

# Los Angeles Times

## Mozilo says he wasn't a dictator at Countrywide

*The former chief of the onetime top home lender testifies in a wrongful-firing lawsuit that 'I always regarded myself as a CEO, not a dictator,' and that he sought to rid the firm of mediocrity.*

**January 19, 2011** | By E. Scott Reckard, Los Angeles Times

Former Countrywide Financial Corp. chief Angelo R. Mozilo took the opportunity of his first public testimony since the mortgage giant's near-collapse to depict the often-vilified company as the product of a lofty mission and high management standards.

Taking the stand as a defendant in a wrongful-firing lawsuit by a former Countrywide executive, Mozilo gave many curt answers but became animated and expansive when asked about his policies for the lender he co-founded in 1969 and built into the nation's No. 1 home lender.

"Countrywide was about people," he testified Tuesday in Los Angeles County Superior Court in Van Nuys. "Obviously, without quality people you can't have a quality company."

Countrywide was the largest purveyor of the subprime and other risky loans that devastated the mortgage industry, setting off a global financial crisis and deep recession.

Mozilo last year agreed to pay a \$22.5-million fine to settle a Securities and Exchange Commission lawsuit — one of a series of suits alleging that Countrywide misled borrowers and investors about the risks of its lending — a penalty the SEC said was the largest ever for an individual in a case involving alleged misrepresentations to shareholders.

But the former chief executive said the goal from the beginning was "changing the lives of the American people" by making home loans to customers who could not have gotten them from other lenders.

"It was founded by two people driven ... to make a difference," Mozilo said, referring to himself and co-founder David Loeb, who left Countrywide in 2000 and died in 2003.

Analysts said Countrywide was skidding toward bankruptcy three years ago when Bank of America Corp. agreed to buy it. BofA installed new management after completing the takeover in mid-2008.

Mozilo's testimony, a rare public appearance for the retired mogul, came in a suit brought by Michael Winston, a corporate strategy expert hired by Countrywide to help develop leadership training programs and executive-succession plans. Countrywide and BofA are also named as defendants.

Winston's suit says Mozilo and the company turned on him after he refused to falsify a report about the firm's management and its succession plans to a bond-rating firm and filed a regulatory complaint saying he and his team had been sickened by a chemical release at a building being refurbished by Countrywide.

Called as a witness by Winston's lawyer, Charles T. "Ted" Mathews, Mozilo said he had wanted Winston fired because a leadership program he created was unimpressive and because he showed he wasn't a team player by continuing to run a firm that booked speakers for events while he worked for Countrywide.

Mozilo said he didn't insist on the firing, deferring to Countrywide's human resources director, who in an e-mail said that she had authorized the outside work and that Winston was an "extremely talented, albeit eccentric, individual" needed to complete a project.

"I always regarded myself as a CEO, not a dictator," Mozilo said. "I think the jury will note that I'm a pretty frank person — straightforward, I say what I believe. But I'm also willing to listen."

Winston wasn't fired then, but he contends Countrywide executives poisoned his reputation to such a degree that Bank of America didn't keep him on.

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Mozilo told the jury he held employees of the Calabasas lender to a high standard.

"My primary responsibility was to make sure that we recruited and retained the best and the brightest and rid ourselves of mediocrity. I always felt that mediocrity is comparable to cancer," he said. "It spreads rapidly if you permit it to grow, and if you tolerate people who are not performing, it makes it very hard for the people who are working hard."

Known as a snappy dresser, Mozilo, 72, testified wearing a black suit, a magenta tie and a white shirt with French cuffs.

A discussion of Mozilo's fondness for cufflinks provoked smiles from jurors when Mathews displayed a set of boxed links bearing Countrywide's logo and suggested Mozilo had given them to Winston as a token of appreciation.

"That's absolutely untrue," Mozilo replied, but he acknowledged that he and other executives had given away "thousands of them."

Outside the courtroom, Mozilo, a longtime resident of the Sherwood Country Club in Thousand Oaks, appeared tired, walking slowly and leaning on a hallway railing. He declined to be interviewed.

In last fall's SEC settlement, Bank of America, which assumed Countrywide's legal liabilities, provided an additional \$45 million to cover Mozilo's disgorgement of what the government said were ill-gotten gains from selling stock while in possession of non-public information about Countrywide.

