

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

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

Plaintiffs,)

- *against* -)

HOUSEHOLD INTERNATIONAL, INC., ET AL.,)

Defendants.)

Lead Case No. 02-C-5893
(Consolidated)

CLASS ACTION

Judge Ronald A. Guzman

**DEFENDANTS' STATEMENT PURSUANT TO
LOCAL RULE 56.1(a)(3) IN SUPPORT OF THEIR
MOTION FOR SUMMARY JUDGMENT**

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Pursuant to Local Rule 56.1(a)(3), Defendants Household International, Inc. (“HII”), Household Finance Corp. (“HFC”), William F. Aldinger, David A. Schoenholz, and Gary Gilmer (collectively, “Household” or “Defendants”) respectfully submit this statement of material facts as to which there is no genuine issue and that entitle Defendants to judgment as a matter of law on all remaining claims of the Class.

JURISDICTION AND VENUE

1. The Class asserts claims against Defendants pursuant to 15 U.S.C. §§ 78(j)(b) and 78t(a) (§10(b) and § 20(a) of the Securities Exchange Act of 1934) and 17 C.F.R. § 2410.10b-5 (Securities and Exchange Commission Rule 10b-5). (AC ¶ 32)¹

2. This Court has jurisdiction over such claims pursuant to § 27 of the Securities Exchange Act, 15 U.S.C. § 78aa.

3. Venue is proper in the Northern District of Illinois pursuant to § 27 of the Securities Exchange Act of 1934, 15 U.S.C. § 78aa, because the headquarters of the corporate defendants or their successors are in this District and the corporate defendants or their successors transact business in this District.

THE PARTIES

Lead Plaintiffs and Their Trading in HII Securities

4. Co-Lead Plaintiff Glickenhau & Co. is an investment advisor. (AC ¶ 36(a))

4.1 During the Class Period (July 30, 1999 through October 12, 2002) Glickenhau & Co. purchased approximately 179,700 shares of HII stock. (AC, Exh. 1, Glickenhau Certification, Sched. A)

¹

References in this form are to indicated paragraphs in the Corrected Amended Consolidated Class Action Complaint. (Doc. 50)

- 4.2 At least three-fourths of such purchases were made after November 15, 2001. (AC, Exh. 1, Glickenhau Certification, Sched. A)
- 4.3 During the Class Period the average volume of HII shares outstanding was 466,203,769. (Table filed with the Court by Lead Plaintiffs based on public record data from Thomsons Shareworld, Doc. 767-2, Exh. 5)²

5. Co-Lead Plaintiff PACE Industry Union Management Pension Fund (“PACE”) is a Taft-Hartley Defined Benefit pension plan. (AC ¶ 36(b))

- 5.1 During the Class Period PACE purchased approximately 45,000 shares of HII stock and sold approximately 45,500 shares of HII stock. (AC, Exh. 1, PACE Certification, Sched. A)

6. Co-Lead Plaintiff The International Union of Operating Engineers Local No. 132 Pension Plan (“IUOE”) is a Taft-Hartley Defined Benefit pension plan. (AC ¶ 36(c))

- 6.1 During the Class Period IUOE purchased approximately 27,800 shares of HII stock and sold approximately 3,000 shares of HII stock. (AC, Exh. 1, IUOE Certification, Schedule A)
- 6.2 During the Class Period IUOE purchased HII bonds with an aggregate face value of \$160,000, and sold HII bonds with an aggregate face value of \$210,000. (*Id.*)

7. Named Plaintiff The Archdiocese of Milwaukee Supporting Fund, Inc. (“AMSF”) is a non-profit institution that made relatively small trades in HII debt securities during the Class Period. (AC ¶ 36(d), Exh. 1, AMSF Certification, Schedule A)

²

A true and correct copy of Lead Plaintiffs’ table of HII shares outstanding during the Class Period is annexed at Tab 1 of Defendants’ Appendix in Support of Their Motion for Summary Judgment (“Def. App.”), filed herewith.

