your  
22 conclusion at page 24 of your initial report, Exhibit 1,  
23 that Household's corporate culture emphasized growth at  
24 the cost of compliance?"

25 A. It's directly -- my report directly

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1 contradicts this, but I still believe that my report is  
2 accurate. Based on all the documents I've seen there's  
3 a disconnect with what Household said they were doing  
4 and what was actually being done, and the regulatory  
5 agencies also agree with me, that they put out a lot of  
6 policies that looked like they were really tough on  
7 unethical behavior, and, yet, unethical behavior was  
8 occurring, and, of course, I discuss in my reports that  
9 I think the compensation plans for the various issuers  
10 helped drive that behavior in a large part because  
11 employees were compensated based on in engaging in  
12 predatory lending practices.

13 So this contradict my report. I stand by  
14 my report.

15 Q. Did you see any indication that the word was  
16 coming back up to Mr. Gilmer that people were, contrary  
17 to his repeated and emphatic memoranda that we've looked  
18 at together today, doing these bad things?

19 Did that word come back up to Mr. Gilmer?

20 A. I don't think I'm following your question.

21 Q. Well, the word came down from Gilmer, as in  
22 this memo and others, that he wants people to behave in  
23 a highly ethical manner; correct?

24 A. That's what this says.

25 Q. Right. And you're saying --

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1 A. But he also told them they had to grow at a  
2 certain rate, that they had to sell -- have a  
3 penetration rate of insurance of 75 percent that went up  
4 to 80 percent.

5 I mean, you know, what these memos said and  
6 what they were being compensated on, what their goals  
7 were in the branches conflict.

8 Q. Is growth good for the shareholders?

9 A. As a general proposition?

10 Q. Sure.

11 A. If it's profitable growth.

12 Q. Uh-huh.

13 And Mr. Gilmer's job is to make the company  
14 profitable for the shareholders; is it not?

15 A. My quarrel is not with growth for growth  
16 itself.

17 Q. Can you answer my question?

18 A. I'm trying to be responsive to your question.

19 Q. Well, the answer would be "yes" or "no," and  
20 then you can explain if you want.

21 A. I -- what was the question then?

22 Q. Is Mr. Gilmer's job to make the company  
23 profitable for the shareholders?

24 A. Yes, but I quarrel with the steps that he took  
25 to make it -- to grow the company and -- I don't know if

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1 I want to say make it profitable, since they ended up  
2 paying such large fines and refunds and change their  
3 business model, but my quarrel consistently throughout  
4 my two reports is the steps that he took and that they  
5 took to make those growth goals.

6 Q. Did you misspeak in your last answer?

7 A. I don't understand the question.

8 Q. You don't have a quarrel with Mr. Gilmer; do  
9 you? You have an expert opinion.

10 I thought you were an expert giving an opinion  
11 on what is and is not predatory lending.

12 You're not an expert on corporate governance;  
13 are you?

14 A. Well, in fact, I do teach corporate governance  
15 to bank directors.

16 Q. I see.

17 Are you an expert in profitability of company  
18 -- public companies?

19 A. I don't serve as a damages expert.

20 Q. Have you ever been a senior officer of a  
21 public company?

22 A. I've been a board member of a public company.

23 Q. How did that work out?

24 A. Well, I ended up resigning, because I wasn't  
25 happy with how things were going.

62 (Pages 242 to 245)

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1 Q. Uh-huh.  
 2 And that was Net Bank, Incorporated; right?  
 3 A. Yes.  
 4 Q. And you were on the audit committee and you  
 5 were on -- chairman of the risk committee; correct?  
 6 A. Of the bank.  
 7 Q. Uh-huh.  
 8 A. I was on the audit committee of the holding  
 9 company.  
 10 Q. And that bank was closed by the Office of  
 11 Thrift Supervision and put in to FCIC receivership;  
 12 correct?  
 13 A. Right. It wasn't -- I wasn't on the board  
 14 when that happened.  
 15 In fact, when I left the board it was still  
 16 rated in good condition, but I was unhappy with the  
 17 direction of the company, and it ultimately failed for  
 18 some of the reasons I was unhappy about.  
 19 Q. Within two years of the time you left?  
 20 A. Slightly over two years, yes.  
 21 Q. Okay. And one of the things that happened at  
 22 Net Bank on your watch was an operating subsidiary was  
 23 transferred from one entity to another to take advantage  
 24 of federal preemption; right?  
 25 A. I'm not sure I know what you're talking about.