Countrywide's former president, David Sambol, also a defendant in Winston's suit, followed Mozilo on the witness stand, saying that when he was a Countrywide executive he never heard about the allegations in the case.

Asked if he was shocked by the abruptness of an e-mail from Mozilo regarding Winston that directed a subordinate to "fire him immediately," Sambol paused.

"No, probably not," he answered. "Because it's Angelo's nature just to act that way when he doesn't like somebody or has come to view somebody in a negative way."

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FAIR GAME

## How a Whistle-Blower Conquered Countrywide

By GRETCHEN MORGENSON  
Published: February 19, 2011

WHAT does it take to hold your powerful bosses accountable if they try to bully you out the door?

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J. Enrico Flores for The New York Times  
"It is the littlest of Davids beating the biggest of Goliaths," Michael Winston said of his court victory against Countrywide.

Documents, e-mails, a former deputy district attorney as your lawyer — and a never-say-die approach.

Such was the lesson learned by Michael G. Winston, a former executive at the [Countrywide Financial Corporation](#). Mr. Winston spent three years in a legal battle against Countrywide, the once-mighty mortgage giant, and its current owner, [Bank of America](#), contending that he was punished and pushed out for not toeing the company line. On Feb. 4, he won: a jury in California awarded him \$3.8 million in damages.

"It is the littlest of Davids beating the biggest of Goliaths and taking two of them on at once," Mr. Winston said. "This is the story of somebody who tried to set a company right. But it was frightening to them for me to shine the light from the inside out."

Mr. Winston's story provides a glimpse into how business was done at Countrywide at the height of the subprime craziness — and how assiduously [Angelo R. Mozilo](#), the company's fallen leader, worked to quash dissent in the ranks. Mr. Winston had the audacity to question Countrywide practices. Mr. Mozilo was not pleased and, before long, Mr. Winston was marginalized and later dismissed.

Mr. Winston, a prominent executive in the field of organization management, is a rarity among corporate whistle-blowers. Most of them get run over by their former companies. A fascinating detail in his case: after providing to the opposition his list of witnesses, which included former colleagues who had also been let go by Bank of America, the bank hired several of them back. Then they testified against him.

Mr. Winston's lawyer was Charles T. Mathews, a former prosecutor in the Los Angeles district attorney's office. "This case is about holding these scoundrels accountable and it is absolutely vital that these people be brought in front of a jury," Mr. Mathews said. "They hired these huge law firms with unlimited budgets, but when plain, ordinary citizens see the evidence and hear the facts they are repulsed by what these people did."

The jury heard from an array of former Countrywide executives, including Mr. Mozilo, in a rare courtroom appearance. David Sambol, Countrywide's former president, also testified.

Sam Usher, 73, was a juror on the case. A former human resources executive at [General Motors](#), he is a program manager for addiction treatment centers at several hospitals in Los Angeles. Asked about the trial, Mr. Usher said the witnesses for Countrywide and Bank of America were unconvincing.

"There was an air of arrogance about them," he said. "The attorneys for the plaintiff caught most of them in little lies that cracked their credibility. Meanwhile, Mr. Winston's witnesses had credibility and the documentation kind of supported his testimony."

Mr. Winston did not win on all his claims. For example, the jury rejected his contention that Countrywide had reneged on an oral agreement to provide him with substantial stock awards in future years after he agreed to a relatively modest starting salary.

But the jury voted 9 to 3 that Bank of America's dismissal was motivated by two of Mr. Winston's actions — both essentially refusals to play the game that Countrywide wanted him to.

"The acquisition by Bank of America provided an opportunity to drop him off the cliff," Mr. Usher said.

A spokeswoman for Bank of America said the bank would ask the trial court to reverse the jury verdict and enter judgment in the company's favor. "We believe that the jury's verdict finding liability on the wrongful-termination claim is not supported by any evidence, let alone 'substantial evidence' as is required by law," she said.

MR. WINSTON joined Countrywide in May 2005, when the lender was riding the mortgage wave. He was hired as an executive vice president in the leadership development area to help Countrywide grow even bigger and groom better managers. His boss, he recalled, told him that the lender wanted to become "[Goldman Sachs](#) on the Pacific." Soon after, he was promoted to managing director and enterprise chief leadership officer.

