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 DEFENDANTS' MOTION *IN LIMINE* TO EXCLUDE THE ALLEGEDLY FALSE AND MISLEADING STATEMENTS THAT WERE NOT IDENTIFIED BY PLAINTIFFS IN DISCOVERY

I, THOMAS J. KAVALER, declare as follows:

1. I am a member of the bar of the State of New York and a member of the firm of Cahill Gordon & Reindel LLP, co-counsel for defendants Household International, Inc., Household Finance Corporation, William F. Aldinger, David A. Schoenholz, Gary Gilmer, and J.A. Vozar (the "Household Defendants") in this action. I am admitted *pro hac vice* in this Court for this action. I submit this declaration to place before the Court certain documents and information in support of Defendants' Motion *In Limine* to Exclude the Allegedly False and Misleading Statements that were Not Identified by Plaintiffs in Discovery. I make this declaration based on my personal knowledge as well as my review of relevant documents.

2. Attached hereto as Exhibit 1 is a true and correct copy Plaintiffs' Third Response to Defendants' [Seventh] Interrogatories, dated February 1, 2008.

3. Attached hereto as Exhibit 2 is a true and correct copy of the November 10, 2008 Letter from Luke O. Brooks to Ira J. Dembrow.

4. Attached hereto as Exhibit 3 is a true and correct copy of the November 7, 2008 Letter from Ira J. Dembrow to Luke O. Brooks.

5. Attached hereto as Exhibit 4 is a true and correct copy of the transcript of the December 16, 2008 proceedings upon presentment of Defendants' Motion Pursuant to Local Rule 16.1 to Require Plaintiffs to Identify the Allegedly False and Misleading Statements to be Proved at Trial.

6. Attached hereto as Exhibit 5 is a true and correct copy of the list of the allegedly false statements ("New List") provided by Plaintiffs on January 15, 2009, as an attachment to the January 20, 2009 E-mail from Spence Burkholz to Joshua Newville.

7. Attached hereto as Exhibit 6 is a true and correct copy of the January 23, 2009 Letter from Jason M. Hall to Spencer A. Burkholz.

8. Attached hereto as Exhibit 7 is a true and correct copy of the Court's unpublished decision in *McEntegart* v. *Sunrise Transportation, Inc.*, No. 07 C 2006, 2009 WL 35285 (N.D. Ill. Jan. 6, 2009) (Guzman, J.).

/s/ Thomas J. Kavaler
Thomas J. Kavaler

I declare under penalty of perjury under the laws of the State of New York that the foregoing is true and correct. Executed this 30th day of January, 2009, in New York, New York.

Exhibit 1

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, vs. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	)	Lead Case No. 02-C-5893 (Consolidated) CLASS ACTION Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

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

Lead Plaintiffs further incorporate by reference and identify the Expert Report of Harris L. Devor dated August 15, 2007, and all documents referenced therein. Mr. Devor's report discusses, *inter alia*, the GAAP violations resulting from Household's reage, restructure and account management policies and practices, including but not limited to their impact on Household's reported 2+ delinquency rate and charge-off statistics; that such practices rendered the Company's loan loss reserve unreliable; and the inaccurate or inadequate disclosure of such policies and practices such as, *inter alia*, the purposes and changes relating thereto, forbearances, automatic restructures, exclusion of EZ pay restructures as restructures, late stage restructures, extensions, rewrites, skip-a-pays, and grace periods.

INTERROGATORY NO. 142 [41]:

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 that Plaintiffs contend that each statement was false.

RESPONSE TO INTERROGATORY NO.142 [41]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs also object to this interrogatory because it suffers from the same infirmities plaguing all of defendants' interrogatories thus far – it is vague and ambiguous and fails to identify with particularity the information that defendants seek. Lead Plaintiffs object to this interrogatory because it is compound and contains numerous subparts. Lead Plaintiffs also object that this interrogatory is overly broad, unduly burdensome, harassing and vexatious in that it inquires into no fewer than 56 paragraphs of Lead Plaintiffs' Complaint. In addition, Lead Plaintiffs object to this interrogatory because it fails to specify a time period for which a response is sought.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. Further, although the fact-discovery cut-off was scheduled for January 31, 2007, defendants are still producing responsive documents notwithstanding their improper and evasive certification that their document production is complete. Defendants have also failed to log documents on privilege logs despite improperly withholding and/or redacting responsive documents in violation of Fed. R. Civ. P. 26. Lead Plaintiffs further object to this interrogatory because defendants have failed to provide evidence of the documents that were destroyed throughout the entire Company pursuant to the "purge" that occurred in mid-2001; the knowing destruction of relevant documents by certain of the defendants related to Andrew Kahr as well as the destruction of documents and spoliation of other relevant evidence that occurred both during and after the Class Period. Lead Plaintiffs' ability to fully respond to this interrogatory is limited due to defendants' spoliation of evidence. Lead Plaintiffs' response, thus, is based upon such facts as are currently known to them.

Further, defendants have objected to producing documents and/or deposition testimony from a number of witnesses that defendants have identified as having knowledge of facts relevant to this litigation. In addition, the Individual Defendants have refused to respond to the discovery propounded on them by the Class. Lead Plaintiffs will provide responses based upon such facts as are currently known to them. Lead Plaintiffs reserve the right, as necessary and appropriate, to supplement, amend, modify or revise their response to this interrogatory consistent with their obligations under Fed. R. Civ. P. 26(e).

Subject to and specifically incorporating the foregoing General and Specific Objections and without waiving them, Lead Plaintiffs further respond to these interrogatories as follows:

Lead Plaintiffs respond to this interrogatory (or more aptly "interrogatories") by stating as an initial matter that in its detailed and particularized Complaint, Lead Plaintiffs have identified false and misleading statements made during the Class Period, including the source of the statement (press release, SEC filing, presentation made to analysts, etc.), the date of the statement, and the circumstances in which the statement was made. Indeed, Judge Guzman found that Lead Plaintiffs had met this requirement of the Private Securities Litigation Reform Act in the Complaint itself by "identifying who made particular statements, when, how they were misleading, and the results of the statements." *See Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc.*, No. 02 C 5893, 2004 U.S. Dist. LEXIS 4659, at *15-*26 (N.D. Ill. Mar. 19, 2004).

Additionally, Lead Plaintiffs identify the following statements that were affirmative misrepresentations made either by the Company or the Individual Defendants:

- *Copley News Services* – February 7, 2002: "We make good loans that not only are legal loans, but are beneficial for our customers."

- *Bellingham Herald* – April 22, 2002: "It is absolutely against our policy to in any way quote a rate that is different than what the true rate is . . . . I can't underscore that enough."

- *National Mortgage News* – May 20, 2002: "[Hayden] said, senior management 'has actively followed' the issue of responsible lending, compliance, quality assurance and making sure that the company is abiding by policies and procedures that 'indeed do represent the ethics of this company' as an industry leader."

- *American Banker* – May 31, 2002: "It is our regulators' and the attorney general's job to investigate any complaints brought forth by consumers in their state, and we don't find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower." . . . [some] "customers in Bellingham may have indeed been justified in their confusion about the rate of their loans" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch."

- *ABA Banking Journal* – May 2002: "For 124 years, we've set the standard for responsible lending. And now we're doing it again."

- *The Oregonian* – July 2, 2002: "Household International offices deny any pattern of wrongdoing and say the company is open to changes in its lending practices if they are harmful to consumers. 'We've made mistakes,' said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. 'Is there a companywide pattern of abuse? Absolutely not.'"

- *New York Times* – August 19, 2002: "Despite the industry wreckage, Household is hanging tough. On a conference call this week, its chief executive, William F. Aldinger, dismissed as groundless two lawsuits filed by the Association of Community Organizations for Reform Now, a community group that specializes in credit issues that affect law-and middle income people. Though nine states have enacted tougher anti-predatory lending laws in the last three years, Aldinger said these had 'virtually no impact' on Household because the company began during the last 18 months two sets of reforms in lending practices. 'We are a good group of people, a high-quality team with good ethics,' Aldinger added."

- *Bellingham Herald* – July 26, 2002: "Household employees 'may' have misrepresented mortgage terms to 'some' Whatcom County homeowners who refinanced their home loans at the Bellingham office of HFC. . . . The manager of that office was replaced."

- *Star Tribune* – July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'"

- *Albuquerque Journal* – September 11, 2001: "Household Corporate Communications Director Megan Hayden said ACORN members 'have made similar complaints about us in other states, and we have investigated all of their concerns and have found them to be baseless.'"

- November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital": "Household International supports Citigroup's announcement today of its efforts to boost consumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International. Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete."

- *San Jose Mercury News* – July 13, 2001: "Megan Hayden, manager of corporate communications for Household, said it would be 'disingenuous' to say public perception did not have a role in the announcement. But she insisted that the decision had little to do with increasing activism. . . . Hayden said sales of the insurance total about $10 million and have been a small part of the company's income."

- *The New York Times* – July 24, 2001: The timing of these policies was not tied to actions by any fair-lending advocates and that the Company had been working on the announced changes for "quite some time. So, it really is a coincidence."

- *Copley News Service* – November 14, 2001: "'We recognized there was a problem when the department brought it to our attention' after the 2000 audit, said Megan Hayden, a Household spokeswoman. 'Following their instructions, we not only refunded the customers who were affected but also put the necessary technological and human controls in place to make sure that would never happen again.'"

- *Los Angeles Sentinel* – November 21, 2001: "In May, Hayden said, Household Finance 'promptly responded to the department's concern by issuing refunds to our customers and implementing the necessary systems and people controls to prevent such systems issues from happening again.' Hayden claims that 'technology is responsible for the overcharges.'"

- *American Banker* – November 21, 2001: "'It is very dangerous to confuse unintentional systematic inaccuracies on small administrative charges as predatory lending. Those two definitions do not match up,' said Megan Hayden, a spokeswoman with Household. . . . Ms. Hayden said her company made refunds to the borrowers and implemented what it believed was better system."

- *Associated Press* – January 10, 2002: "Hayden said some of the repeated problems stemmed from Household's acquisition of its Beneficial subsidiary. 'Our solution wasn't adequate, and we're disappointed with that,' Hayden said. 'We're continuing to increase our own – Household's own – oversight of our compliance, because it's a priority for us.'"

- Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: "Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity."

- *The Patriot Ledger* – August 16, 2002: "Household spokeswoman Megan Hayden . . . denied the company broke any laws. . . . 'Clearly, as a national lender that operates in 46 states we cannot do so if we don't follow the laws and regulations,' she said."

- *Origination News* – September 1, 2002: "'We clearly follow all state and federal laws and regulations,' Household spokeswoman Megan Hayden said".

- *National Mortgage News* – September 2, 2002: "A household spokeswoman said she is not aware of any pending enforcement actions or settlement talks."

- *Copley News Services* – February 7, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers . . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers."

- *Contra Costa Times* – February 7, 2002: "They have charged us in the past with being a predatory lender, but those allegations have almost uniformly proven false and misleading,"

- *Star Tribune* – February 28, 2002: "Household International, parent of HFC and Beneficial Loan and Thrift brands, said new policies provide 'unprecedented protections' for subprime borrowers_normally people whose credit scores are too low to qualify for mortgage loans at market rate. . . . The new policies come from 'always looking at better ways we can serve our customers, and raising the bar for industry lending standards,' said Megan Hayden, Household's corporate communications manager."

- *Chicago Tribune* – May 3, 2002: "Household quickly denied that it misleads customers. . . . In response to the latest suit, Household denied that it misleads customers. 'Acorn continues to launch baseless accusations and lawsuits rather than work to enact real solutions to help eliminate predatory lending from the marketplace,' the lender's statement said."

- *Newsday* – May 7, 2002: "Household spokeswoman Megan Hayden said yesterday that the company 'was surprised and concerned by [the comptroller's] statement. We believe we have the highest standards for responsible lending, and we very much hope to speak directly with the comptroller to address his questions and concerns.'"

- *The Bellingham Herald* – April 5, 2002: "'You do not stay in business for 124 years by taking advantage of consumers,' Hayden aid. 'You do not make any money trying to take advantage of consumers. You lose money.'"

- *St. Paul Pioneer Press* – May 14, 2002: "Household spokeswoman Megan Hayden said the company denies misleading the Dodges or other families about the terms of their loans. . . . 'You don't stay in business 120 years if you simply take advantage of people,' Hayden said."

- *The Record* – May 10, 2002: "Our position is that the accusations [regarding predatory lending] are baseless . . . . The loans are legal, they are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . The loan[s] conform[] to the company's 'tangible benefits test."

- *AP Online* – May 14, 2002: "All of [Household's] lending policies are in accord with federal and state regulations and requirements . . . ."

- May 22, 2002 Household Press Release entitled "Household Names New Vice President-Director of Compliance": "The decision to appoint Kauffman furthers Household's ongoing efforts to strengthen policy and compliance functions, and enhances the company's long-standing commitment to serving middle market borrowers fairly and responsibly. 'We take compliance very seriously at Household,' said Gary Gilmer. 'We have made important steps to fortify our compliance functions, such as increasing our infrastructure, doubling the size of the centralized compliance and field audit team, and reengineering our exam reviews. The addition of James Kauffman is a meaningful next step. His impeccable credentials, financial services industry experience and first-hand knowledge of compliance requirements will be an invaluable resource as Household continues its focus on compliance excellence.'. . . Household leads the consumer lending industry with stringent responsible lending policies and practices.'"

- *Forbes* – September 16, 2002: "'Home Wrecker' (Sept. 2, p. 62) disregarded facts and instead crafted an inaccurate portrayal of William Aldinger's Household International and its consumer lending business. While one complaint is one too many, you neglected to mention that 99.99% of our consumer-lending customers do not have a complaint regarding their loan. FORBES neglected to say that our branches undergo three quality assurance audits a year and that more than 56,000 customer audit calls are made to ensure we meet the highest standards of responsible lending. FORBES did not give any credit to our industry-leading disclosures, such as our one-page, simple-language loan summary – in which customers are clearly communicated with about the terms of their contracts. We regret that FORBES didn't find these facts relevant. But at Household, our satisfied customers know the difference."

- *National Mortgage News* – February 18, 2002: [Predatory lending allegations] were "not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere."

- *Associated Press* – October 31, 2001: "Household spokeswoman Megan Hayden denied the company engaged in predatory lending through its Beneficial and Household Finance subsidiaries, even as she pointed to steps the company took this year to end some of its most criticized practices. Hayden said the problem involved not her company, but 'rogue lenders.' Government regulators say predatory lenders often target the poor, racial and ethnic minorities, seniors and single women."