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1 MR. KAVALER: Okay.  
 2 MR. BAKER: Mr. Kavalier, I'm not sure where  
 3 you're going with this, but I'll caution the witness to  
 4 the extent that there is confidential information  
 5 regarding Net Bank, I assume you understand what your  
 6 obligations are.  
 7 THE WITNESS: Yes.  
 8 MR. BAKER: I'm not instructing you not to  
 9 answer. I'm just raising that issue, to answer to the  
 10 best of your ability.  
 11 BY MR. KAVALER:  
 12 Q. Are you familiar with something called a "Form  
 13 10K"?  
 14 A. Yes.  
 15 Q. Is that confidential information of any kind?  
 16 A. What's in the 10K?  
 17 Q. Yes.  
 18 A. No.  
 19 Q. Filed with the United States Securities and  
 20 Exchange Commission?  
 21 A. Yes.  
 22 Q. For the purpose of giving full and accurate  
 23 disclosure to the shareholders, the marketplace, the  
 24 government regulators, the exchanges and everyone else;  
 25 correct?

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1 MR. BAKER: Objection to the extent it calls  
 2 for a legal conclusion.  
 3 THE WITNESS: The 10K is not the form for  
 4 giving that information to the thrift regulators.  
 5 BY MR. KAVALER:  
 6 Q. The 10K is a publicly filed document filed by  
 7 a public company to put on the marketplace various  
 8 information; is it not?  
 9 A. Yes.  
 10 Q. So there's nothing confidential about a 10K;  
 11 is there?  
 12 A. No, but the information that's exchanged with  
 13 the regulators goes beyond that.  
 14 Q. I didn't ask a word about regulators. I asked  
 15 you about --  
 16 A. You said it's used for giving information to  
 17 the regulators.  
 18 Q. Right. That's correct, the securities  
 19 regulators. The SEC is a regulator; is it not?  
 20 A. Well, you didn't define which regulators you  
 21 meant.  
 22 Q. You didn't understand what regulator I was  
 23 talking about when I was talking about filing a 10K?  
 24 MR. BAKER: Mr. Kavalier, don't argue with the  
 25 witness.

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1 You've been using the term "regulator"  
 2 throughout the course of this deposition, and it's  
 3 widely understood by everyone you meant everybody but  
 4 the SEC, and for you now to find fault with the witness  
 5 failing to construe the term the way you used it before  
 6 is ridiculous.  
 7 BY MR. KAVALER:  
 8 Q. You understand the SEC is a securities  
 9 regulator?  
 10 A. Yes.  
 11 Q. And you understand there's nothing whatsoever  
 12 confidential about anything contained in a 10K filed  
 13 with the SEC?  
 14 A. I understand that.  
 15 MR. KAVALER: I knew you did.  
 16 MR. BAKER: Mr. Kavalier, you've been going  
 17 about an hour.  
 18 Do you want to take a break now and review  
 19 your documents and ask a question after that?  
 20 MR. KAVALER: No. We'll take a break after  
 21 this document.  
 22 BY MR. KAVALER:  
 23 Q. Now you know that Net Bank's 10K describes,  
 24 among other things, the business that Net Bank is in;  
 25 correct?

63 (Pages 246 to 249)

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1 A. I'm assuming that -- what -- which 10K are you  
2 looking at?

3 Q. Well, I'm looking at the one for the fiscal  
4 year ended December 31, 2004.

5 Were you a director at that time?

6 A. Let's see what the dates were.

7 I know when I left. I don't know when I  
8 joined.

9 Q. Would it help refresh your recollection if I  
10 suggest that you were a member of the audit committee  
11 from December 2003 to September 2005?