8. Named Plaintiff The West Virginia Laborers' Trust Fund ("WVLTF") is a Taft-Hartley Defined Benefit pension plan that made relatively small trades in HII debt securities during the Class Period. (AC ¶ 36(e), Exh. 1, WVLTF Certification, Schedule A)

Defendants

9. During the Class Period Defendant Household International Inc. was a non-operating holding company with operating subsidiaries engaged in the consumer lending, mortgage services and credit card services businesses. (AC ¶ 37)

10. During the Class Period Defendant Household Finance Company was a wholly-owned subsidiary of HII engaged in the consumer lending business. (AC ¶ 37)

11. During the Class Period Defendant William F. Aldinger served as HII's Chairman and Chief Executive Officer. (AC ¶ 38)

12. During the Class Period Defendant David A. Schoenholz served as HII's Vice Chairman and Chief Financial Officer. (AC ¶ 39)

13. During the Class Period Defendant Gary Gilmer served as HII's Vice Chairman of Consumer Lending and Group Executive of Consumer Finance. (AC ¶ 40)

14. During the Class Period Defendant J. A. Vozar served as a director of HFC. (AC ¶ 47)

DISCOVERY

15. During the course of discovery, Defendants produced approximately 5,000,000 pages of documents in response to six waves of document demands, responded to 85 multi-part interrogatories and 252 requests for admissions, and created new computer programs to produce quarterly loan origination data in the format requested by Lead Plaintiffs.

16. Lead Plaintiffs deposed 61 fact witnesses, including 52 present or former employees of HII or HFC, over 75 deposition days.

17. With the Court's permission, Lead Plaintiffs deferred responding to Defendants' contention interrogatories until two months before the scheduled close of fact

discovery. (Minute Entry dated August 10, 2006, Doc. 630; Minute Entry dated September 19, 2006, Doc. 676)

18. With the Court's permission, Lead Plaintiffs deferred providing final answers to certain contention interrogatories pending input from their retained expert witnesses. (Minute Entry dated June 29, 2007, Doc. 116)

19. Discovery in this matter concluded on April 29, 2008. (Minute Entry dated April 29, 2008, Doc.1229)

**PRESENTMENT OF DEFENDANTS' MOTION
TO IMPLEMENT THE REPOSE BAR ORDER**

20. At the September 4, 2007 Presentment of Defendants' Motion for Implementation of This Court's February 28, 2006 Order (Doc. 1121), the Court indicated that it would prefer to address the subject matter of the motion at the summary judgment stage, with all discovery in hand. (Transcript of September 4, 2007 Presentment at 7, 10)³

**LEAD PLAINTIFFS' IDENTIFICATION OF
ALLEGED AFFIRMATIVE MISREPRESENTATIONS**

21. Defendants' Interrogatory No. 41 asked the following:

“If Plaintiffs contend that Defendants made affirmative misrepresentations regarding Household's alleged ‘Fraudulent Scheme’ involving ‘Illegal Predatory Lending Practices’ as set forth in Part VI.A of the Complaint (AC ¶¶ 50-106), identify each statement that Plaintiffs contend was an affirmative misrepresentation and the reasons Plaintiffs contend each statement was false.”

(Household Defendants' Fourth Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 41)⁴

22. In response to Interrogatory No. 41, Lead Plaintiffs adopted by reference their listing of alleged “false and misleading statements” in the Amended Complaint, stating,

³ A true and correct copy of the Transcript of Proceedings before Judge Guzman on September 4, 2007 is set forth at Def. App., Tab 2.

⁴ The text of each interrogatory cited in this Statement is repeated in Plaintiffs' relevant answer, as set forth in Defendants' Appendix at the indicated Tab.

“[a]dditionally, Lead Plaintiffs identify the following statements that were affirmative misrepresentations made by the Company or the Individual Defendants”, and listed 70 alleged “affirmative misrepresentations.” (Lead Plaintiffs’ Third Supplemental Amended Responses and Objections to Household Defendants’ [Seventh] Set of Interrogatories to Lead Plaintiffs Pursuant to the Court’s March 30, 2007 Order, Response to Interrogatory No. 41)⁵

23. Defendants’ Interrogatory No. 42 asked the following:

“If Plaintiffs contend that Defendants made affirmative misrepresentations regarding Household’s alleged ‘Fraudulent Scheme’ involving ‘Improperly ‘Reaging’ or ‘Restructuring’ Delinquent Accounts,’ as set forth in Part VI.B of the Complaint (AC ¶¶ 50, 107-133), identify each statement that Plaintiffs contend was an affirmative misrepresentation and the reasons Plaintiffs contend each statement was false.”