- *National Mortgage News* – February 18, 2002: "Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere."

- March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z: "'Household's position on predatory lending is perfectly clear,' said Gary Gilmer, president and CEO of HFC and Beneficial. 'Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly, our customers.' . . . The company reaffirmed that it fully complies with all applicable federal and state laws and regulations."

- *Origination News* – March 23, 2001: Household's "position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers."

- October 22, 1998 Household Press Release entitled "Household International Reports Record Third Quarter Results": Household "reported net income rose 20 percent to a third-quarter record of $318.0 million, compared with $264.7 million for the third quarter of 1997. Earnings per share increased 19 percent to a third-quarter record of $.63 from $.53 a year ago."

- January 20, 1999 Household Press Release entitled "Household International Reports Q4 and Full Year Results": Household "announced that it achieved record net income and earnings per share for the fourth quarter ended December 31, 1998. Net income of $349.9 million was up 71 percent from $204.8 million recorded in Q497, and reported EPS of $.71 was up 73 percent from $.41 reported in Q497. . . . Receivables of the company's core consumer finance businesses, other than bankcard, grew 12 percent from a year ago and three percent sequentially. . . . The company's managed net interest margin widened to 8.03 percent, up from 7.92 percent in the prior quarter and 7.80 percent a year ago. The sequential quarter and year-over-year improvement resulted from higher yields on unsecured products and lower funding costs, partially offset by the effect of a shift in mix toward secured products."

- April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported record first quarter operating income and operating earnings per share. Net operating income rose 34 percent to $320.8 million, compared with net operating income of $239.3 million a year ago. Earnings per share increased 38 percent to $.65 from operating EPS of $.47 a year ago."

- July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 million a year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent."

- October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago."

- January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. . . . Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income . . . Credit quality improved from both the third quarter and a year ago. . . . Reserves to nonperforming loans were 100.1 percent at year end."

- Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000: Household reported "return on average common shareholders' equity ("ROE") rose to 23.5 percent in 1999 compared to 18.2 percent in 1998, excluding merger and integration related costs and the gain on sale of Beneficial Canada, and 17.3 percent in 1997. Our return on average owned assets ("ROA") improved to 2.64 percent in 1999 compared to 2.29 percent in 1998, excluding the nonrecurring items, and 2.03 percent in 1997. Our return on average managed assets ("ROMA") improved to 1.99 percent in 1999 compared to 1.60 percent in 1998, excluding the nonrecurring items, and 1.38 percent in 1997. Including the merger and integration related costs and the gain on sale of Beneficial Canada, ROE was 8.1 percent, ROA was 1.04 percent and ROMA was .72 percent in 1998. Our operating net income, ROA, ROMA and ROE have increased steadily over the past three years as a result of our focus on higher-return core businesses and improved efficiency. We expect this trend to continue as we focus on growth of these higher return core businesses."

- April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999. Cash earnings for the quarter totaled $415 million."

- July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. Cash earnings per share for the quarter totaled $.88. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter."

- October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago. Cash earnings per share for the quarter totaled $1.02."

- January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household "reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago."

- April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results."

- July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up to 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000."

- October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000."

- January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000."

- April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million."

- July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million."

- April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": "Strong loan growth in our consumer finance business, improved efficiency and higher income from our tax refund loan business led to the strongest first quarter in our 120 year history. . . . We have great momentum in this business. . . . 1999 is off to a very good start and we are on track to meet our earnings and growth targets."

- July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": "Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business. We have excellent momentum. . . . Growth in the HFC and Beneficial consumer finance branch business continues to improve and also gives us an excellent platform from which to cross-sell many of our other products. Our 1,400 branches and 7,000 branch employees give us a real advantage as we focus on satisfying more of our customers' credit needs."

- October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth. Retail consumer finance growth was particularly strong. Looking ahead to the fourth quarter and into next year, we see great momentum across all businesses, but most notably in our HFC/Beneficial finance business. I am confident we will achieve our earnings goal for this year and we are well positioned for next year."

- January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": "We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our expectations. Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger. We move into the new year with a real sense of excitement, great momentum throughout the company and strong competitive positions in each of our businesses."

- April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": "This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve. To build upon the momentum that is evident in these results, we increased our investment in marketing programs and e commerce initiatives.... The year is off to a great start.... We are seeing a continuation of the very positive business trends that emerged in the second half of 1999. We remain comfortable with our receivable, revenue and earnings per share growth targets for 2000."

- July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": "Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality... Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency.... Our results to date include significant investments in people, technology and marketing to support future growth and profitability. While our plan calls for additional investment in the second half of the year, we are comfortable in our ability to achieve our 15 percent EPS growth target for 2000."

- October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality.... These positive trends give us a high degree of confidence in our ability to deliver 15 percent EPS growth for 2000."

- January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in its History": "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals.... Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality. At the same time, we made significant investments in our technology and human capital that enhance our ability to achieve sustainable and consistent revenue and receivables growth. We have built a powerful franchise that is capable of delivering 13 to 15 percent annual earnings per share growth."

- April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": "Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet. We also repurchased 8.8 million shares in the quarter. . . . All of our businesses are performing well and have great momentum. . . . We are very comfortable with our ability to achieve our receivable and earnings per share growth targets for 2001.... I look forward to another record year."

- July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. . . . Results for the quarter were excellent.... We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter . . . . Our strong performance to date has positioned us well to achieve another record year in 2001."

- October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": "Household's performance this year has been outstanding, even as the economy has continued to weaken. . . . The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations. We further strengthened our balance sheet and continued to repurchase shares. . . . The strength of our franchise gives me confidence that we will achieve the high end of our earnings target of 13 to 15 percent EPS growth for the year."

- January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full Year Net Income": "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic environment. Recognizing the importance of a strong balance sheet, we provided $154 million in excess of owned chargeoffs, bringing our reserves to their highest level ever. . . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year. We further strengthened our balance sheet while investing in sales and marketing to position our franchise for sustainable growth in the future. We are well-positioned to deliver 13 to 15 percent EPS growth for 2002."

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- July 17, 2002 Household Conference Call: "The impact on us of those changed laws has been virtually nil or minimal. That is because we already have in place our best practices. In many cases, our best practices exceed what these states have been asking or are in line with what these states are asking. . . . Now let's talk about the lawsuits. We think straight out that the class action suits brought by Acorn (phonetic) in particular are just baseless, and we don't see any long-term impact there. We think they are wrong. . . . On the AGS, obviously again, it is a political issue. There has been lots of talk. We will like we do on everything else focus on resolving that issue over the next six months or so, but I cannot go into any details except to say that I am confident that our best practices and our current model ultimately will prevail, and we will do what we do because we do not do predatory lending. . . . [T]he final message is lots of moving parts, lots of headline issues, but economically, we run a very strict model and a very good model for our customers, and we don't think when we are sitting here talking to you next year there will be anything substantially different in the returns or practices. I am sorry for such a long answer."

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Lead Plaintiffs specifically incorporate by reference the reasons outlined in Responses to Interrogatory Nos. 137 [36] and 139 [38] for why the statements outlined above were false and misleading. Additionally, Lead Plaintiffs also incorporate by reference their responses to all prior interrogatories served by the defendants in this litigation.

<u>INTERROGATORY NO.143 [42]</u>:

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 that Plaintiffs contend that each statement was false.

RESPONSE TO INTERROGATORY NO.143 [42]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs also object to this interrogatory because it suffers from the same infirmities plaguing all of defendants' interrogatories thus far – it is vague and ambiguous and fails to identify with particularity the information that defendants seek. Lead Plaintiffs object to this interrogatory because it is compound and contains numerous subparts. Lead Plaintiffs also object that this interrogatory is overly broad, unduly burdensome, harassing and vexatious in that it inquires into no fewer than 27 paragraphs of Lead Plaintiffs' Complaint. In addition, Lead Plaintiffs object to this interrogatory because it fails to specify a time period for which a response is sought.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. Further, although the fact-discovery cut-off was scheduled for January 31, 2007, defendants are still producing responsive documents notwithstanding their improper and evasive certification that their document production is complete. Defendants have also failed to log documents on privilege logs despite improperly withholding and/or redacting responsive documents in violation of Fed. R. Civ. P. 26. Lead Plaintiffs further object to this interrogatory because defendants have failed to provide evidence of the documents that were destroyed throughout the entire Company pursuant to the "purge" that occurred in mid-2001; the knowing destruction of relevant documents by certain of the defendants related to Andrew Kahr as well as the destruction of documents and spoliation of other relevant evidence that occurred both during and after the Class Period. Lead Plaintiffs' ability to fully respond to this interrogatory is limited due to defendants' spoliation of evidence. Lead Plaintiffs' response, thus, is based upon such facts as are currently known to them.

Further, defendants have objected to producing documents and/or deposition testimony from a number of witnesses that defendants have identified as having knowledge of facts relevant to this litigation. In addition, the Individual Defendants have refused to respond to the discovery propounded on them by the Class. Lead Plaintiffs will provide responses based upon such facts as are currently known to them. Lead Plaintiffs reserve the right, as necessary and appropriate, to supplement, amend, modify or revise their response to this interrogatory consistent with their obligations under Fed. R. Civ. P. 26(e).

Subject to and specifically incorporating the foregoing General and Specific Objections and without waiving them, Lead Plaintiffs further respond to this interrogatory as follows:

Lead Plaintiffs respond to this interrogatory (or more aptly "interrogatories") by stating as an initial matter that in its detailed and particularized Complaint, Lead Plaintiffs have identified all the false and misleading statements made during the Class Period, including the source of the statement (press release, SEC filing, presentation made to analysts, etc.), the date of the statement, and the circumstances in which the statement was made. Indeed, Judge Guzman found that Lead Plaintiffs had met this requirement of the Private Securities Litigation Reform Act in the Complaint itself by "identifying who made particular statements, when, how they were misleading, and the results of the statements." *See Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc.*, No. 02 C 5893, 2004 U.S. Dist. LEXIS 4659, at *15-*26 (N.D. Ill. Mar. 19, 2004).

Additionally, Lead Plaintiffs identify the following statements that were affirmative misrepresentations made either by the Company or the Individual Defendants:

- Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000, Household falsely stated: "Our focus is to continue using risk-based pricing and effective collection efforts for each loan. We have a process that gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." This statement was repeated in Household's FY00 Report on Form 10-K, filed March 28, 2001.

- Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002, Household falsely stated: "Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. We have been preparing for an economic slowdown since late 1999. Throughout 2000 and 2001, we emphasized real estate secured loans which historically have a lower loss rate as compared to our other loan products, grew sensibly, tightened underwriting policies, reduced unused credit lines, strengthened risk model capabilities and invested heavily in collections capability by adding over 2,500 collectors. As a result, 2001 charge-off and delinquency performance has been well within our expectations."

- Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: "We believe our policies are responsive to the specific needs of the customer segment we serve. . . . Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported. Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition."

- *Business Week* – December 3, 2001: Household stated that the practice of reaging was is an industry norm. Household also stated that collection rates improve after loans were "reaged", that the Company's charge-off policy followed industry standards closely, that applying bank regulatory rules would barely increase the amount of charge-offs and that total reserves were at the highest level in company history.

- December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring.

- Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: Household filed a Form 10-K that disclosed Household's restructuring policies. Specifically, the Management's Discussion and Analysis of Financial Condition and Results of Operations portion of Household's Form 10-K included the statement that "[o]ur policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured."

- Household reiterated this false disclosure in its Form 10-Q for second quarter 2002, filed with the SEC on August 14, 2002, its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002, and its Form 10-Q for third quarter 2002, filed with the SEC October 24, 2002. Beginning in April 2002, Household also disclosed inaccurate and misleading statistics related to restructures in SEC filings and elsewhere.

- April 9, 2002 Financial Relations Conference: Defendants made numerous false statements regarding Household's reaging and restructuring policies. For example, defendants informed investors that Household's policies were "appropriate for each customer segment; that the Company's reage policies were [n]ot intended to defer credit loss recognition or to overstate net income; that the reage policies were in place to for the customer's benefit; that customers who were reaged had indicated willingness and ability to pay; that Household's reage policies had been "consistently applied and [were] appropriate for each product. Defendants also falsely assured investors at the April 9, 2002 conference that Household had in place strict restructuring controls. Household also presented inaccurate statistical data regarding restructures and assured investors that the Company was adequately reserved.

- Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002. "We service each customer with a focus to understand that customer's personal financial needs.... [O]ur policies are designed to be flexible to maximize the collectibility of our loans while not incurring excessive collection expenses on loans that have a high probability of being ultimately uncollectible. Cross-selling of products, proactive credit management, 'hands-on' customer care and targeted product marketing are means we use to retain customers and grow our business."

- Gary Gilmer February 2000 Acceptance Speech for the "Enterprise Valve Award" from *CIO Magazine*: "Vision has had an overwhelmingly positive effect on virtually every aspect of our consumer finance business. We have enjoyed faster and more profitable growth because our account executives are provided with greater numbers of qualified leads, prioritized by the Vision system. Our credit losses are minimized because of the real-time links to our underwriting system. . . ."

- October 22, 1998 Household Press Release entitled "Household International Reports Record Third Quarter Results": Household International "reported net income rose 20 percent to a third-quarter record of $318.0 million, compared with $264.7 million for the third quarter of 1997. Earnings per share increased 19 percent to a third-quarter record of $.63 from $.53 a year ago."

- January 20, 1999 Household Press Release entitled "Household International Reports Q4 and Full Year Results": Household "announced that it achieved record net income and earnings per share for the fourth quarter ended December 31, 1998. Net income of $349.9 million was up 71 percent from $204.8 million recorded in Q497, and reported EPS of $.71 was up 73 percent from $.41 reported in Q497. . . . Receivables of the company's core consumer finance businesses, other than bankcard, grew 12 percent from a year ago and three percent sequentially. . . . The company's managed net interest margin widened to 8.03 percent, up from 7.92 percent in the prior quarter and 7.80 percent a year ago. The sequential quarter and year-over-year improvement resulted from higher yields on unsecured products and lower funding costs, partially offset by the effect of a shift in mix toward secured products."

- April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported record first quarter operating income and operating earnings per share. Net operating income rose 34 percent to $320.8 million, compared with net operating income of $239.3 million a year ago. Earnings per share increased 38 percent to $.65 from operating EPS of $.47 a year ago."