12 A. Is that what I have in my --

13 Q. Does that refresh your recollection?

14 A. I'll refresh my recollection here.

15 Q. Okay.

16 A. I wasn't on the audit committee -- I wasn't on  
17 these committees for this date.

18 Q. Were you on the board in the year ending  
19 December 31, 2004?

20 A. Yes.

21 Q. Thank you.

22 A. I was on the board.

23 Q. Net Bank's 10K reveals that -- or cites that  
24 nonconforming mortgage loans are more expensive to  
25 process than agency eligible mortgage loans.

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1 Do you know what they're talking about?

2 A. Yes.

3 Q. Do you agree with that?

4 A. Yes.

5 Q. And it says, "However, the margin on sale  
6 makes these products generally the company's highest  
7 profit mortgage offering."

8 Do you agree with that?

9 A. Yes.

10 Q. And Net Bank, while you were director,  
11 attempted to maximize its profits; right?

12 A. Yes.

13 Q. The 10K also says "15-year and 30-year  
14 conventional mortgage loans and 15-year and 30-year FHA  
15 loans and VA loans --"

16 I'm sorry. I'll start again.

17 "In addition to 15-year and 30-year  
18 conventional mortgage loans and 15-year and 30-year FHA  
19 loans and VA loans Net Bank purchases and originates  
20 products designed to provide lower interest rates to  
21 borrowers or lower principal and interest payments to  
22 borrowers, including balloon mortgage loans that have  
23 relatively short terms, i.e., 5 or 7 years, and longer  
24 amortization schedules, i.e., 25 or 30 years, and  
25 adjustable rate mortgage loans."

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1 You knew that that bank was in those  
2 businesses; right?

3 MR. BAKER: I'm going to object to these  
4 questions because you're not giving the witness the  
5 testimony -- the document that you're reading from, and  
6 so she can't understand the quote in context.

7 THE WITNESS: And I would like to see what  
8 you're reading from.

9 BY MR. KAVALER:

10 Q. Nevertheless, you knew that Net Bank was in  
11 those businesses; correct?

12 A. I -- they were in the mortgage business,  
13 that's right.

14 Q. The company -- the 10K further says, "The  
15 company also purchases and originates mortgage loans  
16 featuring a variety of combinations of interest rates  
17 and discount points so that borrowers may elect to pay  
18 higher points at closing and less interest over the life  
19 of the loan or pay a higher interest rate and reduce or  
20 eliminate points payable at closing.

21 You knew that that was a business practice of  
22 Net Bank?

23 A. That's a common practice in mortgage  
24 companies, yes.

25 Q. Nothing wrong with that?

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1 A. No, if it's -- if it's actually the case.

2 I mean, that's a quarrel that we have with --  
3 that I have with Household's practices.

4 I don't believe the discount points were used  
5 to reduce the rate.

6 Q. But if the company is doing what Net Bank  
7 describes itself as doing in this 10K, there's nothing  
8 wrong with that?

9 A. No. What you've read so far, there's nothing  
10 wrong with that.

11 MR. KAVALER: Okay. You want to take a  
12 break? We can take a break.

13 VIDEOGRAPHER: Off the record at 3:22.

14 (Thereupon a recess was taken at 3:22 p.m.  
15 and the deposition resumed at 4:08 p.m.)

16 VIDEOGRAPHER: On record at 4:08.

17 BY MR. KAVALER:

18 Q. Now, Ms. Ghiglieri, during the time that you  
19 were a director of Net Bank, Meritage Mortgage  
20 Corporation was a sub of Net Bank?

21 A. I think it was an acquisition during the time.  
22 I can't remember. At one point in time they were a sub,  
23 but I don't think it was for very long when I was on the  
24 board.

25 Q. And it was transferred as an operating sub --

64 (Pages 250 to 253)

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1 it was a transfer to the bank from somewhere else in the  
 2 corporate family or transferred away from the bank?  
 3 Do you remember something about that?  
 4 A. I thought it was an acquisition, but I might  
 5 be wrong.  
 6 Q. Well, it could be that after it was acquired  
 7 it might have been transferred.  
 8 Do you remember something about it being moved  
 9 around somewhere in the corporate structure?  
 10 A. I don't remember that.  
 11 Q. Was Net Bank state regulated or federally  
 12 regulated?  
 13 A. They were a federal thrift.  
 14 Q. Did it have any operations that were a subject  
 15 of state regulation?  
 16 A. They had many subsidiaries.  
 17 I don't know if any of them come to mind other  
 18 than maybe, you know, having to register to do business.  
 19 I don't -- I don't think so. I'd have to look  
 20 at the list and see.  
 21 Q. Okay. Let me see 46.  
 22 Hang on one second.  
 23 You testified earlier just before the break  
 24 about -- something about penetration rates, and you  
 25 mentioned numbers like 75 percent and 80 percent.