(Household Defendants’ Fourth Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 42)

24. In response to Interrogatory No. 42, Lead Plaintiffs adopted their allegations of “affirmative misrepresentations” from the Amended Complaint and listed 43 alleged “affirmative misrepresentations” in this category. (Lead Plaintiffs’ Third Supplemental Amended Responses and Objections to Household Defendants’ [Seventh] Set of Interrogatories to Lead Plaintiffs Pursuant to the Court’s March 30, 2007 Order, Response to Interrogatory No. 42)⁶

25. Defendants’ Interrogatory No. 43 asked the following:

“If Plaintiffs contend that Defendants made affirmative misrepresentations regarding Household’s alleged ‘Fraudulent Scheme’ involving ‘Improper Accounting of Costs Associated With Various Credit Card Co-Branding, Affinity and Marketing Agreements’ as set forth in Part VI.C of the Complaint (AC ¶¶ 50, 134-155), identify each statement that Plaintiffs contend was an affirmative misrepresentation and the reasons Plaintiffs contend each statement was false.”

(Household Defendants’ Fourth Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 43)

⁵ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 3.

⁶ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 4.

26. In response to Interrogatory No. 43, Lead Plaintiffs adopted their allegations of “affirmative misrepresentations” from the Amended Complaint, and listed 17 alleged “affirmative misrepresentations” in this category. (Lead Plaintiffs’ Third Supplemental Amended Responses and Objections to Household Defendants’ [Seventh] Set of Interrogatories to Lead Plaintiffs Pursuant to the Court’s March 30, 2007 Order, Response to Interrogatory No. 43)⁷

27. All but four of the 83 separate statements that Lead Plaintiffs listed as “affirmative misrepresentations” in response to Interrogatories Nos. 41-43 were made during the Class Period.⁸

LEAD PLAINTIFFS’ ADOPTION OF THE EXPERT REPORTS OF DANIEL R. FISCHEL AS THE CLASS’S SHOWING ON LOSS CAUSATION

28. Defendants’ Interrogatory No. 15 asked the following:

“Identify any loss Plaintiffs contend they suffered as a result of any alleged ‘illegal predatory lending’ practice, procedure, or other activity identified in response to Interrogatory 9.”

(Household Defendants’ Second Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 15)

29. In response to Defendants’ Interrogatory No. 15, Lead Plaintiffs stated:

“Lead Plaintiffs incorporate by reference and identify the Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein.”

(Lead Plaintiffs’ Third Amended Response and Objections to Household Defendants’ [Fourth] Set of Interrogatories to Lead Plaintiffs, Response to Interrogatory No. 15)⁹

30. Defendants’ Interrogatory No. 31 asked the following:

⁷ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 5.

⁸ See Lead Plaintiffs’ Responses to Interrogatories Nos. 41-43, Def. App., Tabs 3-5.

⁹ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 6, at 49.

“Identify the Disclosure(s) that Plaintiffs contend revealed to the market or any member of the class that Household was allegedly engaged in a ‘Fraudulent Scheme’ involving ‘Illegal Predatory Lending Practices’ as set forth in Part VI.A of the Complaint. (AC ¶¶ 50-105).”

(Household Defendants’ Third Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 31)

31. In their response to Defendants’ Interrogatory No. 31, Lead Plaintiffs stated:

“Lead Plaintiffs incorporate by reference and identify the Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein.”

(Lead Plaintiffs’ Third Amended Response and Objections to Household Defendants’ [Fifth] Set of Interrogatories to Lead Plaintiffs, Response to Interrogatory No. 31)¹⁰

32. Defendants’ Interrogatory No. 32 asked the following:

“Identify the Disclosure(s) that Plaintiffs contend revealed to the market or any member of the class that Household was allegedly engaged in a ‘Fraudulent Scheme’ involving ‘Improperly ‘Reaging’ or ‘Restructuring’ Delinquent Accounts,’ as set forth in Part VI.B of the Complaint. (AC ¶¶ 50, 107-133).”