- July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 million a year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent."

- October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago."

- January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income. Credit quality improved from both the third quarter and a year ago. Reserves to nonperforming loans were 100.1 percent at year end."

- Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000: Household "reported return on average common shareholders' equity ("ROE") rose to 23.5 percent in 1999 compared to 18.2 percent in 1998, excluding merger and integration related costs and the gain on sale of Beneficial Canada, and 17.3 percent in 1997. Our return on average owned assets ("ROA") improved to 2.64 percent in 1999 compared to 2.29 percent in 1998, excluding the nonrecurring items, and 2.03 percent in 1997. Our return on average managed assets ("ROMA") improved to 1.99 percent in 1999 compared to 1.60 percent in 1998, excluding the nonrecurring items, and 1.38 percent in 1997. Including the merger and integration related costs and the gain on sale of Beneficial Canada, ROE was 8.1 percent, ROA was 1.04 percent and ROMA was .72 percent in 1998. Our operating net income, ROA, ROMA and ROE have increased steadily over the past three years as a result of our focus on higher-return core businesses and improved efficiency. We expect this trend to continue as we focus on growth of these higher return core businesses."

- April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999. Cash earnings for the quarter totaled $415 million."

- July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. Cash earnings per share for the quarter totaled $.88. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter."

- October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household "reported that third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago. Cash earnings per share for the quarter totaled $1.02."

- January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household "reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago."

- April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results."

- July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up to 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000."

- October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000."

- January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000."

- April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million."

- July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million."

- April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": "Strong loan growth in our consumer finance business, improved efficiency and higher income from our tax refund loan business led to the strongest first quarter in our 120 year history. . . . We have great momentum in this business." "1999 is off to a very good start and we are on track to meet our earnings and growth targets."

- July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": "Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business. We have excellent momentum. . . . Growth in the HFC and Beneficial consumer finance branch business continues to improve and also gives us an excellent platform from which to cross-sell many of our other products. Our 1,400 branches and 7,000 branch employees give us a real advantage as we focus on satisfying more of our customers' credit needs."

- October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth. Retail consumer finance growth was particularly strong. Looking ahead to the fourth quarter and into next year, we see great momentum across all businesses, but most notably in our HFC/Beneficial finance business. I am confident we will achieve our earnings goal for this year and we are well positioned for next year."

- January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": "We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our expectations. Revenues were particularly strong." "Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger. We move into the new year with a real sense of excitement, great momentum throughout the company and strong competitive positions in each of our businesses."

- April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": "This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve. To build upon the momentum that is evident in these results, we increased our investment in marketing programs and e commerce initiatives." "The year is off to a great start. . . . We are seeing a continuation of the very positive business trends that emerged in the second half of 1999. We remain comfortable with our receivable, revenue and earnings per share growth targets for 2000."

- July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": "Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality. . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency. . . . Our results to date include significant investments in people, technology and marketing to support future growth and profitability. While our plan calls for additional investment in the second half of the year, we are comfortable in our ability to achieve our 15 percent EPS growth target for 2000."

- October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality.... These positive trends give us a high degree of confidence in our ability to deliver 15 percent EPS growth for 2000."

- January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality. At the same time, we made significant investments in our technology and human capital that enhance our ability to achieve sustainable and consistent revenue and receivables growth. We have built a powerful franchise that is capable of delivering 13 to 15 percent annual earnings per share growth."

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Lead Plaintiffs specifically incorporate by reference the reasons outlined in Responses to Interrogatory Nos. 138 [37] and 139 [38] for why the statements outlined above were false and misleading. Additionally, Lead Plaintiffs also incorporate by reference their responses to all prior interrogatories served by the defendants in this litigation.

INTERROGATORY NO.144 [43]:

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 that Plaintiffs contend that each statement was false.

RESPONSE TO INTERROGATORY NO.144 [43]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs also object to this interrogatory because it suffers from the same infirmities plaguing all of defendants' interrogatories thus far – it is vague and ambiguous and fails to identify with particularity the information that defendants seek. Lead Plaintiffs object to this interrogatory because it is compound and contains numerous subparts. Lead Plaintiffs also object that this interrogatory is overly broad, unduly burdensome, harassing and vexatious in that it inquires into no fewer than 22 paragraphs of Lead Plaintiffs' Complaint. In addition, Lead Plaintiffs object to this interrogatory because it fails to specify a time period for which a response is sought.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. Further, although the fact-discovery cut-off was scheduled for January 31, 2007, defendants are still producing responsive documents notwithstanding their improper and evasive certification that their document production is complete. Defendants have also failed to log documents on privilege logs despite improperly withholding and/or redacting responsive documents in violation of Fed. R. Civ. P. 26. Lead Plaintiffs further object to this interrogatory because defendants have failed to provide evidence of the documents that were destroyed throughout the entire Company pursuant to the "purge" that occurred in mid-2001; the knowing destruction of relevant documents by certain of the defendants related to Andrew Kahr; as well as the destruction of documents and spoliation of other relevant evidence that occurred both during and after the Class Period. Lead Plaintiffs' ability to fully respond to this interrogatory is limited due to defendants' spoliation of evidence. Lead Plaintiffs' response, thus, is based upon such facts as are currently known to them.

Further, defendants have objected to producing documents and/or deposition testimony from a number of witnesses that defendants have identified as having knowledge of facts relevant to this litigation. In addition, the Individual Defendants have refused to respond to the discovery propounded on them by the Class. Lead Plaintiffs will provide a response based upon such facts as are currently known to them. Lead Plaintiffs reserve the right, as necessary and appropriate, to supplement, amend, modify or revise their response to this interrogatory consistent with their obligations under Fed. R. Civ. P. 26(e).

Subject to and specifically incorporating the foregoing General and Specific Objections and without waiving them, Lead Plaintiffs further respond to these interrogatories as follows:

Lead Plaintiffs respond to this interrogatory (or more aptly "interrogatories") by stating as an initial matter that in its detailed and particularized Complaint, Lead Plaintiffs have identified all the false and misleading statements made during the Class Period, including the source of the statement (press release, SEC filing, presentation made to analysts, etc.), the date of the statement, and the circumstances in which the statement was made. Indeed, Judge Guzman found that Lead Plaintiffs had met this requirement of the Private Securities Litigation Reform Act in the Complaint itself by "identifying who made particular statements, when, how they were misleading, and the results of the statements." *See Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc.*, No. 02 C 5893, 2004 U.S. Dist. LEXIS 4659, at *15-*26 (N.D. Ill. Mar. 19, 2004).

Additionally, Lead Plaintiffs identify the following statements that were affirmative misrepresentations made either by the Company or the Individual Defendants:

- October 22, 1998 Household Press Release entitled "Household International Reports Record Third Quarter Results": Household "reported net income rose 20 percent to a third-quarter record of $318.0 million, compared with $264.7 million for the third quarter of 1997. Earnings per share increased 19 percent to a third-quarter record of $.63 from $.53 a year ago."

- January 20, 1999 Household Press Release entitled "Household International Reports Q4 and Full Year Results": Household "announced that it achieved record net income and earnings per share for the fourth quarter ended December 31, 1998. Net income of $349.9 million was up 71 percent from $204.8 million recorded in Q497, and reported EPS of $.71 was up 73 percent from $.41 reported in Q497. . . . Receivables of the company's core consumer finance businesses, other than bankcard, grew 12 percent from a year ago and three percent sequentially. . . . The company's managed net interest margin widened to 8.03 percent, up from 7.92 percent in the prior quarter and 7.80 percent a year ago. The sequential quarter and year-over-year improvement resulted from higher yields on unsecured products and lower funding costs, partially offset by the effect of a shift in mix toward secured products."

- April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported record first quarter operating income and operating earnings per share. Net operating income rose 34 percent to $320.8 million, compared with net operating income of $239.3 million a year ago. Earnings per share increased 38 percent to $.65 from operating EPS of $.47 a year ago."

- July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results" Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 million a year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent."

- October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago."

- January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income. . . . Credit quality improved from both the third quarter and a year ago. . . . Reserves to nonperforming loans were 100.1 percent at year end."

- Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000: Household reported "return on average common shareholders' equity ("ROE") rose to 23.5 percent in 1999 compared to 18.2 percent in 1998, excluding merger and integration related costs and the gain on sale of Beneficial Canada, and 17.3 percent in 1997. Our return on average owned assets ("ROA") improved to 2.64 percent in 1999 compared to 2.29 percent in 1998, excluding the nonrecurring items, and 2.03 percent in 1997. Our return on average managed assets ("ROMA") improved to 1.99 percent in 1999 compared to 1.60 percent in 1998, excluding the nonrecurring items, and 1.38 percent in 1997. Including the merger and integration related costs and the gain on sale of Beneficial Canada, ROE was 8.1 percent, ROA was 1.04 percent and ROMA was .72 percent in 1998. Our operating net income, ROA, ROMA and ROE have increased steadily over the past three years as a result of our focus on higher-return core businesses and improved efficiency. We expect this trend to continue as we focus on growth of these higher return core businesses."

- April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999. Cash earnings for the quarter totaled $415 million."

- July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. Cash earnings per share for the quarter totaled $.88. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter."

- October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "[t]hird quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago. Cash earnings per share for the quarter totaled $1.02."

- January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household "reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago."

- April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results."

- July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up to 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000."

- October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household reported "[e]arnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000."

- January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000."

- April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million."

- July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million."

Lead Plaintiffs specifically incorporate by reference the reasons outlined in Responses to Interrogatory Nos. 137 [36], 138 [37] and 139 [38] for why the statements outlined above were false and misleading. Additionally, Lead Plaintiffs also incorporate by reference their responses to all prior interrogatories served by the defendants in this litigation.

DATED: February 1, 2008

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Lead Counsel for Plaintiffs

Exhibit 2

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP

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NEW YORK · BOCA RATON
WASHINGTON, DC · HOUSTON
LOS ANGELES · PHILADELPHIA

Luke O. Brooks
LukeB@csgrr.com

November 10, 2008

VIA FACSIMILE

Ira J. Dembrow
CAHILL GORDON & REINDEL LLP
Eighty Pine Street
New York, NY 10005-1702

Re: *Lawrence E. Jaffe Pension Plan v. Household International, Inc., et al.*
Case No. 02-CIV-5893 (N.D. Ill)

Dear Ira:

I write in response your three letters sent Friday afternoon. Your accusations of bad faith are, as usual, unfounded and overblown. Plaintiffs have taken great care in selecting their witnesses and testimony. The fact is, the number of diverse issues in the case, the division of Household (a 33,000 employee company) into six segments and the length of the Class Period require this number of witnesses. Preparing the PTO is an iterative process, and defendants have not yet disclosed any information regarding their proposed witnesses or deposition designations. Nor have defendants produced their objections to plaintiffs' witnesses, deposition designations or trial exhibits. Naturally, as this information is provided, plaintiffs will continue to work to refine their witness list and deposition designations That said, if you really need more than five weeks for your counter-designations, we are available to meet and confer.

With respect to the nine individuals identified in your first letter, these witnesses have expressed their preference that contact and scheduling related to this case go through us. As I am sure you are aware, these witnesses were formerly sales branch employees at Household during the Class Period. Plaintiffs appropriately notified defendants in 2004 of plaintiffs' belief that such employees were likely to have relevant information in plaintiffs' amended initial disclosures, served on August 20, 2004. These explicitly state:

> Plaintiffs believe that there are Regional Sales Managers (RSM), District Sales Managers (DSM), Branch Sales Managers (BSM), Senior Account Executives, Account Executives, Sales Assistants, as well as trainers, collections people, underwriters and other individuals within the Household organization whose identities are not known to plaintiffs at this time, who are likely to have discoverable information relating to one or more of the subjects outlined in the Complaint. (*See* p.67)

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP

Your letter implies that plaintiffs should have previously amended their initial disclosures or interrogatory responses to specifically identify these individuals. However, plaintiffs did not discover that these witnesses had knowledge of defendants' predatory lending practices until after fact discovery closed. Even setting that fact aside, the implication that plaintiffs should have amended their initial disclosures is especially disingenuous given your own stance on amending defendants' initial disclosures. *See* May 31, 2006 and June 8, 2006 correspondence between Luke Brooks and Ira Dembrow. These individuals are former employees known to the defendants and were identified during the discovery process, specifically "in documents produced in response to Plaintiffs' . . . document requests." *See* June 8, 2006 Dembrow letter. Thus, by your own standard, even if plaintiffs had discovered these witnesses during the Class Period, amendment would not have been required. As former employees, moreover, they do not fall under the auspices of defendants' interrogatory seeking the identification of "witnesses not ***affiliated with Household*** believed by Plaintiffs to have knowledge of any alleged predatory lending practices."

Your letter includes a vague reference to taking "appropriate action" if these former Household employees remain on plaintiffs' witness list. Although plaintiffs do not believe any additional action is warranted, we are available this week to discuss the "appropriate action" defendants have in mind.

Your third letter sent Friday complains that plaintiffs have not identified false and misleading statements in their proposed jury instructions and/or verdict form. As you can surmise from their absence, plaintiffs do not believe that in this case it is necessary or appropriate to include each false statement or omission in the jury instructions or verdict form. We would prefer to discuss the jury instructions and verdict form after we receive your edits to our proposals, and not in the piece-meal fashion suggested by your letter. If you would like to begin the discussions early, we welcome your edits to our proposals in advance of December 8. As to your demand that we amend by tomorrow our proposed statement of contested facts and law to include each false statement and the reasons why they are false, we do not understand the statement of contested facts and law to require this level of detail, which is more appropriate for plaintiffs' trial brief, due January 30, 2009. If you are aware of authority to the contrary we will of course consider it.

Very truly yours,

Luke O. Brooks

LOB:cs

S:\Cases\D\Household Intl\Corres\Dembrow_11-10-08 LOB doc

Exhibit 3

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WRITER'S DIRECT NUMBER
(212) 701-3648

November 7, 2008

Re: Lawrence E. Jaffe Pension Plan v. Household International, Inc., et al. <u>Case No. 02-CV-5893 (N.D. Ill.)</u>

Dear Luke:

I write regarding a specific deficiency that permeates the various submissions Plaintiffs provided to Defendants on October 31.[1] Plaintiffs do not, in their proposed Statement of Contested Issues, Proposed Jury Instructions or any other submission, provide any indication of what alleged false statements of fact or omissions Plaintiffs intend to prove at trial, in what way the unspecified allegedly false statements were untrue, or how "truth" of the unspecified allegedly false statements was revealed.