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1 Do you remember that testimony?  
 2 A. Well, the customer exception rates that  
 3 Household wanted each branch to have, --  
 4 Q. Right.  
 5 A. -- if I remember correctly, those started out  
 6 at 70 percent, and they were increased to 75, and I  
 7 believe I saw one document that said 80 was the goal.  
 8 Q. Uh-huh.  
 9 And what is the significance of those ranges?  
 10 Is that high?  
 11 Is that probative of something?  
 12 What does it tell you, that those numbers  
 13 exist?  
 14 A. Well, when a regulator looks at mortgage  
 15 lending, and where you have the sale of insurance, and  
 16 the -- one of the things that you regularly do is check  
 17 for compliance with Regulation Z, and you have to  
 18 determine whether or not insurance is required in order  
 19 to know if it should be in the amount financed or not,  
 20 and -- or the finance charge.  
 21 And so, if the bank says -- or the finance  
 22 company says it's not required, you look at the  
 23 penetration rate to see if that's telling a different  
 24 story than what the policy says we talked about before,  
 25 policies versus practice.

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1 And the penetration rate is one of the things  
 2 you can look at to make a determination if, in fact, it  
 3 looks to you like insurance is being required.  
 4 When I look at this, my rule of thumb is  
 5 generally 50 percent. If you have greater than 50  
 6 percent penetration, then you look to see if -- you  
 7 know, you might want to look at other information to see  
 8 if it's required.  
 9 Some of the regulators also looked at it and  
 10 found that they thought it was required, so that's the  
 11 significance of the customer exception rate or  
 12 penetration rate, however you want to say it.  
 13 Q. And at page 100 of your initial report,  
 14 Exhibit 1, at the top you make reference to some OTS  
 15 reports which you say found evidence of insurance  
 16 packing both at Household Bank, FSP, and Household  
 17 Finance Corporation which ran both the Beneficial and  
 18 HFC sales offices.  
 19 Do you see that?  
 20 A. I'm not sure. Let me see.  
 21 Q. Top of the page, first line at page 100.  
 22 A. Okay.  
 23 Q. And then you say, "Earlier OTS examinations  
 24 also found evidence of predatory lending practices  
 25 respecting insurance sales; correct?"

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1 A. Yes.  
 2 MR. KAVLER: Okay. Let's mark as Exhibit 20 a  
 3 document bearing production numbers OTS 001 through 12  
 4 -- through 12, 1 through 12.  
 5 Okay. It's two separate documents.  
 6 Sorry.  
 7 Let's mark it -- let's start with -- hang on a  
 8 second.  
 9 Let's see what we're doing.  
 10 Let's start with the first one, we'll mark  
 11 that as Exhibit 20, and it will be 001 through 6.  
 12 (Exhibit No. 20 was marked for  
 13 Identification.)  
 14 BY MR. KAVLER:  
 15 Q. And that is an OTS report of an examination  
 16 dated April 2, 2001 of Household Bank, FSB; correct?  
 17 A. Yes.  
 18 Q. Okay. And on page 0004, there's only a few  
 19 lines at the bottom.  
 20 It says, "The former Household office did not  
 21 offer personal property insurance. Otherwise credit,  
 22 life, disability, unemployment, and personal property  
 23 insurance are offered at all the branches. Buying the  
 24 insurance is optional."  
 25 Do you see that?