(Household Defendants’ Third Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 32)

33. In their response to Defendants’ Interrogatory No. 32, Lead Plaintiffs stated:

“Lead Plaintiffs incorporate by reference and identify the Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein.”

(Lead Plaintiffs’ Third Amended Response and Objections to Household Defendants’ [Fifth] Set of Interrogatories to Lead Plaintiffs, Response to Interrogatory No. 32)¹¹

34. Defendants’ Interrogatory No. 33 asked the following:

“Identify the Disclosure(s) that Plaintiffs contend revealed to the market or any member of the class that Household was allegedly engaged in a ‘Fraudulent Scheme’ involving ‘Improperly Accounting of Costs Associated With Various

¹⁰ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 7, at 16.

¹¹ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 8, at 19.

Credit Card Co-Branding Affinity and Marketing Agreements’ as set forth in Part VI.C of the Complaint. (AC ¶¶ 50, 134-155).”

(Household Defendants’ Third Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 33)

35. In their response to Defendants’ Interrogatory No. 33, Lead Plaintiffs stated:

“Lead Plaintiffs incorporate by reference and identify the Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein.”

(Lead Plaintiffs’ Third Amended Response and Objections to Household Defendants’ [Fifth] Set of Interrogatories to Lead Plaintiffs, Response to Interrogatory No. 33)¹²

36. Defendants’ Interrogatory No. 64 asked the following:

“For each Disclosure identified in response to Interrogatory Nos. 31-33, set forth the ‘truth’ that you contend was revealed to the market by the Disclosure.”

(Household Defendants’ Sixth Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 64)

37. In their response to Defendants’ Interrogatory No. 64, Lead Plaintiffs stated:

“Lead Plaintiffs incorporate by reference and identify the Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein.”

(Lead Plaintiffs’ Fourth Amended Response and Objections to Household Defendants’ [Ninth] Set of Interrogatories to Lead Plaintiffs, Response to Interrogatory No. 64)¹³

LEAD PLAINTIFFS’ ADMISSIONS ON THE SUBJECT OF LOSS CAUSATION

38. In his August 15, 2007 Expert Report that Lead Plaintiffs incorporated by reference in their interrogatory answers, Professor Daniel R. Fischel identified no artificial

¹² A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 9, at 22.

¹³ A true and correct copy of the cited interrogatory answer is set forth at Def. App., Tab 10, at 24.

inflation entering HII's stock price on any of the days that the Class claims Defendants made "affirmative misrepresentations", as identified in the Amended Complaint and in Lead Plaintiffs' responses to Interrogatories Nos. 41-43. (See Expert Report of Daniel R. Fischel ("Fischel Report") at Exhibits 53 and 56.)¹⁴

39. In the course of his deposition on March 21, 2008, Professor Fischel made the following statement:

"I didn't find any statistically significant price increases that resulted in inflation from the beginning of the [class] period, and through November 15, 2001."

(Transcript of March 21, 2008 Deposition of Daniel R. Fischel ("Fischel Tr.") at 123:8-11)¹⁵

40. In his February 1, 2008 Expert Rebuttal Report that Lead Plaintiffs incorporated by reference in their interrogatory answers, Professor Fischel made the following statement:

"I further understand that the Class Period was shortened to begin on July 30, 1999, making this date the first day that Plaintiffs allege the stock price was artificially inflated because *they allege that Defendants failed to reveal the adverse information on July 22, 1999 when the Company announced its second quarter financial results*"

(Fischel Rebuttal at ¶ 36; emphasis added)¹⁶

41. In the course of his March 21, 2008 deposition, Professor Fischel stated that he assumed that artificial inflation was present in the price of HII stock as of the first day of the class period. (Fischel Transcript at 84:3-7)¹⁷

¹⁴ True and correct copies of the Expert Report of Daniel R. Fischel, dated August 15, 2007 and Exhibits 53 and 56 thereof are set forth at Def. App., Tab 11. A true and correct copy of the February 1, 2008 Rebuttal Expert Report of Daniel R. Fischel ("Fischel Rebuttal") is set forth at Def. App., Tab 12.