Securities fraud liability is premised on false statements or omissions. As Plaintiffs acknowledge, proof of a false disclosure is literally the "first element of their § 10(b) claim." *See Plaintiffs' Proposed Jury Instruction No. 50* ("To satisfy the first element of their §10(b) claim, plaintiffs bear the burden of proving by a preponderance of the evidence that the defendant made an untrue statement of fact or omitted a material fact when making a statement."). All of the other elements of the § 10(b) claim relate to the particular false statement(s) or omission(s) at issue. The fact that Plaintiffs nowhere in their submission enumerate the alleged false statements or omissions they intend to prove at trial evinces bad faith and an inexcusable failure to comply with the letter and spirit of the Pretrial Order process.

In response to Defendants' interrogatories, Plaintiffs have previously alleged more than 80 "affirmative misrepresentations" they attribute to Defendants (Plaintiffs' responses to interrogatories Nos. 41-43) as well as numerous alleged omissions (Plaintiffs' responses to interrogato-

---

1 The fact that I am writing regarding this single issue does not indicate that Plaintiffs' submissions are not deeply flawed in other respects. We will address other deficiencies elsewhere.

ries Nos. 36-40). Is this the universe of misstatements and omissions that Plaintiffs will attempt to prove at trial, or will they focus on a subset of these and/or a different set of allegedly fraudulent disclosures? Although Plaintiffs presumably know (or by now should know) what they intend to prove at trial, their October 31 submissions are silent on this key subject.

For instance, Plaintiffs' proposed Verdict Form proposes to ask jurors generally whether *any* false statement was made by a given Defendant, with no specification of the alleged false statement(s) or omission(s) that Plaintiffs intend to prove at trial. In addition to leaving Defendants and the Court in the dark about the proposed scope of trial, Plaintiffs' open-ended Verdict Form would provide no necessary guidance to the jury. Similarly, Plaintiffs' Statement of Contested Facts reads like a headnote on the elements of a securities fraud claim, with no clue as to their suggested application to this case, except for the mention of individual Defendants' names. In these (as in many other) respects, these submissions stand in sharp contrast to the PTOs deemed acceptable by the courts supervising recent securities fraud trials. (See for example, the detailed verdict form used in *In re JDS Uniphase Corp. Securities Litigation*, which identified each alleged false statement or omission so that the jury could decide on each element of the Rule 10b-5 action as to each alleged false statement or omission attributed to each Defendant.)[2]

This deficiency must be cured immediately in order for Defendants to refine their PTO submissions in response to Plaintiffs' proposed trial plan. The process of negotiating and agreeing on a draft Pretrial Order is designed to narrow and identify the issues for trial and specify the parties' respective positions on issues to be tried. As Defendants, we are necessarily in a position of reacting to your proposals. We cannot make progress toward reaching an agreement on a draft Pretrial Order unless and until Plaintiffs provide Defendants with a reasonable proposal, made in good faith. Unless Plaintiffs promptly identify the alleged false statement(s) or omission(s) they intend to introduce in connection with the "first element" of their § 10(b) claim, and propose a modified Statement of Contested Issues that specifies in what specific way each alleged false statement was false and how the truth of each alleged false statement came to be known, Defendants and the Court will be entitled to assume that Plaintiffs do not intend to rely at trial on any particular statement or omission. Put another way, Plaintiffs will have waived their right to prove the alleged falsity of any statement or omission that is not identified in their PTO submission.

Defendants therefore ask that Plaintiffs provide, by Tuesday November 11, proposed submissions, including a Statement of the Contested Issues and Verdict form, that identify the particular alleged false statements or omissions that Plaintiffs intend to prove at trial to satisfy the first element of their § 10(b) claim and that specify in what specific way each alleged false statement was false and how the truth of each alleged false statement came to be known. Please let me know whether you will do so.

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2 As you may be aware, your colleague Ms. Mehdi has previously cited approvingly to the verdict form adopted by the *JDS Uniphase* court. *See* Transcript of November 20, 2007 Status Conference Before Hon. Nan R. Nolan at 18:12-24.

Sincerely,

Ira J. Dembrow

Luke O. Brooks, Esq.
Coughlin Stoia Geller
Rudman & Robbins LLP
100 Pine Street, 26th Floor
San Francisco, CA 94111

VIA FACSIMILE

cc: Adam Deutsch, Esq. (via facsimile)
Marvin A. Miller, Esq. (via facsimile)

Exhibit 4

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

LAWRENCE E. JAFFE PENSION PLAN, on behalf of itself and all others similarly situated,	)
Plaintiff,	)
vs.	) No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC., et al.,	) Chicago, Illinois
	) December 16, 2008
Defendants.	) 9:30 a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiff:

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MILLER LAW LLC
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MR. KAVALER: And that's one of the rulings I don't quarrel with, your Honor. That was a pleading motion. I fully agree that brought us here.

THE COURT: The point I'm making is that I don't think you're going to present evidence as to all of those. I don't think you are. And if you're not, throw them out and let's give us all -- them and the Court -- a list of the statements that you're actually going to rely upon at trial.

MS. MEHDI: Okay.

THE COURT: I don't think that's unduly restrictive. I mean, you're going to make that determination; so the question is how far ahead of trial do you make it. You have to be pretty far along, if not already set.

So you tell me. When can we have a more particularized listing of the allegedly false and misleading statements and/or omissions that you're going to actually use at trial?

MS. MEHDI: The particularized listing will at least be all of the statements listed in our interrogatory responses. No more than that. We're not going to do any more than that.

THE COURT: So your assertion is that you are going to present evidence as to each of the statements alleged in your interrogatory answers?

MS. MEHDI: Yes.

THE COURT: There you have it, counsel. The interrogatory answers is the blueprint of misleading statements.

MS. MEHDI: And it's listed in bullet form.

THE COURT: I'm sorry?

MS. MEHDI: It's listed in bullet form, the statements, with dates and the source of the false statement.

MR. KAVALER: Very good, your Honor. So when we are -- we will submit a revised draft of the special verdict form. And where we currently have said the following false statements one through X, we will list at a minimum the 84 affirmative misrepresentations listed by the interrogatories, as well as the numerous omissions listed by the interrogatories. And we will try to find a vehicle to hold Ms. Mehdi to what she said. As your Honor said, if they fail to prove that at the trial, I assume you'll remember this morning's conversation and whatever flows will flow.

MS. MEHDI: Well, your Honor, using the JDS Uniphase case, you know, they had a listing of false statements. And by the time that trial began and the Court determined that certain of the statements that -- that plaintiffs had not proven -- in fact, I think they lost at trial because the jury found the statements weren't false. The fact of the matter is that some of those statements were eliminated. Now, I hope and my expectation is we will be able to prove all of those.

Exhibit 5

HOUSEHOLD INTERNATIONAL
FALSE STATEMENTS

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>1.</td><td>07/22/1999

*Plaintiffs' use of this false statement is dependent on the Court's ruling on defendants' motion for summary judgment, and other pretrial rulings by the Court.</td><td>Household Press Release</td><td>July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 million a year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent to $.74."
* * *
"Credit quality continued to improve. The managed delinquency ratio (60+days) declined for the third consecutive quarter to 4.72 percent at June 30, compared with 4.81 percent at March 31 and 4.65 percent a year ago. The annualized managed net chargeoff ratio for the second quarter improved to 4.10 percent, lower than 4.37 percent in the first quarter and 4.26 percent in the year-ago quarter."
* * *
"Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business."</td></tr>
<tr><td>2.</td><td>08/16/1999</td><td>Household 10-Q</td><td>Household 10-Q for quarter ending 6/30/99: Household reported net income of $326.9 million for the quarter ended June 30, 1999 and EPS of $0.67:

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>6/30/99</th><th>3/31/99</th><th>12/31/98</th><th>9/30/98</th><th>6/30/98</th></tr>
<tr><td>First mortgage</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td><td>11.07%</td></tr>
<tr><td>Home equity</td><td>3.29</td><td>3.54</td><td>3.67</td><td>3.73</td><td>3.55</td></tr>
<tr><td>Auto finance</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td><td>1.67</td></tr>
<tr><td>MasterCard/Visa</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td><td>3.30</td></tr>
<tr><td>Private label</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td><td>6.10</td></tr>
</table></td></tr>
</table>

	Date	Document Title	Statement
			Other unsecured 8.17 7.84 7.94 8.03 7.82 Total 4.72% 4.81% 4.90% 4.96% 4.65% * * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.96 percent, compared with 5.04 percent at March 31, 1999 and 4.89 percent at June 30, 1998. The annualized total consumer owned chargeoff ratio in the second quarter of 1999 was 3.54 percent, compared with 3.92 percent in the prior quarter and 3.69 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency ("delinquency") as a percent of managed consumer receivables was 4.72 percent, compared with 4.81 percent at March 31, 1999 and 4.65 percent at June 30, 1998. The annualized total consumer managed chargeoff ratio in the second quarter of 1999 was 4.10 percent, compared with 4.37 percent in the prior quarter and 4.26 percent in the year-ago quarter."
3.	10/19/1999	Household Press Release	October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago." * * * "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth." * * * "Credit Quality and Loss Reserves Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago."
4.	11/12/1999	Household 10-Q	Household 10-Q for quarter ending 9/30/99: Household reported net income of $399.9 million for the quarter ended September 30, 1999 and EPS of $0.84: "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>3.63 percent in the third quarter of 1999, compared with 3.54 percent in the prior quarter and 3.79 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.89 percent at September 30, 1999, compared with 4.72 percent at June 30, 1999 and 4.96 percent at September 30, 1998. The annualized total consumer managed chargeoff ratio was 4.09 percent in the third quarter of 1999, compared with 4.10 percent in the prior quarter and 4.33 percent in the year-ago quarter."

* * *

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>9/30/99</th><th>6/30/99</th><th>3/31/99</th><th>12/31/98</th><th>9/30/98</th></tr>
<tr><td>First mortgage</td><td>12.56%</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td></tr>
<tr><td>Home equity</td><td>3.46</td><td>3.29</td><td>3.54</td><td>3.67</td><td>3.73</td></tr>
<tr><td>Auto finance</td><td>2.26</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td></tr>
<tr><td>MasterCard/Visa</td><td>3.10</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td></tr>
<tr><td>Private label</td><td>6.66</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td></tr>
<tr><td>Other unsecured</td><td>8.57</td><td>8.17</td><td>7.84</td><td>7.94</td><td>8.03</td></tr>
<tr><td>Total</td><td>4.89%</td><td>4.72%</td><td>4.81%</td><td>4.90%</td><td>4.96%</td></tr>
</table>
"Credit quality remained relatively stable in the quarter and improved from a year ago. The modest increase in managed delinquency as a percent of managed consumer receivables from the prior quarter was due to the seasoning of our Beneficial home equity and other unsecured products."</td></tr>
<tr><td>5.</td><td>01/19/2000</td><td>Household Press Release</td><td>January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income."
* * *
"We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our</td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>expectations. Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger."
* * *
"Credit Quality and Loss Reserves
Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago."</td></tr>
<tr><td>6.</td><td>03/28/2000</td><td>Household FY99 Report on Form 10-K</td><td>Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000 Household reported net income of 1.486 billion and E.P.S. of $3.10:
* * *
"Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . .

We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."
* * *
Consumer Two-Month-and-Over Contractual Delinquency Ratios

<table><tr><td>Managed Two Month and Over Contractual Delinquency Ratios</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr><tr><td>Home equity</td><td>3.27%</td><td>3.67%</td><td>3.69%</td><td>3.04%</td><td>2.76%</td></tr></table></td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Auto finance/1/</td><td>2.43</td><td>2.29</td><td>2.09</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>2.78</td><td>3.75</td><td>3.10</td><td>2.73</td><td>2.19</td></tr>
<tr><td>Private label</td><td>5.97</td><td>6.20</td><td>5.81</td><td>4.60</td><td>3.93</td></tr>
<tr><td>Other unsecured</td><td>8.81</td><td>7.94</td><td>7.81</td><td>6.21</td><td>5.68</td></tr>
<tr><td>Total consumer</td><td>4.66%</td><td>4.90%</td><td>4.64%</td><td>3.92%</td><td>3.36%</td></tr>
<tr><td>Ratio of Net Chargeoffs to Average Managed Receivables for the Year</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
<tr><td>Home equity</td><td>0.58%</td><td>0.63%</td><td>0.64%</td><td>0.60%</td><td>0.64%</td></tr>
<tr><td>Auto finance /1/</td><td>4.96</td><td>5.39</td><td>4.60</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>6.66</td><td>5.95</td><td>5.55</td><td>4.54</td><td>4.12</td></tr>
<tr><td>Private label</td><td>5.65</td><td>5.65</td><td>4.62</td><td>3.42</td><td>3.75</td></tr>
<tr><td>Other unsecured</td><td>6.52</td><td>6.97</td><td>5.48</td><td>4.29</td><td>3.60</td></tr>
<tr><td>Total Consumer loan products</td><td>4.13</td><td>4.29</td><td>3.84</td><td>2.96</td><td>2.51</td></tr>
<tr><td>Commercial</td><td>0.93</td><td>0.52</td><td>1.66</td><td>0.92</td><td>2.10</td></tr>
<tr><td>Total</td><td>4.09%</td><td>4.24</td><td>3.80%</td><td>2.92%</td><td>2.49%</td></tr>
</table>
</td></tr>
<tr><td>7.</td><td>04/19/2000</td><td>Household Press Release</td><td>April 19, 2000 Household Press Release entitled “Household International Reports Record First Quarter Results”: Household “reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999.”
* * *
“This was the strongest first quarter in our company’s history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve.”
* * *
“Credit Quality and Loss Reserves
At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter.”</td></tr>
<tr><td>8.</td><td>05/10/2000</td><td>Household 10-Q</td><td>Household 10-Q for 3/31/00 quarter ending: Household reported net income of $372.9 million for the quarter ended March 30, 2000 and EPS of $0.79 per share:

