

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION

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CNG FINANCIAL CORPORATION,

Plaintiff/  
Counterclaim-Defendant,

vs.

GOOGLE INC.,

Defendant/  
Counterclaim-Plaintiff.  
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:  
: CASE NO.  
: 1:05cv040  
: (Judge S. S.  
: Beckwith)

**CERTIFIED  
COPY**

Deposition of: STEPHEN SCHALLER, ESQ.

Taken: By the Defendant/  
Counterclaim-Plaintiff  
Pursuant to Notice

Date: February 14, 2007

Time: Commencing at 12:52 p.m.

Place: Frost Brown Todd LLC  
2200 PNC Center  
201 East Fifth Street  
Cincinnati, Ohio 45202-4182

Before: S. Diane Farrell, RMR, CRR  
Christopher Kremer, CLVS  
Notaries Public - State of Ohio



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STEPHEN SCHALLER, ESQ. February 14, 2007

1 about -- what you just said in the last part,  
2 he's not asking you about when you initiated  
3 the action. He's asking you about what you  
4 considered in reaching those opinions.

5 A. Well --

6 Q. Well, I disagree with your  
7 characterization of my question. But let's take the  
8 answer as it comes and we'll see where we go.

9 A. What concerns me when I punch in Check 'n  
10 Go to the Google Web site and -- and read the list of  
11 sponsored links -- what concerns me is that I look at  
12 those sponsored links, and I see that these are  
13 people who are in a competitive -- a competitive  
14 advantage to us because they are offering a product  
15 that I believe is illegal.

16 And because its illegal, it's largely  
17 unregulated. And it is -- it tends to put us at a  
18 competitive disadvantage in that these unregulated  
19 loans exceed our loan caps, can be made free from  
20 many of the restrictions that we have to comply with  
21 and -- and so frankly, one of the things that -- that  
22 I -- I really believe is that -- is that these --  
23 these -- these Web sites are particularly pernicious  
24 not only because they're trading on our mark but also  
25 because they're illegal. And that illegality puts

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1 us -- puts us at a competitive disadvantage. That's  
2 what really burns me.

3 Q. Okay. If -- have you initiated any legal  
4 actions against any of those Web sites?

5 A. I'm not aware that we have.

6 Q. Okay. Have you contacted any regulators  
7 to ask them to investigate or initiate actions  
8 against any of those Web sites?

9 A. I have not.

10 Q. Okay. Have you involved any trade  
11 associations in which you are a member in any efforts  
12 to go after any of these Web sites?

13 A. Yes, in part. One of the things that I  
14 have done and have asked the trade association to do  
15 is offer presentations at our annual meeting dealing  
16 with Internet lending.

17 And I will tell you, at the very last CFSA  
18 annual meeting there was a presentation given by a  
19 lawyer, not me, that dealt with Internet lending.  
20 And that presentation in substance reflected what  
21 I've told you today; namely that while banks can  
22 export their interest rates to other states, nonbanks  
23 can't. And if you're doing Internet lending, you  
24 need to comply with host state usury laws.

25 Q. Okay. And which trade association was

1 CERTIFICATE

2 STATE OF OHIO :  
3 COUNTY OF HAMILTON : SS

4 I, S. Diane Farrell, RMR, CRR, the  
5 undersigned, a duly qualified and commissioned notary  
6 public within and for the State of Ohio, do hereby  
7 certify that before the giving of his aforesaid  
8 deposition, STEPHEN SCHALLER, ESQ., was by me first  
9 duly sworn to depose the truth, the whole truth and  
10 nothing but the truth; that the foregoing is the  
11 deposition given at said time and place by STEPHEN  
12 SCHALLER, ESQ.; that said deposition was taken in all  
13 respects pursuant to stipulations of counsel; that I  
14 am neither a relative of nor employee of any of the  
15 parties or their counsel, and have no interest  
16 whatever in the result of the action; that I am not,  
17 nor is the court reporting firm with which I am  
18 affiliated, under a contract as defined in Civil Rule  
19 28 (D).

20 IN WITNESS WHEREOF, I hereunto set my hand and  
21 official seal of office at Cincinnati, Ohio, this  
22 26 day of February, 2007.

23 *S. Diane Farrell*  
24 \_\_\_\_\_

25 My commission expires: S. Diane Farrell, RMR, CRR  
October 18, 2011. Notary Public - State of Ohio