¹⁵ A true and correct copy of relevant excerpts from the Fischel Transcript is set forth at Def. App., Tab 13.

¹⁶ Def. App., Tab 12.

¹⁷ Def. App. Tab 13.

42. In their February 6, 2008 status report to Magistrate Judge Nolan, Lead Plaintiffs made the following statement:

“Household’s stock price was artificially inflated on July 30, 1999 *by Household’s failure to disclose material adverse facts in connection with its July 22, 1999 statement announcing its second quarter results. . . .* Indeed, Household’s stock may have been inflated since the beginning of the old Class Period [October 23, 1997], or even before that time.”

(Lead Plaintiffs’ Status Report For the February 7, 2008 Telephone Status Conference (“February 6, 2008 Status Report”) at 3; emphasis added)¹⁸

43. During the February 7, 2008 status conference before Magistrate Judge Nolan, Class Counsel made the following statement:

“[Professor Fischel] also responds to the issue of the source of inflation in Household stock on the first day of the class period. And he says, according to the plaintiffs, there was a statement on July 22nd before the class period.”

(Transcript of Proceedings, Telephone Status Conference Before the Honorable Nan R. Nolan, Magistrate Judge, February 7, 2008 (“February 7, 2008 Transcript”) at 15:14-18)¹⁹

44. During the February 7, 2008 status conference before Magistrate Judge Nolan, Class Counsel made the following statement:

“Now we don’t know when there is zero inflation in Household stock before the class period. First of all, it is not relevant to our case. Household stock may have been inflated — may have been inflated going back to the beginning of our old class period in 1997 or even before that.”

(February 7, 2008 Transcript at 18:13-17)²⁰

¹⁸ A true and correct copy of Plaintiffs’ February 6, 2008 Status Report is set forth at Def. App., Tab 14.

¹⁹ A true and correct copy of relevant excerpts from the Transcript of the February 7, 2008 Status Conference is set forth at Def. App., Tab 15.

²⁰ Def. App., Tab 15.

**LEAD PLAINTIFFS' OPPOSITION TO DISCLOSING THE SOURCE
OF PRE-CLASS PERIOD "ARTIFICIAL INFLATION"**

45. During his deposition on March 21, 2008, Professor Fischel made the following statements:

“In order for there to be artificial inflation, there has to be an actionable disclosure defect. I’m assuming the existence of actionable disclosure defects.”

* * *

“I’m not expressing an opinion on whether there were in fact misrepresentations or omissions. The economic evidence that I’ve looked at does not allow me to express an opinion on that subject.”

(Fischel Transcript at 133:24-134:3; 49:11-26)²¹

46. In a status report submitted to Magistrate Judge Nolan on February 6, 2008, Lead Plaintiffs stated that Professor Fischel’s Expert Report “was not designed to determine the date on which inflation came into the stock” (February 6, 2008 Status Report at 4)²²

47. During a February 7, 2008 Status Conference before Magistrate Judge Nolan, Class Counsel stated the following:

“Now we don’t know when there is zero inflation in Household stock before the class period. First of all, it is not relevant to our case.”

(February 7, 2008 Transcript at 18:14-15)²³

48. On February 14, 2008, Defendants filed a Motion to Compel Plaintiffs to Supplement Their Initial Disclosures Pursuant to Fed. R. Civ. P. 26(a)(1)(A)(iii), seeking disclosure of “when (i.e., the specific date or dates) the ‘artificial inflation’ upon which

²¹ Def. App., Tab 13.

²² Def. App., Tab 14.

²³ Def. App., Tab 15.

Plaintiffs' claim for damages is based was first introduced into Household's stock price." (Doc. 1178; Doc. 1179 at 10)

49. Lead Plaintiffs opposed Defendants' motion to compel disclosure of the origin of the alleged artificial inflation. In their response brief Lead Plaintiffs stated:

"The fact that Household's stock was inflated on July 22, 1999 or July 30, 1999 has no bearing on whether Plaintiffs' claims are actionable"

* * *

"Plaintiffs case will not involve showing any pre-Class Period inflation as that information has no bearing on plaintiffs' methodology for calculating damages."