CREDIT QUALITY</td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>3/31/00</th><th>12/31/99</th><th>9/30/99</th><th>6/30/99</th><th>3/31/99</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td><td>3.54%</td></tr>
<tr><td>Auto finance</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td><td>1.74</td></tr>
<tr><td>MasterCard/Visa</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td><td>3.61</td></tr>
<tr><td>Private label</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td><td>6.37</td></tr>
<tr><td>Other unsecured</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td><td>7.84</td></tr>
<tr><td>Total</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td><td>4.81%</td></tr>
<tr><td>Owned</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td><td>5.04%</td></tr>
</table>
* * *
"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at March 31, 2000, compared with 4.81 percent at December 31, 1999 and 5.04 percent at March 31, 1999. The annualized consumer owned chargeoff ratio was 3.53 percent in the first quarter of 2000, compared with 3.62 percent in the prior quarter and 3.92 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at March 31, 2000, compared with 4.66 percent at December 31, 1999 and 4.81 percent at March 31, 1999. The annualized total consumer managed chargeoff ratio was 4.00 percent in the first quarter of 2000, compared with 3.96 percent in the prior quarter and 4.37 percent in the year-ago quarter."</td></tr>
<tr><td>9.</td><td>07/19/2000</td><td>Household Press Release</td><td>July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter."
* * *</td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>“Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality . . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency.”
* * *
“Credit Quality and Loss Reserves
Credit quality improved dramatically during the quarter, as dollars of chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter feel 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago.”</td></tr>
<tr><td>10.</td><td>08/11/2000</td><td>Household 10-Q</td><td>Household 10-Q for 6/30/00 quarter ending: Household reported net income of $383.9 million for the quarter ended June 30, 2000 and EPS of $0.80:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>6/30/00</th><th>3/31/00</th><th>12/31/99</th><th>9/30/99</th><th>6/30/99</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td></tr>
<tr><td>Auto finance</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td></tr>
<tr><td>MasterCard/Visa</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td></tr>
<tr><td>Private label</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td></tr>
<tr><td>Other unsecured</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td></tr>
<tr><td>Total</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td></tr>
<tr><td>Owned</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td></tr>
</table>
* * *
“Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000</td></tr>
</table>

	Date	Document Title	Statement
			was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent, compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999. The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter."
11.	10/18/2000	Household Press Release	October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago." * * * "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality." * * * "Credit Quality and Loss Reserves The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent."
12.	11/01/2000	*St. Louis Dispatch* article	Article in *St. Louis Dispatch* on November 1, 2000 "ACORN cited a loan made in July by another subprime lender, HFC Mortgage Corp. According to loan documents, HFC charged a University City couple 12.5 percent interest on a $76,900 loan. Added in were $5,700 for credit life insurance and an origination fee of $5,200, adding nearly $11,000 to the cost. Mainstream lenders were charging 8 percent in interest on such 15-year loans at the time." * * *

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>"HFC spokesman Craig Streem said that the loan was 'not a predatory loan by any definition.'"
* * *
"Streem says HFC never pressures people to buy credit life insurance."</td></tr>
<tr><td>13.</td><td>11/07/2000</td><td>Household Press Release</td><td>November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital: Household International supports Citigroup's announcement today of its efforts to boost consumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International.

Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete."</td></tr>
<tr><td>14.</td><td>11/10/2000</td><td>Household 10-Q</td><td>Household 10-Q for quarter ending 9/30/2000: "Household reported net income of $451.2 million for the quarter ended September 30, 2000 and EPS of $0.95:

CREDIT QUALITY
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Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>September 30, 2000</th><th>June 30, 2000</th><th>March 31, 2000</th><th>December 31, 2000</th><th>September 30, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.77%</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td></tr>
<tr><td>Auto finance</td><td>2.19</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td></tr>
<tr><td>MasterCard/Visa</td><td>3.48</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td></tr>
<tr><td>Private label</td><td>5.67</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td></tr>
<tr><td>Other unsecured</td><td>7.72</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td></tr>
<tr><td>Total</td><td>4.21%</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td></tr>
<tr><td>Owned</td><td>4.29%</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td></tr>
</table>
* * *
"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000</td></tr>
</table>

	Date	Document Title	Statement
			was 3.01 percent, compared with 3.27 percent in the prior quarter and 3.63 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.21 percent at September 30, 2000, compared with 4.16 percent at June 30, 2000 and 4.89 percent at September 30, 1999. The annualized total consumer managed chargeoff ratio in the third quarter of 2000 was 3.47 percent, compared with 3.74 percent in the prior quarter and 4.09 percent in the year-ago quarter."
15.	01/17/2001	Household Press Release	January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago." "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality." * * * "Credit Quality and Loss Reserves The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio (60+days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago."
16.	03/12/2001	Household Press Release	March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z": "'Household's position on predatory lending is perfectly clear,' said Gary Gilmer, president and CEO of HFC and Beneficial. 'Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly,

	Date	Document Title	Statement
			our customers.' . . . The company reaffirmed that it fully complies with all applicable federal and state laws and regulations."
17.	03/28/2001	Household FY00 Report on Form 10-K	Household FY00 Report on Form 10-K filed with the SEC on March 28, 2001 Household reported net income of 1.7 billion and E.P.S. of $3.55: * * * "Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." * * * "Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions." . . . We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." * * * Credit Quality Statistics: CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS 2000 Quarter End: 4 3 2 1 — 1999 Quarter End: 4 3 2 1

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>Managed:
<table>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.77%</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td><td>3.54%</td></tr>
<tr><td>Auto finance</td><td>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td><td>1.74</td></tr>
<tr><td>MasterCard/Visa</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td><td>3.61</td></tr>
<tr><td>Private label</td><td>5.48</td><td>5.67</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td><td>6.37</td></tr>
<tr><td>Other unsecured</td><td>7.97</td><td>7.72</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td><td>7.84</td></tr>
<tr><td>Total Managed</td><td>4.20%</td><td>4.21%</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td><td>4.81%</td></tr>
<tr><td>Total Owned</td><td>4.26%</td><td>4.29%</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td><td>5.04%</td></tr>
</table></td></tr>
<tr><td>18.</td><td>04/18/2001</td><td>Household Press Release</td><td>April 18, 2001 Household Press Release entitled “Household International Reports First Quarter Results; 11th Consecutive Record Quarter”: Household “reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results.”
* * *
“Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet.”
* * *
“Credit Quality and Loss Reserves
At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter.”</td></tr>
<tr><td>19.</td><td>04/20/2001</td><td>Origination News article</td><td>Origination News – March 23, 2001: “Gary Gilmer, president and chief executive of Household’s subsidiaries HFC and Beneficial said the company’s ‘position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers.’”</td></tr>
<tr><td>20.</td><td>05/09/2001</td><td>Household 10-Q</td><td>Household 10-Q for 3/31/01 quarter ended: Household reported net income of $431.8 million for the quarter ended March 31, 2001 and EPS of $0.92:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency</td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table><tr><th></th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th><th>March 31, 2000</th></tr><tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Real estate secured</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td><td>2.99%</td></tr><tr><td>Auto finance</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td></tr><tr><td>MasterCard/Visa</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td></tr><tr><td>Private label</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td><td>5.94</td></tr><tr><td>Other unsecured</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td><td>8.56</td></tr><tr><td>Total managed</td><td>4.25%</td><td>4.20%</td><td>4.21%</td><td>4.16%</td><td>4.43%</td></tr><tr><td>Owned</td><td>4.36%</td><td>4.26%</td><td>4.29%</td><td>4.25%</td><td>4.58%</td></tr></table>
* * *

“Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.36 percent at March 31, 2001, compared with 4.26 percent at December 31, 2000 and 4.58 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.12 percent, compared with 2.98 percent in the prior quarter and 3.53 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.25 percent at March 31, 2001, compared with 4.20 percent at December 31, 2000 and 4.43 percent at March 31, 2000. The annualized consumer managed chargeoff ratio in the first quarter of 2001 was 3.56 percent, compared with 3.41 percent in the prior quarter and 4.00 percent in the year-ago quarter.”</td></tr>
<tr><td>21.</td><td>07/18/2001</td><td>Household Press Release</td><td>July 18, 2001 Household Press Release entitled “Household International Reports Second Quarter Results; 12th Consecutive Record Quarter”: Household “reported record earnings per share of $.93, up 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000.” . . .

“We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter.”</td></tr>
</table>

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>"Credit Quality and Loss Reserves
At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter."</td></tr>
<tr><td>22.</td><td>07/24/2001</td><td>The New York Times article</td><td>The New York Times – July 24, 2001: "It's not tied to hearings or activism or anything else in particular" said Craig Streem, a spokesman for Household . . . "[W]e've been working on [the announced changes] for quite some time. So, it really is a coincidence."</td></tr>
<tr><td>23.</td><td>07/27/2001</td><td>Star Tribune article</td><td>Star Tribune – July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'"</td></tr>
<tr><td>24.</td><td>08/10/2001</td><td>Household 10-Q</td><td>Household 10-Q for 6/30/01 quarter ended: Household reported net income of $439 million for the quarter ended June 30, 2001 and EPS of $0.94:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>June 30, 2001</th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td></tr>
<tr><td>Auto finance</td><td>2.09</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td></tr>
<tr><td>MasterCard/Visa</td><td>3.60</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td></tr>
<tr><td>Private label</td><td>5.66</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td></tr>
<tr><td>Other unsecured</td><td>8.43</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td></tr>
<tr><td>Total managed</td><td>4.27%</td><td>4.25%</td><td>4.20%</td><td>4.21%</td><td>4.16%</td></tr>
<tr><td>Owned</td><td>4.48%</td><td>4.36%</td><td>4.26%</td><td>4.29%</td><td>4.25%</td></tr>
</table>
* * *
"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and</td></tr>
</table>

	Date	Document Title	Statement
			4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter."
25.	10/17/2001	Household Press Release	October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000." "Household's performance this year has been outstanding, even as the economy has continued to weaken. . . . The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations." "Credit Quality and Loss Reserves At September 30th, the managed delinquency ratio (60+ days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter."
26.	10/31/2001	*Associated Press* article	*Associated Press* – October 31, 2001: "Household spokeswoman Megan Hayden denied the company engaged in predatory lending through its Beneficial and Household Finance subsidiaries, even as she pointed to steps the company took this year to end some of its most criticized practices. Hayden said the problem involved not her company, but 'rogue lenders.' Government regulators say predatory lenders often target the poor, racial and ethnic minorities, seniors and single women."

	Date	Document Title	Statement
27.	11/14/2001	Household 10-Q	Household 10-Q for quarter ended 9/30/01: Household reported net income of $503.8 million for the quarter ended June 30, 2001 and EPS of $1.09:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):

	September 30, 2001	June 30, 2001	March 31, 2001	December 30, 2000	September 30, 2000
Managed:					
Real estate secured	2.74%	2.63%	2.61%	2.63%	2.77%
Auto finance	2.54	2.09	1.79	2.55	2.19
MasterCard/Visa	3.91	3.60	3.68	3.49	3.48
Private label	5.88	5.66	5.50	5.48	5.67
Other unsecured	8.51	8.43	8.37	7.97	7.72
Total managed	4.43%	4.27%	4.25%	4.20%	4.21%
Owned	4.58%	4.48%	4.36%	4.26%	4.29%

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at September 30, 2001, compared with 4.48 percent at June 30, 2001 and 4.29 percent at September 30, 2000. The annualized total consumer owned chargeoff ratio in the third quarter of 2001 was 3.43 percent, compared with 3.26 percent in the prior quarter and 3.01 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 31, 2000. The annualized total consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter."

* * *

"Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy."

	Date	Document Title	Statement
28.	12/03/2001	*Business Week* article	*Business Week* – December 3, 2001: HOUSEHOLD IS ACCUSED OF: • Rolling over late loans by adding missed payments to ends of loans, thus masking delinquencies • Delaying recognition of charge-offs to boost earnings • Moving loans from its bank subsidiary to minimize need for reserves • Cutting on balance sheet reserves, though its portfolio is riskier HOUSEHOLD REPLIES: • The practice is an industry norm, and collection rates improve after loans are "re-aged" • Charge-off policy follows industry standards closely • Applying bank regulatory rules would barely increase the amount of charge-offs • Total reserves are at the highest level in company history
29.	12/04/2001	Goldman Sachs Presentation	December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring. * * * "Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158) "All policies have been consistently applied and realistically report results" (PFG000158) "Why are Household's Credit Losses Better" - better credit skills (PFG000152)
30.	01/16/2002	Household Press Release	January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full-Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000." "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>our expectations while credit indicators weakened only modestly in a tough economic environment. . . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year."
* * *
"Credit Quality and Loss Reserves
At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent."</td></tr>
<tr><td>31.</td><td>02/06/2002</td><td>Copley News Services article</td><td>Copley News Services – February 6, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers . . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers."</td></tr>
<tr><td>32.</td><td>02/18/2002</td><td>National Mortgage News article</td><td>National Mortgage News – February 18, 2002:

"Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere."</td></tr>
<tr><td>33.</td><td>03/13/2002</td><td>Household FY01 Report on Form 10-K</td><td>Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002 Household reported Net Income of $1.923 billion in 2001, and E.P.S. of $4.13:

<table>
<tr><td>Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS
All dollar amounts are stated in millions.
At December 31, unless otherwise indicated.
Owned Two-Month-and-Over Contractual Delinquency Ratios</td><td>2001</td><td>2000</td><td>1999</td><td>1998</td><td>1997</td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.58%</td><td>3.10%</td><td>3.95%</td><td>3.66%</td></tr>
<tr><td>Auto finance</td><td>2.92</td><td>2.46</td><td>2.02</td><td>2.90</td><td>1.48</td></tr>
<tr><td>MasterCard/Visa</td><td>5.67</td><td>4.90</td><td>3.59</td><td>5.09</td><td>3.55</td></tr>
<tr><td>Private label</td><td>5.99</td><td>5.60</td><td>6.09</td><td>6.03</td><td>5.60</td></tr>
<tr><td>Personal non-credit card</td><td>9.04</td><td>7.99</td><td>9.06</td><td>8.24</td><td>7.55</td></tr>
<tr><td>Total consumer</td><td>4.53%</td><td>4.26%</td><td>4.82%</td><td>5.31%</td><td>4.87%</td></tr>
</table></td></tr>
</table>

	Date	Document Title	Statement

* * *

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS

All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
Managed Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.68%	2.63%	3.27%	3.67%	3.69%
Auto finance	3.16	2.55	2.43	2.29	2.09
MasterCard/Visa	4.10	3.49	2.78	3.75	3.10
Private label	5.48	5.48	5.97	6.20	5.81
Personal non-credit card	8.87	7.97	8.81	7.94	7.81
Total consumer	4.46%	4.20%	4.66%	4.90%	4.64%

* * *

"Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity."