65 (Pages 254 to 257)

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1 A. I see it.  
 2 Q. Do you agree with the OTS that buying  
 3 insurance was optional at Household?  
 4 A. Well, now, they had a different -- excuse me  
 5 -- analysis of it when they did examinations.  
 6 This -- this was dated before the one I sent  
 7 in my report.  
 8 Q. Right.  
 9 But on this occasion the OTS did an  
 10 investigation in April of 2001 and concluded that buying  
 11 insurance is optional; right?  
 12 A. And that's what it says here.  
 13 I don't know what -- of course, there's a lot  
 14 of redacted information here.  
 15 I don't know what the scope of this  
 16 examination was, but I do know that when they did a  
 17 special compliance examination, which this was  
 18 specifically targeted, they found that it -- it was, in  
 19 fact, not optional.  
 20 Q. But, nevertheless, what it says there on this  
 21 piece of paper which is an OTS report is buying  
 22 insurance is optional, and you disagree with that;  
 23 right?  
 24 A. It says that on this piece of paper.  
 25 Q. You disagree with that?

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1 A. There's a lot of redacted information.  
 2 Q. Do you know why?  
 3 A. So I can't tell if there's anything here that  
 4 would affect it or what the scope of the examination  
 5 was.  
 6 Q. Do you know why there are redactions?  
 7 A. I don't know why it was redacted.  
 8 Q. Do you know who redacted it?  
 9 A. I'm assuming the OTS did.  
 10 Q. If the OTS did, do you know why the OTS would  
 11 do that?  
 12 A. I mean, I can only speculate.  
 13 Q. If you don't know, you don't know.  
 14 You don't know?  
 15 A. I don't know why they redacted it.  
 16 Q. Okay. Next page, page 005, first full  
 17 paragraph.  
 18 The first sentence reads "The BSM and AE use a  
 19 compelling insurance sales pitch."  
 20 Do you see that?  
 21 A. I see that.  
 22 Q. Paragraph at the bottom of the page, "A  
 23 substantial amount of insurance sales results from loan  
 24 origination."  
 25 Do you see that?

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1 A. Where are you now?  
 2 Q. There's only one other paragraph on that page.  
 3 Everything else has been redacted. I'm in the  
 4 other paragraph.  
 5 A. Okay. I see it.  
 6 Q. Okay. You agree with those conclusions by the  
 7 OTS or not?  
 8 A. Well, I have -- I have no way of knowing.  
 9 All I know is that I have snippets of a report  
 10 that's dated prior to their special compliance  
 11 examination, and I know at this time during the special  
 12 compliance examination they looked at not only the  
 13 thrift, but also at HFC, and they came up with different  
 14 conclusions.  
 15 And that's not unusual for regulators, because  
 16 you have different scopes of examination.  
 17 You might get complaints that you start to  
 18 look in to, and, you know, you might come up with  
 19 different examination findings.  
 20 That happened all the time, both at the OCC  
 21 and at the Department of Banking.  
 22 MR. KAVALER: All right. Let's look at the  
 23 "Report of the Special Compliance Examination."  
 24 We'll mark it as Exhibit 21.  
 25 (Exhibit No. 21 was marked for

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1 Identification.)  
 2 MR. KAVALER: It bears production numbers OTS  
 3 7 through 12.  
 4 BY MR. KAVALER:  
 5 Q. And this is dated March 28th, 2001.  
 6 Is this the special compliance examination you  
 7 were referring to?  
 8 A. No. The one that I have -- well, I don't know  
 9 if it is or not.  
 10 Q. All right. In any event, it is a special  
 11 compliance investigation by the OTS of Household Bank;  
 12 correct?  
 13 A. I can't tell when it was started. Let's see  
 14 if the Bates number is the same.  
 15 Q. Well, let's start with the first page. It  
 16 says "Report of Special Compliance Examination."  
 17 Do you see that?  
 18 A. I see that.  
 19 Q. Okay. And then below it says "Subject." It  
 20 gives a document number and says "Household Bank, FSB."  
 21 Do you see that?  
 22 A. I see that.  
 23 Q. You have any reason to believe this is not a  
 24 report of a special compliance examination of Household  
 25 Bank, FSB by the OTS?