(Lead Plaintiffs' Opposition to Household Defendants' Motion to Compel Plaintiffs to Supplement Their initial Disclosures Pursuant to Fed. R. Civ. P. 26(a)(1)(A)(iii), Doc. 1182 at 3, 7)

50. On February 27, 2008, in denying Defendants' motion, Magistrate Judge Nolan stated:

". . . Plaintiffs initially identified numerous alleged misstatements made between October 23, 1997 and July 29, 1999, that are no longer actionable. (See, e.g., Doc. 50, at 70-87.) Defendants are free to utilize those statements as evidence that some or all of the inflation Plaintiffs attribute to the July 22 and/or August 16, 1999 statements actually entered the stock price as far back as October 23, 1997."

(Minute Entry dated February 27, 2008, Doc. 1189 at 2)

STOCK PERFORMANCE IN THE CONSUMER FINANCE INDUSTRY DURING THE RELEVANT PERIOD

51. On January 14, 2000, the Dow Jones Industrial Average closed at 11,723, a record high at the time, and on October 11, 2002, the last day of the Class Period, the Dow Jones Industrial Average closed at 7,850. (Dow Jones Industrial Average Chart)²⁴

52. The highest closing price for HII stock during the Class Period was \$69.48 on July 18, 2001. (Chart of HII Class Period Stock Prices)²⁵

²⁴ A table of publicly-available daily closing values of the Dow Jones Industrial Average from July 30, 1999 through October 11, 2002 is set forth at Def. App., Tab 16.

53. HII stock closed at \$28.20 on October 11, 2002, a decline of 59.41% from its Class Period high on July 18, 2001. (*See id.*)

54. During the period July 18, 2001 through October 11, 2002, the Standard & Poors Supercomposite 1500 Consumer Finance Index, which encompasses all publicly traded companies classified by Standard & Poors as “consumer finance companies,” declined by approximately 53.17%. (Standard & Poors Consumer Finance Index)²⁶

54.1 The consumer finance companies tracked by the Standard & Poors Consumer Finance Index were HII, Americredit, CapitalOne, CashAmerica, Countrywide, MBNA, and Providian. (*See id.*)

54.2 During the period July 18, 2001 through October 11, 2001, the price of Providian stock declined by 92.55%, from \$59.04 to \$4.40. (*Id.*)

54.3 During the same period, the price of Americredit stock declined by 88.23%, from \$60.25 to \$7.09. (*Id.*)

54.4 During the same period, the price of CapitalOne stock declined by 53.18%, down from \$65.48 to \$30.66. (*Id.*)

Footnote continued from previous page.

²⁵ A table of publicly-available daily closing prices of HII stock during the Class Period is set forth at Def. App., Tab 17. Under Federal Rule of Evidence 201, this Court may take judicial notice of well-publicized stock prices. *Central Laborers’ Pension Fund v. Sirva, Inc.*, No. 04 C 7644, 2006 WL 2787520, at * 9 n.2 (N.D. Ill. Sept. 22, 2006) (Guzman, J.)

²⁶ A table entitled “% Price Change in the S&P Supercomposite 1500 Consumer Finance Index and Its Members from July 18, 2001 to October 11, 2002,” compiling publicly-available data from Standard & Poors and University of Chicago Center for Research in Security Prices, is set forth at Def. App., Tab 18.

**HII STOCK PERFORMANCE BEFORE AND AFTER THE
“CORRECTIVE DISCLOSURES” ALLEGED IN THE
AMENDED COMPLAINT**

55. In connection with their theory of fraud based on Household’s reaging practices, Lead Plaintiffs alleged in the Amended Complaint that “it was not until an analyst presentation on 4/9/02 that defendants finally revealed the impact of “reaging.” (AC ¶ 127)