* * *

"Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. As a result, charge-off and delinquency performance has been well within our expectations."

* * *

"We believe our policies are responsive to the specific needs of the customer segment we serve. . . . ***Our policies have been consistently applied and there have been no significant changes to any of***

	Date	Document Title	Statement
			our policies during any of the periods reported. Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition." * * * "Our policies for consumer receivables permit reset of the contractual delinquency statute of an account to current, subject to certain limits, if a delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections." (Emphasis added.)

34.	04/09/2002	Household Financial Relations Conference	April 9, 2002 Financial Relations Conference:
			• Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530]
			• Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management.
			• Reage Policies – Overview
			  • Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices
			  • Not intended to defer credit loss recognition or to overstate net income
			  • Policies have been consistently applied and are appropriate for each product
			• Credit Policies – Personal Non-Credit Card
			  • Restructures
			    • If an account is ever 90+, lifetime limit of 4 restructures allowed
			
			Defendants issued false or misleading information regarding Household's reaged portfolio in a number of charts included in Exhibit ___ (HHS01883518) – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.

35.	04/17/2002	Household Press Release	April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million."

	Date	Document Title	Statement
			"Household turned in a very strong first quarter. . . . In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility." "Our credit quality performance was well within our expectations in light of the continued weakness in the economy. . . . We anticipate a very manageable credit environment for the remainder of the year." * * * "Credit Quality and Loss Reserve At March 31st, the *managed basis* delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized *managed basis* net charge-off ratio for the first quarter of 4.09 percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. . . ." "The *owned basis* delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized *owned basis* charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago."
36.	04/21/2002	*Bellingham Herald* article	*Bellingham Herald* – April 21, 2002: "It is absolutely against our policy to in any way quote a rate that is different than what the true rate is . . . . I can't underscore that enough."
37.	05/03/2002	*Chicago Tribune* article	*Chicago Tribune* – May 3, 2002: "Household quickly denied that it misleads customers. . . . In response to the latest suit, Household denied that it misleads customers. 'Acorn continues to launch baseless accusations and lawsuits rather than work to enact real solutions to help eliminate predatory lending from the marketplace,' the lender's statement said."
38.	05/10/2002	Household 10-Q	Household 10-Q for quarter ended 3/31/2002. Household reported net income of $511 million, and E.P.S of $1.09 CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables): March 31, December 31, March, 31

	Date	Document Title	Statement
			2002 / 2001 / 2001 Real estate secured 2.88% 2.63% 2.55% Auto finance 2.04 2.92 1.74 MasterCard/Visa 6.54 5.67 5.02 Private label 6.33 5.99 5.62 Personal non-credit card 9.60 9.04 8.79 Total Owned 4.77% 4.53% 4.36%
39.	05/10/2002	*The Record* article	*The Record* – May 10, 2002: "Our position is that the accusations [regarding predatory lending] are baseless . . . . The loans are legal, they are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . Hayden says the loan[s] conform[] to the company's 'tangible benefits test."
40.	05/14/2002	*AP Online* article	*AP Online* – May 14, 2002: "All of [Household's] lending policies are in accord with federal and state regulations and requirements . . . ."
41.	05/31/2002	*American Banker* article	*American Banker* – May 31, 2002: "It is our regulators' and the attorney general's job to investigate any complaints brought forth by consumers in their state, and we don't find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower." . . . "some customers in Bellingham may have indeed been justified in their confusion about the rate of their loans" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch."
42.	07/02/2002	*The Oregonian*	*The Oregonian* – July 2, 2002: "Household International offices deny any pattern of wrongdoing and say the company is open to changes in its lending practices if they are harmful to consumers. 'We've made mistakes,' said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. 'Is there a companywide pattern of abuse? Absolutely not.'"
43.	07/17/2002	Household Press Release	July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million." * * * "Our results this quarter were fueled by ongoing strong demand for our loan products. . . . Growth this quarter was strong, while we have maintained our conservative underwriting criteria. . . ."

<table>
<tr><th></th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>* * *
"Credit Quality and Loss Reserves
At June 30th, the managed basis delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized managed basis net charge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago."

"The owned basis delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized owned basis net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago."</td></tr>
<tr><td>44.</td><td>08/14/2002</td><td>Household Press Release</td><td>August 14, 2002 Household Press Release entitled "Household International Certifies Accuracy of SEC filings in 2002": "Household's results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels."</td></tr>
<tr><td>45.</td><td>08/14/2002</td><td>Household 10-Q</td><td>Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002: Household reported net income of $507 million and E.P.S. of $1.08

CREDIT QUALITY
Delinquency – Owned Basis
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<tr><th></th><th>June 30, 2002</th><th>March 31, 2002</th><th>June 30, 2001</th></tr>
<tr><td>Real estate secured</td><td>2.78%</td><td>2.88%</td><td>2.59%</td></tr>
<tr><td>Auto finance</td><td>2.99</td><td>2.04</td><td>2.35</td></tr>
<tr><td>MasterCard/Visa</td><td>6.13</td><td>6.54</td><td>4.80</td></tr>
<tr><td>Private label</td><td>6.19</td><td>6.33</td><td>6.54</td></tr>
<tr><td>Personal non-credit card</td><td>9.12</td><td>9.60</td><td>8.79</td></tr>
<tr><td>Total Owned</td><td>4.61%</td><td>4.77%</td><td>4.48%</td></tr>
</table>
* * *
"Our credit policies for consumer loans permit the reset of the contractual delinquency status of an</td></tr>
</table>

	Date	Document Title	Statement
			account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections." * * * Household reiterated this false disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002.
46.	09/01/2002	*Origination News* article	*Origination News* – September 1, 2002: "'We clearly follow all state and federal laws and regulations,' Household spokeswoman Megan Hayden said."
47.	09/02/2002	*National Mortgage News* article	*National Mortgage News* – September 2, 2002: "A Household spokeswoman said she is not aware of any pending enforcement actions or settlement talks."

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Exhibit 6

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WRITER'S DIRECT NUMBER

(212) 701-3154

January 23, 2009

Re: Lawrence E. Jaffe Pension Plan v. Household International, Inc., et al., Case No. 02-CV-5893 (N.D. Ill.)

Dear Spence:

During this afternoon's meet and confer session, we raised an issue regarding Plaintiffs' newly-minted list of "Household International False Statements," which is appended as Exhibit A to the version of Plaintiffs' Proposed Stipulated Facts served by Plaintiffs on January 15 (as amended by your January 20, 2009 email to Josh Newville) (the "New List"). When we spoke earlier, I suggested that Plaintiffs omit from the New List of "False Statements" to be proved at trial those statements Plaintiffs have not previously identified in response to Defendants' discovery requests. I mentioned "False Statement" No. 2 by way of example. You considered and declined my request. I write to ask that you reconsider that position and agree to remove from the New List these previously-undisclosed false statements without requiring that we involve the Court.

The Amended Complaint, filed in March 2003, refers to tens of quarterly reports, annual reports, press releases, and other documents that contain literally thousands of "statements." Accordingly, on October 31, 2006, during fact discovery, Defendants promulgated three interrogatories designed to discover Plaintiffs' contentions as to which of the Universe of Alleged False Statements is actually at issue in this case. Those interrogatories read as follows:

- Interrogatory No. 41: "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 that Plaintiffs contend that each statement was false."

- Interrogatory No. 42: "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 that Plaintiffs contend that each statement was false."

- Interrogatory No. 43: "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 that Plaintiffs contend that each statement was false."

Plaintiffs initially responded to Interrogatories Nos. 41-43 on December 4, 2006. Subsequently, on January 10, 2007, Plaintiffs were ordered by Magistrate Judge Nolan to provide full responses to those interrogatories. Plaintiffs amended or supplemented their responses to Interrogatories Nos. 41-43 on several occasions, most recently on February 1, 2008. The operative responses to Interrogatories Nos. 41-43 indicate Plaintiffs' contention that Defendants made over 80 bullet-pointed "affirmative misrepresentations" related to "Illegal Predatory Lending Practices," "Reaging," or the "Improper Accounting of Costs Associated With Various Credit Card Co-Branding, Affinity and Marketing Agreements."

As recently as December 16, 2008, Plaintiffs' counsel, Ms. Mehdi, represented to Judge Guzman that Plaintiffs understood they were limited to the "false statements" alleged in those interrogatory responses:

"THE COURT: So you tell me. When can we have a more particularized listing of the allegedly false and misleading statements and/or omissions that you're going to actually use at trial?

MS. MEHDI: ***The particularized listing will at least be all of the statements listed in our interrogatory responses. No more than that. We're not going to do any more than that.***

THE COURT: So your assertion is that you are going to present evidence as to each of the statements alleged in your interrogatory answers?

MS. MEHDI: Yes.

THE COURT: There you have it, counsel. The interrogatory answers is the blueprint of misleading statements.

MS. MEHDI: And it's listed in bullet form." Tr. 16:14-17:4.

Defendants appreciate Plaintiffs' recent (albeit belated) efforts to narrow the issues for trial, in response to Judge Guzman's wise guidance, as reflected in the New List. Defendants also appreciate Plaintiffs' commitment during today's meet and confer not to expand the New List hereafter. Nonetheless, the inclusion in the New List of allegedly false statements that appear nowhere in Plaintiffs' responses to Interrogatories Nos. 41-43 is entirely improper.

Appendix A, attached hereto, lists the "False Statements" and portions thereof that Plaintiffs included on the New List (Column 2) but failed to disclose during discovery in response to Interrogatories Nos. 41-43 (Column 1). Defendants request that Plaintiffs omit the previously undisclosed content set forth in Column 3 from their list of "False Statements" to be proved at trial, and that Plaintiffs then re-promulgate that document.

Please let me know at your earliest convenience whether Plaintiffs will agree to withdraw the late-disclosed statements from the New List.

Yours truly,

Jason M. Hall

Spencer A. Burkholz, Esq.
Coughlin, Stoia, Geller, Rudman & Robbins
655 West Broadway, Suite 1900
San Diego, CA 92101

VIA EMAIL

cc: Lori Fanning, Esq.
Adam Deutsch, Esq.

Exhibit 6

Appendix A

Appendix A

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
10/22/1998	October 22, 1998 Household Press Release entitled "Household International Reports Record Third Quarter Results": Household "reported net income rose 20 percent to a third-quarter record of $318.0 million, compared with $264.7 million for the third quarter of 1997. Earnings per share increased 19 percent to a third-quarter record of $.63 from $.53 a year ago." (Interrog. No. 41, 42, 43 Resp.)		
01/20/1999	January 20, 1999 Household Press Release entitled "Household International Reports Q4 and Full Year Results": Household "announced that it achieved record net income and earnings per share for the fourth quarter ended December 31, 1998. Net income of $349.9 million was up 71 percent from $204.8 million recorded in Q497, and reported EPS of $.71 was up 73 percent from $.41 reported in Q49. . . . Receivables of the company's core consumer finance businesses, other than bankcard, grew 12 percent from a year		

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	ago and three percent sequentially.. . . The company's managed net interest margin widened to 8.03 percent, up from 7.92 percent in the prior quarter and 7.80 percent a year ago. The sequential quarter and year-over-year improvement resulted from higher yields on unsecured products and lower funding costs, partially offset by the effect of a shift in mix toward secured products." (Interrog. No. 41, 42, 43 Resp.)		
04/22/1999	April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported record first quarter operating income and operating earnings per share. Net operating income rose 34 percent to $320.8 million, compared with net operating income of $239.3 million a year ago. Earnings per share increased 38 percent to $.65 from operating EPS of $.47 a year ago." (Interrog. No. 41, 42, 43 Resp.)		

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	April 22, 1999 Household Press Release entitled "Household International Reports Record First Quarter Results": "Strong loan growth in our consumer finance business, improved efficiency and higher income from our tax refund loan business led to the strongest first quarter in our 120 year history. . . . We have great momentum in this business. . . . 1999 is off to a very good start and we are on track to meet our earnings and growth targets." (Interrog. No. 41, 42 Resp.)		
07/22/1999	July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 miliona year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent."	July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record $326.9 million, compared with operating net income of $249.4 million a year ago. Earnings per share increased 37 percent to a record $.67, compared with operating EPS of $.49 a year ago. Cash basis EPS for the quarter rose 28 percent to $.74." * * * "Credit quality continued to improve. The managed delinquency ratio (60+days) declined for the third consecutive quarter to 4.72 percent at June 30, compared with 4.81 percent at March 31 and 4.65 percent a year ago. The annualized managed net chargeoff ratio for the second quarter improved to 4.10 percent, lower than 4.37 per-	to $.74." "Credit quality continued to improve. The managed delinquency ratio (60+days) declined for the third consecutive quarter to 4.72 percent at June 30, compared with 4.81 percent at March 31 and 4.65 percent a year ago. The annualized managed net chargeoff ratio for the second quarter improved to 4.10 percent, lower than 4.37 percent in the first quarter and 4.26 percent in the year-ago quarter."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	(Interrog. No. 41, 42, 43 Resp.) .... July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": "Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business. We have excellent momentum. . . . Growth in the HFC and Beneficial consumer finance branch business continues to improve and also gives us an excellent platform from which to cross-sell many of our other products. Our 1,400 branches and 7,000 branch employees give usa real advantage as we focus on satisfying more of our customers' credit	cent in the first quarter and 4.26 percent in the year-ago quarter." * * * "Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business." (New List No. 1)	

<table>
<tr><th>Date</th><th>"False Statements" Listed in Interrogatories Nos. 41-43 Responses</th><th>"False Statements" Listed on the New List</th><th>"False Statements" to be Deleted from the New List</th></tr>
<tr><td></td><td>needs."