Mr. Winston's career experience included successful stints at [Motorola](#), [McDonnell Douglas](#) and [Lockheed](#). He also worked previously as the global head of worldwide leadership and organizational strategy at [Merrill Lynch](#) in New York but resigned from that position in 2003 to take care of his parents, who were terminally ill.

It wasn't long after he joined Countrywide that Mr. Winston began to worry about its business strategy, he said. He still recalls an episode from late 2005 that raised red flags for him. He found himself parked next to a man in the Countrywide lot whose car had vanity plates that read, "Fund'Em." "I said: I'm not familiar with that expression. What is this about?" Mr. Winston recalled. The man replied that the term described the company's growth strategy for 2006 — to fund all loans. "I was brand new and I said, 'What if the person has no job?'" Mr. Winston said. The answer: "Fund 'em."

"What if the person has no assets?"

Again: "Fund 'em."

Mr. Winston said he immediately relayed his fears about what he saw as an anything-goes strategy to Drew Gissinger, chief production officer of Countrywide Home Loans. "I told him that you need to focus on customer satisfaction, on the quality of the loan portfolio and on building leaders who would focus their people on that," Mr. Winston said. "I wrote him a very comprehensive proposal on how to reward people properly."

Then, in late July 2006, nine days after he was promoted to managing director, something strange happened at the office building where Mr. Winston and his colleagues worked. In his description of the event to the jury, he was sitting in his office when orange-pink vapors and droplets of who-knows-what dripped on him. He became nauseated and left the building with his employees.

"I returned the next day, after I had some testing and went around to find out how my guys were," he said. "People were not only sick but frightened about working in the building."

He reported the situation to his superiors; many workers began to report symptoms of illness. In early August, Mr. Winston asked a buildings official what had been done about the problem. He said he was told it was a one-off event. Case closed.

"I went to my office closed the door and called Cal OSHA," Mr. Winston said, referring to the occupational safety agency in the state. (Cal OSHA produced a report, and Countrywide said it addressed the problem, but Mr. Winston said he never learned the details.)

Soon, Mr. Winston said, his budget was frozen. He began to be uninvited to meetings. He was forced to relocate his office four times in seven months.

In September 2006, he told his boss, Leora Goren, the head of human resources, that he was fearful of losing his job and that he had consulted a lawyer.

Mr. Winston's final mistake for Countrywide came two months later. As he tells it, he refused to misrepresent Countrywide's corporate governance practices in a report to analysts at [Moody's Investors Service](#), the ratings agency.

On Nov. 20, Mr. Winston received a copy of an unpublished report on Countrywide by [Moody's](#). It expressed concerns about [executive pay](#) and succession planning at the lender. "We view governance as a credit challenge that constrains future ratings improvement at Countrywide," the report said.

Mr. Winston said that Countrywide scrambled to try to refute Moody's take and that Mr. Sambol, Countrywide's president, asked him to write a report countering the analysis and providing chapter and verse on the extensive succession planning at the company.

Trouble was, Mr. Winston had never seen that extensive succession plan. In fact, as with so many subprime loans, he never saw any documentation at all, even after he asked for it, he said. He testified that he told Mr. Sambol he could not do the report. "I'm not your guy," he told him.

BY now, Mr. Winston had a target on his back. On Jan. 24, 2007, Mr. Mozilo wrote an e-mail to Ms. Goren, the head of human resources whom Mr. Winston had told about hiring a lawyer for himself.

"As I expressed to you, I am concerned about the motivations and overall attitude and demeanor of Michael Winston," Mr. Mozilo wrote. "I want him terminated effective immediately."

Testifying before the jury, Mr. Mozilo said he wanted Mr. Winston gone "because I concluded that he was not the type of individual that I wanted at a senior level at the company."

But Ms. Goren advised Mr. Mozilo against the firing. "I strongly believe that terminating Michael would not be in the best interest of the company," she replied in an e-mail to him, "as doing so would cause us the loss of an extremely talented, albeit eccentric individual."

Mr. Winston remained at Countrywide with two people reporting to him, down from 178 previously. When Bank of America took over in 2008, he was let go.

Today, Mr. Winston, 60, is hoping to go back to work.

"I want to do my part to promote vision-driven, values-based leadership that is a force for good," he said.