66 (Pages 258 to 261)



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1 A. I don't know if it's the same one as I  
2 referenced.  
3 Q. I didn't ask you that.  
4 Do you have any reason to believe this is not  
5 a report of a special compliance examination of  
6 Household Bank, FSB by the OTS?  
7 A. I mean, that's what it says.  
8 I have no reason to -- think this is -- a  
9 trumped up document.  
10 Q. Okay. Look at page OTS 0010. It's about the  
11 fourth page in.  
12 You see down at the bottom under "Positive  
13 General Attributes" there's a bullet. It says "Credit  
14 insurance, parentheses, life, disability, and  
15 unemployment, closed parentheses, disclosures clearly  
16 indicate that the purchase of this insurance is  
17 voluntary and not required to obtain credit and that the  
18 institution intends to make a profit from its sale."  
19 Do you see that?  
20 A. I see that.  
21 Q. Do you agree or disagree with the OTS on that  
22 subject?  
23 A. I don't know if this is the same document that  
24 I looked at. So I --  
25 Q. Ms. Ghiglieri, I'm not asking anything about

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1 the same document.  
2 Listen to my question.  
3 Do you agree or disagree with the OTS's  
4 statement at that bullet point?  
5 Yes, I agree; no, I don't agree?  
6 A. I don't have a basis for agreeing or  
7 disagreeing because I don't know if this is a similar  
8 document than the one that I saw.  
9 Q. But the OTS is a federal regulator which has  
10 jurisdiction over Household Bank, FSB; right?  
11 Or did at this point in time?  
12 A. Yes.  
13 MR. KAVALER: Okay. Let's mark as Exhibit 22  
14 -- 59, I think.  
15 (Exhibit Number 22 was marked for  
16 Identification.)  
17 BY MR. KAVALER:  
18 Q. You made reference earlier to Mr. Hueman.  
19 You remember him?  
20 A. Yes.  
21 Q. And he was the guy with the video?  
22 Yes?  
23 A. Yes.  
24 MR. KAVALER: Okay. Let's mark as Exhibit 22  
25 a series of documents, various documents bearing

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1 productions numbers HHS 3418264 through 276.  
2 THE WITNESS: Oh. You asked me a question  
3 about this OTS examination.  
4 This was done almost a full year before the  
5 one that I quote in -- in my report.  
6 MR. KAVALER: I assure you, I didn't ask you  
7 any such question.  
8 I asked you if you knew what it was and I  
9 asked you if you agreed with what it said.  
10 THE WITNESS: And --  
11 MR. KAVALER: We're on 22 now.  
12 THE WITNESS: And -- okay. So my answer is  
13 incomplete with regard to that.  
14 MR. KAVALER: Right. Your answer is your  
15 answer. The record is the record.  
16 Mr. Baker will cross examine when he wants.  
17 THE WITNESS: Okay.  
18 BY MR. KAVALER:  
19 Q. Okay. Look at Exhibit 22.  
20 Have you seen this before?  
21 A. Let's see here.  
22 Q. Withdraw the question.  
23 Did you become aware in the course of your  
24 inquiry that when Mr. Hueman's videotape surfaced  
25 certain things occurred?

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1 MR. BAKER: It's Hueman.  
2 THE WITNESS: And by "certain things" you mean  
3 what?  
4 BY MR. KAVALER:  
5 Q. Well, what do you understand happened when it  
6 became known to senior management?  
7 Let's take Mr. Detelich.  
8 Have you read Mr. Detelich's deposition?  
9 A. Yes.  
10 Q. All right. What was Mr. Detelich's reaction  
11 when he found out about the videotape?  
12 A. He wanted -- well, I don't recall specifically  
13 what his response was, but I know that the videotape was  
14 recalled.  
15 Q. Right.  
16 And Mr. Detelich wanted Mr. Hueman to get all  
17 the copies back.  
18 Do you remember that?  
19 A. Yes.  
20 Q. And there was a lot toing and froing about  
21 finding all the copies, and they got back 89 out of 91  
22 and they found the other two, and et cetera.  
23 Do you remember all that stuff?  
24 A. Yes.  
25 Q. And what was Mr. Detelich's reason for wanting

67 (Pages 262 to 265)

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1 them all back?

2 A. He testified that he didn't like what was on

3 the -- the tape.