(Interrog. No. 41, 42 Resp.)</td><td></td><td></td></tr>
<tr><td>08/16/1999</td><td></td><td>Household 10-Q for quarter ending 6/30/99: Household reported net income of $326.9 million for the quarter ended June 30, 1999 and EPS of $0.67:

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>6/30/99</th><th>3/31/99</th><th>12/31/98</th><th>9/30/98</th><th>6/30/98</th></tr>
<tr><td>First mortgage</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td><td>11.07%</td></tr>
<tr><td>Home equity</td><td>3.29</td><td>3.54</td><td>3.67</td><td>3.73</td><td>3.55</td></tr>
<tr><td>Auto finance</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td><td>1.67</td></tr>
<tr><td>MasterCard/Visa</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td><td>3.30</td></tr>
<tr><td>Private label</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td><td>6.10</td></tr>
<tr><td>Other unsecured</td><td>8.17</td><td>7.84</td><td>7.94</td><td>8.03</td><td>7.82</td></tr>
<tr><td>Total</td><td>4.72%</td><td>4.81%</td><td>4.90%</td><td>4.96%</td><td>4.65%</td></tr>
</table>
* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.96 percent, compared with 5.04 percent at March 31, 1999 and 4.89 percent at June 30, 1998. The annualized total consumer owned chargeoff ratio in the second quarter of 1999 was 3.54 percent, compared with 3.92 percent in the prior quarter and 3.69 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency ("delinquency") as a percent of managed consumer receivables was 4.72 percent, compared with 4.81 percent at March 31, 1999 and 4.65 percent at June 30, 1998. The annualized total consumer managed chargeoff ratio in the</td><td>Household 10-Q for quarter ending 6/30/99: Household reported net income of $326.9 million for the quarter ended June 30, 1999 and EPS of $0.67:

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
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<tr><td>First mortgage</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td><td>11.07%</td></tr>
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<tr><td>Auto finance</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td><td>1.67</td></tr>
<tr><td>MasterCard/Visa</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td><td>3.30</td></tr>
<tr><td>Private label</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td><td>6.10</td></tr>
<tr><td>Other unsecured</td><td>8.17</td><td>7.84</td><td>7.94</td><td>8.03</td><td>7.82</td></tr>
<tr><td>Total</td><td>4.72%</td><td>4.81%</td><td>4.90%</td><td>4.96%</td><td>4.65%</td></tr>
</table>
* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.96 percent, compared with 5.04 percent at March 31, 1999 and 4.89 percent at June 30, 1998. The annualized total consumer owned chargeoff ratio in the second quarter of 1999 was 3.54 percent, compared with 3.92 percent in the prior quarter and 3.69 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency ("delinquency") as a percent of managed consumer receivables was 4.72 percent, compared with 4.81 percent at March 31, 1999 and 4.65 percent at June 30, 1998. The annualized total</td></tr>
</table>

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		second quarter of 1999 was 4.10 percent, compared with 4.37 percent in the prior quarter and 4.26 percent in the year-ago quarter." (New List No. 2)	consumer managed chargeoff ratio in the second quarter of 1999 was 4.10 percent, compared with 4.37 percent in the prior quarter and 4.26 percent in the year-ago quarter."
10/19/1999	October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago." (Interrog. No. 41, 42, 43 Resp.) .... October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth. Retail consumer finance growth was particularly strong. Looking ahead to the fourth	October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago." * * * "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth." * * * "Credit Quality and Loss Reserves Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago." (New List No. 3)	"Credit Quality and Loss Reserves Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	quarter and into next year, we see great momentum across all businesses, but most notably in our HFC/Beneficial finance business. I am confident we will achieve our earnings goal for this year and we are well positioned for next year." (Interrog. No. 41, 42 Resp.)		
11/12/1999		Household 10-Q for quarter ending 9/30/99: Household reported net income of $399.9 million for the quarter ended September 30, 1999 and EPS of $0.84: "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was 3.63 percent in the third quarter of 1999, compared with 3.54 percent in the prior quarter and 3.79 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.89 percent at September 30, 1999, compared with 4.72 percent at June 30, 1999 and 4.96 percent at September 30, 1998. The annualized total consumer managed chargeoff ratio was 4.09 percent in the third quarter of 1999, compared with 4.10 percent in the prior quarter and 4.33 percent in the year-ago quarter." * * *	Household 10-Q for quarter ending 9/30/99: Household reported net income of $399.9 million for the quarter ended September 30, 1999 and EPS of $0.84: "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was 3.63 percent in the third quarter of 1999, compared with 3.54 percent in the prior quarter and 3.79 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.89 percent at September 30, 1999, compared with 4.72 percent at June 30, 1999 and 4.96 percent at September 30, 1998. The annualized total consumer managed chargeoff ratio was 4.09 percent in the third quarter of 1999, compared with 4.10 percent in the prior quarter and 4.33 percent in the year-ago quarter." * * *

<table>
<tr><th>Date</th><th>"False Statements" Listed in Interrogatories Nos. 41-43 Responses</th><th>"False Statements" Listed on the New List</th><th>"False Statements" to be Deleted from the New List</th></tr>
<tr><td></td><td></td><td>Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
| | 9/30/99 | 6/30/99 | 3/31/99 | 12/31/98 | 9/30/98 |
First mortgage 12.56% 12.72% 10.91% 14.90% 11.80%
Home equity 3.46 3.29 3.54 3.67 3.73
Auto finance 2.26 1.87 1.74 2.29 2.05
MasterCard/Visa 3.10 3.11 3.61 3.75 3.73
Private label 6.66 6.62 6.37 6.20 6.55
Other unsecured 8.57 8.17 7.84 7.94 8.03
Total 4.89% 4.72% 4.81% 4.90% 4.96%

"Credit quality remained relatively stable in the quarter and improved from a year ago. The modest increase in managed delinquency as a percent of managed consumer receivables from the prior quarter was due to the seasoning of our Beneficial home equity and other unsecured products."

(New List No. 4)</td><td>Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
9/30/99 6/30/99 3/31/99 12/31/98 9/30/98
First mortgage 12.56% 12.72% 10.91% 14.90% 11.80%
Home equity 3.46 3.29 3.54 3.67 3.73
Auto finance 2.26 1.87 1.74 2.29 2.05
MasterCard/Visa 3.10 3.11 3.61 3.75 3.73
Private label 6.66 6.62 6.37 6.20 6.55
Other unsecured 8.57 8.17 7.84 7.94 8.03
Total 4.89% 4.72% 4.81% 4.90% 4.96%

"Credit quality remained relatively stable in the quarter and improved from a year ago. The modest increase in managed delinquency as a percent of managed consumer receivables from the prior quarter was due to the seasoning of our Beneficial home equity and other unsecured products."</td></tr>
<tr><td>01/19/2000</td><td>January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33</td><td>January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income."
* * *
"We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our expectations.</td><td>"Credit Quality and Loss Reserves
Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago."</td></tr>
</table>

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	percent over 1998 operating earnings per share. . . . Net income totaled $1.5 billion, or 29 percent above the prior year's operating net incom . . . Credit quality improved from both the third quarter and a year ago . . . Reserves to nonperforming loans were 100.1 percent at year end." (Interrog. No. 41, 42, 43 Resp.) .... January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": "We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our expectations. Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business,a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are par-	Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger." * * * "Credit Quality and Loss Reserves Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago." (New List No. 5)	

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	ticularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger. We move into the new year with a real sense of excitement, great momentum throughout the company and strong competitive positions in each of our businesses." (Interrog. No. 41, 42 Resp.)		
02/00/2000	Gary Gilmer February 2000 Acceptance Speech for the "Enterprise Valve Award" from *CIO Magazine*: "Vision has had an overwhelmingly positive effect on virtually every aspect of our consumer finance business. We have enjoyed faster and more profitable growth because our account executives are provided with greater numbers of qualified leads, prioritized by the Vision system. Our credit losses are minimized because of the real-time links to our underwriting system. . . ." (Interrog. No. 42 Resp.)		
03/28/2000	Household FY99 Report on Form 10-K filed with the SEC on March	Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000 Household reported net income of 1.486 billion and E.P.S. of	Household reported net income of 1.486 billion and E.P.S. of $3.10:

<table>
<tr><th>Date</th><th>"False Statements" Listed in Interrogatories Nos. 41-43 Responses</th><th>"False Statements" Listed on the New List</th><th>"False Statements" to be Deleted from the New List</th></tr>
<tr>
<td></td>
<td>28, 2000: Household reported "return on average common shareholders' equity ("ROE") rose to 23.5 percent in 1999 compared to 18.2 percent in 1998, excluding merger and integration related costs and the gain on sale of Beneficial Canada, and 17.3 percent in 1997. Our return on average owned assets ("ROA") improved to 2.64 percent in 1999 compared to 2.29 percent in 1998, excluding the nonrecurring items, and 2.03 percent in 1997. Our return on average managed assets ("ROMA") improved to 1.99 percent in 1999 compared to 1.60 percent in 1998, excluding the nonrecurring items, and 1.38 percent in 1997. Including the merger and integration related costs and the gain on sale of Beneficial Canada, ROE was 8.1 percent, ROA was 1.04 percent and ROMA was .72 percent in 1998. Our operating net income, ROA, ROMA and ROE have increased steadily over the past three years as a result of our focus on higher-return core businesses and improved efficiency. We expect this trend to continue as</td>
<td>$3.10:
* * *
"Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . .

We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."
* * *
Consumer Two-Month-and-Over Contractual Delinquency Ratios
<table>
<tr><td>Managed Two Month and Over Contractual Delinquency Ratios</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
<tr><td>Home equity</td><td>3.27%</td><td>3.67%</td><td>3.69%</td><td>3.04%</td><td>2.76%</td></tr>
<tr><td>Auto finance/1/</td><td>2.43</td><td>2.29</td><td>2.09</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>2.78</td><td>3.75</td><td>3.10</td><td>2.73</td><td>2.19</td></tr>
<tr><td>Private label</td><td>5.97</td><td>6.20</td><td>5.81</td><td>4.60</td><td>3.93</td></tr>
<tr><td>Other unsecured</td><td>8.81</td><td>7.94</td><td>7.81</td><td>6.21</td><td>5.68</td></tr>
<tr><td>Total consumer</td><td>4.66%</td><td>4.90%</td><td>4.64%</td><td>3.92%</td><td>3.36%</td></tr>
<tr><td>Ratio of Net Chargeoffs to Average Managed Receivables for the Year</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
</table>
</td>
<td>* * *
"Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . .

We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios.
* * *
Consumer Two-Month-and-Over Contractual Delinquency Ratios
<table>
<tr><td>Managed Two Month and Over Contractual Delinquency Ratios</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
<tr><td>Home equity</td><td>3.27%</td><td>3.67%</td><td>3.69%</td><td>3.04%</td><td>2.76%</td></tr>
<tr><td>Auto finance/1/</td><td>2.43</td><td>2.29</td><td>2.09</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>2.78</td><td>3.75</td><td>3.10</td><td>2.73</td><td>2.19</td></tr>
<tr><td>Private label</td><td>5.97</td><td>6.20</td><td>5.81</td><td>4.60</td><td>3.93</td></tr>
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<tr><td>Total consumer</td><td>4.66%</td><td>4.90%</td><td>4.64%</td><td>3.92%</td><td>3.36%</td></tr>
<tr><td>Ratio of Net Chargeoffs to Average Managed Receivables for the Year</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
<tr><td>Home equity</td><td>0.58%</td><td>0.63%</td><td>0.64%</td><td>0.60%</td><td>0.64%</td></tr>
<tr><td>Auto finance /1/</td><td>4.96</td><td>5.39</td><td>4.60</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>6.66</td><td>5.95</td><td>5.55</td><td>4.54</td><td>4.12</td></tr>
<tr><td>Private label</td><td>5.65</td><td>5.65</td><td>4.62</td><td>3.42</td><td>3.75</td></tr>
<tr><td>Other unsecured</td><td>6.52</td><td>6.97</td><td>5.48</td><td>4.29</td><td>3.60</td></tr>
<tr><td>Total Consumer loan products</td><td>4.13</td><td>4.29</td><td>3.84</td><td>2.96</td><td>2.51</td></tr>
<tr><td>Commercial</td><td>0.93</td><td>0.52</td><td>1.66</td><td>0.92</td><td>2.10</td></tr>
</table>
</td>
</tr>
</table>

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	we focus on growth of these higher return core businesses." (Interrog. No. 41, 42, 43 Resp.) .... Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000, Household falsely stated: "Our focus is to continue using risk-based pricing and effective collection efforts for each loan. We have a process that gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." This statement was repeated in Household's FY00 Report on Form 10-K, filed March 28, 2001. (Interrog. No. 42 Resp.)	Home equity 0.58% 0.63% 0.64% 0.60% 0.64% Auto finance /1/ 4.96 5.39 4.60 – – MasterCard/Visa 6.66 5.95 5.55 4.54 4.12 Private label 5.65 5.65 4.62 3.42 3.75 Other unsecured 6.52 6.97 5.48 4.29 3.60 Total Consumer loan products 4.13 4.29 3.84 2.96 2.51 Commercial 0.93 0.52 1.66 0.92 2.10 Total 4.09% 4.24 3.80% 2.92% 2.49% (New List No. 6)	Total 4.09% 4.24 3.80% 2.92% 2.49%
04/19/2000	April 19, 2000 Household Press Release entitled "Household International Reports Record First Quar-	April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from	"Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	ter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999. Cash earnings for the quarter totaled $415 million." (Interrog. No. 41, 42, 43 Resp.) .... April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": "This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve. To build upon the momentum that is evident in these results, we increased our investment in marketing programs and e commerce initiatives. ... The year is off to a great start. . . . We are seeing a continuation of the very positive business trends that emerged in the second	$.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999." * * * "This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve." * * * "Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter." (New List No. 7)	year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter."

<table>
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<tr><td></td><td>half of 1999. We remain comfortable with our receivable, revenue and earnings per share growth targets for 2000."