55.1 On April 9, 2002, HII stock closed at \$59.25, up \$0.19 from the previous day’s closing price. (HII Stock Chart)²⁷

55.2 On April 10, 2002, Household stock closed at \$59.35, up an additional \$0.10. (*Id.*)

56. In connection with their theory of fraud based on Household’s accounting for certain credit card marketing agreements at least as far back as 1994 (*see* AC ¶¶ 134-35), Lead Plaintiffs alleged in the Amended Complaint that HII’s restatement of certain financial statements on August 14, 2002 revealed “that the financial statements originally issued were false and that the misstatements were material.” (AC ¶ 142)

56.1 On August 14, 2002, the price of HII stock closed at \$38.09, up \$0.29 from the previous day. (HII Stock Chart)²⁸

56.2 On August 15, 2002, the price of HII stock closed at \$39.60, up an additional \$1.80. (*Id.*)

57. In connection with their “predatory lending” theory of fraud, Lead Plaintiffs alleged in the Amended Complaint that “[i]t was only at the end of the Class Period, on 10/11/02”, when defendants announced a settlement with certain state attorneys general, “that investors learned Household had been conducting nationwide operations in direct violation of state and federal laws.” (AC ¶ 23)

²⁷ Def. App., Tab 17.

²⁸ *Id.*

- 57.1 On October 10, 2002, *The American Banker* reported that Household's stock price had "surged more than 25% on market talk that it could reach an agreement as soon as Friday [October 11] that would settle investigations by state attorneys general into its subprime consumer lending business." (Rieker, Matthias, *The American Banker*, "Banks Regain Ground; Household Shares Climb; Household International Inc.; Brief Article")²⁹
- 57.2 On October 10, 2002, HII stock closed at \$26.30, up \$5.30 from the previous day's closing. (HII Stock Chart)³⁰
- 57.3 On October 11, 2002, HII stock closed at \$28.20, an increase of \$1.90 from the previous day's closing. (*Id.*)

58. In his August 15, 2007 Expert Report that Lead Plaintiffs incorporated by reference in their interrogatory answers, Professor Fischel states as follows:

"Because this news [of the settlement] had substantial negative implications for Household's market value, one would have expected that it would have caused the Company's stock price to decline significantly. However, the stock price increased \$1.90 on October 11, 2002 after increasing \$5.30 on the previous day."

(Fischel Report at 22 n.21)³¹

**LEAD PLAINTIFFS' POSITION ON HOUSEHOLD'S ALLEGED
CONCEALMENT OF FRAUD THROUGHOUT THE CLASS PERIOD**

59. Defendants' Interrogatory No. 6 asked the following:

"Identify all documents or other facts that Plaintiffs contend support, refute, or otherwise concern the allegation set forth in ¶ 21 of the Complaint that 'the Officer Defendants worked tirelessly to conceal their wrongful course of business.'"

²⁹ A true and correct copy of the cited article is set forth at Def. App., Tab 19.

³⁰ Def. App., Tab 17.

³¹ Def. App., Tab 11.

(Household Defendants' Second Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 6)

60. Defendants' Interrogatory 8 asked the following:

"Identify all documents or other facts that Plaintiffs contend support, refute, or otherwise concern the allegation set forth in ¶ 3 of the Complaint that '[D]efendants concealed that Household was engaged in a massive predatory lending scheme.'"

(Household Defendants' Second Set of Interrogatories to Lead Plaintiffs, Interrogatory No. 8)

61. In their response to Interrogatories Nos. 6 and 8, Lead Plaintiffs stated as follows:

"In an effort to conceal their predatory lending, defendants consistently took the public position that no predatory lending practices were occurring at Household, and any assertion to the contrary was false."

(Lead Plaintiffs' Third Amended Supplemental Response and Objections to Household Defendants' [Fourth] Set of Interrogatories to Lead Plaintiffs, Responses to Interrogatories 6 and 8)³²

62. In their responses to Interrogatories Nos. 6, 8, and 41, Lead Plaintiffs identified statements on February 7, April 22, July 16, July 17 and July 26, and September 2, 2002 as examples of Defendants' alleged on-going concealment. (*Id.*)

Dated: May 12, 2008

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³² True and correct copies of the cited interrogatory answers are set forth at Def. App., Tabs 3 & 20, at 16, 34.

-and-

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