4 Q. Right.

5 As soon as he saw it he said that was wrong;

6 right?

7 A. Well, I don't know if that's -- an accurate

8 portrayal of -- of his testimony.

9 I would have to go and look specifically at

10 what he said.

11 Q. Well, he sent Mr. Hueman a --

12 I take it back.

13 He sent Mr. O'Han an E-mail about the video

14 saying "You definitely need to review the video as

15 Dennis is teaching some practices that need to be

16 addressed," et cetera, et cetera.

17 He talks about this. He specifically says

18 that. He says, "This is just plain wrong."

19 Remember that video?

20 A. Are you reading from this packet?

21 Q. It's the last page of this packet, but I'm

22 asking you whether you remember it.

23 A. I remember that.

24 Q. Okay. What conclusion did you draw about the

25 entire episode, Mr. Hueman putting out the video,

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1 Mr. Detelich finding out about it and saying it was

2 wrong, Mr. Detelich telling Mr. Hueman to get all the

3 copies back, Mr. Detelich testifying that he reprimanded

4 Mr. Hueman?

5 What was your take on all of that as a

6 regulator?

7 A. Well, I've looked at all the information

8 regarding that, and there's some additional things that

9 -- that you didn't list out that I took in to

10 consideration also.

11 One was that Dennis Hueman said that nothing

12 had been done with him, which we talked about earlier,

13 which contradicted what Mr. Detelich said.

14 But it told me that the practices that were on

15 the tape were already being employed by the sales staff.

16 Dennis Hueman testified that he had been doing

17 all that, and he just made the video to have it be a

18 training tool, and some of the complaints that surfaced

19 bore that out.

20 So I took all of that information in to

21 consideration in my discussions in these two reports.

22 Q. Did you appreciate that the sum of all that

23 testimony about Mr. Hueman and Mr. Detelich comes down

24 to this:

25 Mr. Hueman was doing whatever he was doing.

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1 Mr. Detelich didn't know about it. When Mr. Detelich

2 found out about it, he immediately put a stop to it, and

3 he took all the copies of the videotape out of

4 circulation, and he told Mr. Hueman "You can't do that."

5 Is that a fair summary?

6 A. I don't know if that's accurate, because the

7 -- Lou Walter was doing effective rate presentation

8 training of the DSNs and the BSMs in all of the

9 different districts except for Dennis Hueman's, but a

10 lot of the information that was on that video and that

11 is in that presentation they had similar concepts.

12 And the -- I discuss in detail that not only

13 were the branch sales offices using effective rate

14 presentations, or comparative rate, or the T sale, or

15 whatever you want to say to compare the mortgage -- or

16 all the interest rates that the borrower currently had

17 with what Household was proposing, but that there were

18 some complaints to the regulators about that.

19 And so I concluded that notwithstanding the

20 pulling back of the video, that -- that these, you know,

21 branch offices were trained to sell -- to sell loans in

22 this certain way, and regardless of pulling back that

23 video or not, it didn't do anything to reduce the fact

24 that that's how they were selling the loans, either the

25 fact that he made it or that it was pulled back had no

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1 effect, because everyone was still doing it.

2 Q. And you know when senior management found out

3 about what Lou Walter was doing they put a stop to that

4 also; right?

5 A. Well, I think there was some conflicting

6 testimony about that, because the documents that I saw

7 had selling first mortgages, and it would say, you know,

8 this division and that division, the central division,

9 the northeast division, and so people were out there

10 training the sales staff to do certain things, and then

11 you have these complaints popping up where people said

12 "Well, I was told that my effective rate was going to be

13 8 percent."

14 So I -- I think there was some conflicting

15 testimony about whether or not Lou Walters' training

16 was, you know, halted right away or whatever.

17 It seemed like --

18 Q. Did you resolve that conflict?

19 A. Well, my conclusion was that, in fact, people

20 were using the effective rate training, and until the

21 responsible lending seminar that occurred, I believe it

22 was, in June of 2002 and after, you know, they found out

23 about different regulators that were concerned about

24 their practices, and I believe even maybe they had been

25 sued in Washington and in California, you know, they

68 (Pages 266 to 269)

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1 started looking at what's out there, and trying to pull  
2 together what the training was, and that's when they got  
3 -- they were trying to determine what was out there, and  
4 they said, "Okay. Stop doing this or stop doing that."

5 But it wasn't until then that they -- they  
6 started issuing these bulletins saying "Don't use  
7 effective rate. Don't do this presentation."

8 Q. But at some point -- at some point they issued  
9 those bulletins?

10 A. Just one second. Let's see if I can stop  
11 coughing here.

12 They also purged the files of those effective  
13 rate presentations.

14 So it's hard to know exactly what they were  
15 doing and where they were doing it, but --

16 Q. What did you make of that?

17 A. Well, whenever I see wholesale destruction of  
18 documents, it makes me nervous that they're trying to  
19 destroy evidence rather than trying to, you know,  
20 sanitize the files, has a negative connotation to me.

21 Q. Uh-huh. Uh-huh.

22 A. The regulators wouldn't be able to tell what  
23 happened.

24 They wouldn't -- they, themselves, wouldn't be  
25 able to do an investigation to determine who had been

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1 affected by these misleading presentations, and what I  
2 would have expected to see as a regulator is them doing  
3 an audit of the files, saying these are the people that  
4 were harmed, and this is what we're going to do to  
5 correct it, but, instead, their response was "Let's just  
6 destroy all these documents."

7 Q. The documents that were collected and  
8 destroyed were additional copies of documents that were  
9 not approved in the first place, and the effort was to  
10 be sure they weren't used accidentally by other people.

11 Did you know that?

12 A. There's documentation in this record that  
13 indicated they went in and looked in the files and took  
14 things out, not that they just were destroying blank  
15 forms.

16 That's the impression I'm getting from what  
17 you said.

18 Q. Did you read Detelich's testimony on the  
19 subject?

20 A. Yes, I did.

21 Q. And did you think Detelich was doing the right  
22 thing or the wrong thing?

23 A. When he did what?

24 Q. When he reacted to this problem with the  
25 videotape, when he found out about Lou Walter, and when

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1 he directed all the additional copies of unauthorized  
2 forms be destroyed.

3 A. Well, let's take them each individually.

4 Wholesale destruction of documents, I don't  
5 think that was the right thing to do.

6 If they were destroying blank forms that they  
7 didn't want people to use, that's one thing, but going  
8 in to a file and taking out a document, that doesn't  
9 allow them to determine the full extent of the problem  
10 and take corrective action.

11 So I don't agree with that.

12 Pulling back Dennis Hueman's videos, that's a  
13 fine thing to do, but what they should have also done is  
14 an investigation to determine who was using these  
15 practices in what branches specifically, and they should  
16 have done some revised training to determine -- or to  
17 make sure that -- if they didn't want this effective  
18 rate presentation being done, that they weren't being  
19 done.

20 They also should have looked at the  
21 compensation plans to make sure that they weren't  
22 rewarding people for the wrong type of behavior, and I  
23 think you had a third thing, but I've lost what it was.

24 Q. At page 66 of your rebuttal report, which is  
25 Exhibit 2, you say in the second paragraph --

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1 A. Hang on for one second.

2 Let me get to it.

3 MR. BAKER: What page, again, was it?

4 THE WITNESS: 66.

5 MR. BAKER: Of the first one?

6 THE WITNESS: Of the rebuttal.

7 BY MR. KAVALER:

8 Q. In the second paragraph you say about four  
9 lines down, "It does not appear that there was any  
10 attempt by the central office handling the complaints to  
11 contact the borrower directly."

12 Do you see that?

13 A. Yes.

14 Q. And then your footnote call sign is 318, that  
15 says Allcock deposition, page 30?

16 A. Yes.

17 Q. Page 30, Ms. Allcock was asked:

18 "You directed a process where Ms. Medura, if I  
19 understand this correctly, would receive a complaint and  
20 then would rely upon the, tell me if I have this wrong,  
21 would rely upon DGM or the RGM to provide the underlying  
22 information; is that correct?"

23 Question: This is a sales -- a sales issue.

24 Answer: Again, to the best of my knowledge.

25 Question: Okay.

69 (Pages 270 to 273)