(Interrog. No. 41, 42 Resp.)</td><td></td><td></td></tr>
<tr><td>05/10/2000</td><td></td><td>Household 10-Q for 3/31/00 quarter ending: Household reported net income of $372.9 million for the quarter ended March 30, 2000 and EPS of $0.79 per share:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>3/31/00</th><th>12/31/99</th><th>9/30/99</th><th>6/30/99</th><th>3/31/99</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td><td>3.54%</td></tr>
<tr><td>Auto finance</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td><td>1.74</td></tr>
<tr><td>MasterCard/Visa</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td><td>3.61</td></tr>
<tr><td>Private label</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td><td>6.37</td></tr>
<tr><td>Other unsecured</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td><td>7.84</td></tr>
<tr><td>Total</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td><td>4.81%</td></tr>
<tr><td>Owned</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td><td>5.04%</td></tr>
</table>
* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at March 31, 2000, compared with 4.81 percent at December 31, 1999 and 5.04 percent at March 31, 1999. The annualized consumer owned chargeoff</td><td>Household 10-Q for 3/31/00 quarter ending: Household reported net income of $372.9 million for the quarter ended March 30, 2000 and EPS of $0.79 per share:

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<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
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</table>
* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at March 31, 2000, compared with 4.81 percent at December 31, 1999 and 5.04 percent at March 31, 1999. The annualized consumer</td></tr>
</table>

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		ratio was 3.53 percent in the first quarter of 2000, compared with 3.62 percent in the prior quarter and 3.92 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at March 31, 2000, compared with 4.66 percent at December 31, 1999 and 4.81 percent at March 31, 1999. The annualized total consumer managed chargeoff ratio was 4.00 percent in the first quarter of 2000, compared with 3.96 percent in the prior quarter and 4.37 percent in the year-ago quarter." (New List No. 8)	owned chargeoff ratio was 3.53 percent in the first quarter of 2000, compared with 3.62 percent in the prior quarter and 3.92 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at March 31, 2000, compared with 4.66 percent at December 31, 1999 and 4.81 percent at March 31, 1999. The annualized total consumer managed chargeoff ratio was 4.00 percent in the first quarter of 2000, compared with 3.96 percent in the prior quarter and 4.37 percent in the year-ago quarter."
07/19/2000	July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. Cash earnings per share for the quarter totaled $.88. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent.	July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter." * * * "Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality . . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency." * * * "Credit Quality and Loss Reserves Credit quality improved dramatically during the quarter, as dollars of	"Credit Quality and Loss Reserves Credit quality improved dramatically during the quarter, as dollars of chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter feel 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	Revenues rose 20 percent compared to the year-ago quarter." (Interrog. No. 41, 42, 43 Resp.) .... July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": "Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency. . . . Our results to date include significant investments in people, technology and marketing to support future growth and profitability. While our plan calls for additional investment in the second half of the year, we are comfortable in our ability to achieve our 15 percent EPS growth target for 2000." (Interrog. No. 41, 42 Resp.)	chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter feel 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago." (New List No. 9)	

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
08/11/2000		Household 10-Q for 6/30/00 quarter ending: Household reported net income of $383.9 million for the quarter ended June 30, 2000 and EPS of $0.80: CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables): 6/30/00 3/31/00 12/31/99 9/30/99 6/30/99 Managed: Real estate secured 2.72% 2.99% 3.27% 3.46% 3.29% Auto finance 1.99 1.52 2.43 2.26 1.87 MasterCard/Visa 3.14 3.06 2.78 3.10 3.11 Private label 5.77 5.94 5.97 6.66 6.62 Other unsecured 7.92 8.56 8.81 8.57 8.17 Total 4.16% 4.43% 4.66% 4.89% 4.72% Owned 4.25% 4.58% 4.81% 5.24% 4.96% * * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000 was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent, compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999.	Household 10-Q for 6/30/00 quarter ending: Household reported net income of $383.9 million for the quarter ended June 30, 2000 and EPS of $0.80: CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables): 6/30/00 3/31/00 12/31/99 9/30/99 6/30/99 Managed: Real estate secured 2.72% 2.99% 3.27% 3.46% 3.29% Auto finance 1.99 1.52 2.43 2.26 1.87 MasterCard/Visa 3.14 3.06 2.78 3.10 3.11 Private label 5.77 5.94 5.97 6.66 6.62 Other unsecured 7.92 8.56 8.81 8.57 8.17 Total 4.16% 4.43% 4.66% 4.89% 4.72% Owned 4.25% 4.58% 4.81% 5.24% 4.96% * * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000 was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent,

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		The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter." (New List No. 10)	compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999. The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter."
10/18/2000	October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago. Cash earnings per share for the quarter totaled $1.02." (Interrog. No. 41, 42, 43 Resp.) .... October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same	October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago." * * * "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality." * * * "Credit Quality and Loss Reserves The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent." (New List No. 11)	"Credit Quality and Loss Reserves The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent."

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	time, we achieved year-over-year improvements in credit quality. . . . These positive trends give us a high degree of confidence in our ability to deliver 15 percent EPS growth for 2000." (Interrog. No. 41, 42 Resp.)		
11/01/2000		Article in *St. Louis Dispatch* on November 1, 2000 "ACORN cited a loan made in July by another subprime lender, HFC Mortgage Corp. According to loan documents, HFC charged a University City couple 12.5 percent interest on a $76,900 loan. Added in were $5,700 for credit life insurance and an origination fee of $5,200, adding nearly $11,000 to the cost. Mainstream lenders were charging 8 percent in interest on such 15-year loans at the time." * * * "HFC spokesman Craig Streem said that the loan was 'not a predatory loan by any definition.'" * * * "Streem says HFC never pressures people to buy credit life insurance." (New List No. 12)	Article in *St. Louis Dispatch* on November 1, 2000 "ACORN cited a loan made in July by another subprime lender, HFC Mortgage Corp. According to loan documents, HFC charged a University City couple 12.5 percent interest on a $76,900 loan. Added in were $5,700 for credit life insurance and an origination fee of $5,200, adding nearly $11,000 to the cost. Mainstream lenders were charging 8 percent in interest on such 15-year loans at the time." * * * "HFC spokesman Craig Streem said that the loan was 'not a predatory loan by any definition.'" * * * "Streem says HFC never pressures people to buy credit life insurance."
11/07/2000	November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital": "Household International supports Citigroup's announcement today of its efforts to boost con-	November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital: Household International supports Citigroup's announcement today of its efforts to boost consumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International.	

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	sumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International. Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete." (Interrog. No. 41 Resp.)	Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete." (New List No. 13)	
11/14/2000		Household 10-Q for quarter ending 9/30/2000: "Household reported net income of $451.2 million for the quarter ended September 30, 2000 and EPS of $0.95: CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables): September 30, 2000	June 30, 2000	March 31, 2000	December 31, 2000	September 30, 2000 Managed:	Household 10-Q for quarter ending 9/30/2000: "Household reported net income of $451.2 million for the quarter ended September 30, 2000 and EPS of $0.95: CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables): September 30, 2000	June 30, 2000	March 31, 2000	December 31, 2000	September 30, 2000 Managed:

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		Real estate secured 2.77% 2.72% 2.99% 3.27% 3.46% Auto finance 2.19 1.99 1.52 2.43 2.26 MasterCard/Visa 3.48 3.14 3.06 2.78 3.10 Private label 5.67 5.77 5.94 5.97 6.66 Other unsecured 7.72 7.92 8.56 8.81 8.57 Total 4.21% 4.16% 4.43% 4.66% 4.89% Owned 4.29% 4.25% 4.58% 4.81% 5.24% * * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000 was 3.01 percent, compared with 3.27 percent in the prior quarter and 3.63 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.21 percent at September 30, 2000, compared with 4.16 percent at June 30, 2000 and 4.89 percent at September 30, 1999. The annualized total consumer managed chargeoff ratio in the third quarter of 2000 was 3.47 percent, compared with 3.74 percent in the prior quarter and 4.09 percent in the year-ago quarter." (New List No. 14)	Real estate secured 2.77% 2.72% 2.99% 3.27% 3.46% Auto finance 2.19 1.99 1.52 2.43 2.26 MasterCard/Visa 3.48 3.14 3.06 2.78 3.10 Private label 5.67 5.77 5.94 5.97 6.66 Other unsecured 7.72 7.92 8.56 8.81 8.57 Total 4.21% 4.16% 4.43% 4.66% 4.89% Owned 4.29% 4.25% 4.58% 4.81% 5.24% * * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000 was 3.01 percent, compared with 3.27 percent in the prior quarter and 3.63 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.21 percent at September 30, 2000, compared with 4.16 percent at June 30, 2000 and 4.89 percent at September 30, 1999. The annualized total consumer managed chargeoff ratio in the third quarter of 2000 was 3.47 percent, compared with 3.74 percent in the prior quarter and 4.09 percent in the year-ago quarter."
01/17/2001	January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household "reported full year	January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year.	"Credit Quality and Loss Reserves The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	earnings per share of $3.55, a 16 percent increase over $3.07a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago." (Interrog. No. 41, 42, 43 Resp.) .... January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in its History": "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excel-	Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago." "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality." * * * "Credit Quality and Loss Reserves The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio (60+days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago." (New List No. 15)	(60+days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago."

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	lent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality. At the same time, we made significant investments in our technology and human capital that enhance our ability to achieve sustainable and consistent revenue and receivables growth. We have built a powerful franchise that is capable of delivering 13 to 15 percent annual earnings per share growth." (Interrog. No. 41, 42 Resp.)		
03/12/2001	March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z: "'Household's position on predatory lending is perfectly clear,' said Gary Gilmer, president and CEO of HFC and Beneficial. 'Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly, our customers.' . . . The company reaffirmed that it fully complies with all appli-	March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z": "'Household's position on predatory lending is perfectly clear,' said Gary Gilmer, president and CEO of HFC and Beneficial. 'Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly, our customers.' . . . The company reaffirmed that it fully complies with all applicable federal and state laws and regulations." (New List No. 16)	

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	cable federal and state laws and regulations." (Interrog. No. 41 Resp.)		
03/23/2001	*Origination News* – March 23, 2001: Household's "position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers." (Interrog. No. 41 Resp.)	*Origination News* – March 23, 2001: "Gary Gilmer, president and chief executive of Household's subsidiaries HFC and Beneficial said the company's 'position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers.'" (New List No. 19)	
03/28/2001	Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000, Household falsely stated: "Our focus is to continue using risk-based pricing and effective collection efforts for each loan. We have a process that gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." This statement was repeated in Household's FY00 Re-	Household FY00 Report on Form 10-K filed with the SEC on March 28, 2001 Household reported net income of 1.7 billion and E.P.S. of $3.55: * * * "Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." * * * "Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the	Household reported net income of 1.7 billion and E.P.S. of $3.55: * * * "Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions." . . . We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. * * * Credit Quality Statistics:

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<tr><td></td><td>port on Form 10-K, filed March 28, 2001.

(Interrog. No. 42 Resp.)</td><td>success of our collection efforts and general economic conditions." . . .

We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."

* * *

Credit Quality Statistics:

CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS

<table>
<tr><th></th><th>2000 Quarter End</th><th></th><th></th><th></th><th>1999 Quarter End</th><th></th><th></th><th></th></tr>
<tr><th></th><th>4</th><th>3</th><th>2</th><th>1</th><th>4</th><th>3</th><th>2</th><th>1</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.77%</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td><td>3.54%</td></tr>
<tr><td>Auto finance</td><td>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td><td>1.74</td></tr>
<tr><td>MasterCard/Visa</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td><td>3.61</td></tr>
<tr><td>Private label</td><td>5.48</td><td>5.67</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td><td>6.37</td></tr>
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<tr><td>Other unsecured</td><td>7.97</td><td>7.72</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td><td>7.84</td></tr>
<tr><td>Total Managed</td><td>4.20%</td><td>4.21%</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td><td>4.81%</td></tr>
<tr><td>Total Owned</td><td>4.26%</td><td>4.29%</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td><td>5.04%</td></tr>
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Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		Other unsecured 7.97 7.72 7.92 8.56 8.81 8.57 8.17 7.84 Total Managed 4.20% 4.21% 4.16% 4.43% 4.66% 4.89% 4.72% 4.81% Total Owned 4.26% 4.29% 4.25% 4.58% 4.81% 5.24% 4.96% 5.04% (New List No. 17)	
04/18/2001	April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results." (Interrog. No. 41, 42, 43 Resp.) .... April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": "Our outstanding results	April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results." * * * "Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet." * * * "Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter." (New List No. 18)	"Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter."

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	reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet. We also repurchased 8.8 million shares in the quarter. . . . All of our businesses are performing well and have great momentum. . . . We are very comfortable with our ability to achieve our receivable and earnings per share growth targets for 2001. . . . I look forward to another record year." (Interrog. No. 41, 42 Resp.) .... April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings." "Results for the quarter		

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<tr><td></td><td>were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter . . . . Our strong performance to date has positioned us well to achieve another record year in 2001."

(Interrog. No. 42 Resp.)</td><td></td><td></td></tr>
<tr><td>05/09/2001</td><td></td><td>Household 10-Q for 3/31/01 quarter ended: Household reported net income of $431.8 million for the quarter ended March 31, 2001 and EPS of $0.92:

CREDIT QUALITY
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Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th><th>March 31, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td><td>2.99%</td></tr>
<tr><td>Auto finance</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td></tr>
<tr><td>MasterCard/Visa</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td></tr>
<tr><td>Private label</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td><td>5.94</td></tr>
<tr><td>Other unsecured</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td><td>8.56</td></tr>
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07/13/2001	*San Jose Mercury News* – July 13, 2001: "Megan Hayden, manager of corporate communications for Household, said it would be 'disingenuous' to say public perception did not havea role in the announcement. But she insisted that the decision had little to do with increasing activism. . . . Hayden said sales of the insurance total about $10 million and have been a small part of the company's in-		

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	come." (Interrog. No. 41 Resp.)		
07/18/2001	July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up to 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000." (Interrog. No. 41, 42, 43 Resp.) .... July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. . . . Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue	July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000." . . . "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter." "Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter." (New List No. 21)	"Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter . . . . Our strong performance to date has positioned us well to achieve another record year in 2001." (Interrog. No. 41 Resp.)		
07/24/2001	*The New York Times* – July 24, 2001: The timing of these policies was not tied to actions by any fair-lending advocates and that the Company had been working on the announced changes for "quite some time. So, it really is a coincidence." (Interrog. No. 41 Resp.)	*The New York Times* – July 24, 2001: "It's not tied to hearings or activism or anything else in particular" said Craig Streem, a spokesman for Household . . . "[W]e've been working on [the announced changes] for quite some time. So, it really is a coincidence." (New List No. 22)	
07/27/2001	*Star Tribune* – July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'"	*Star Tribune* – July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'" (New List No. 23)	

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<tr><td></td><td>(Interrog. No. 41 Resp.)</td><td></td><td></td></tr>
<tr><td>08/10/2001</td><td></td><td>
Household 10-Q for 6/30/01 quarter ended: Household reported net income of $439 million for the quarter ended June 30, 2001 and EPS of $0.94:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>June 30, 2001</th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td></tr>
<tr><td>Auto finance</td><td>2.09</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td></tr>
<tr><td>MasterCard/Visa</td><td>3.60</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td></tr>
<tr><td>Private label</td><td>5.66</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td></tr>
<tr><td>Other unsecured</td><td>8.43</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td></tr>
<tr><td>Total managed</td><td>4.27%</td><td>4.25%</td><td>4.20%</td><td>4.21%</td><td>4.16%</td></tr>
<tr><td>Owned</td><td>4.48%</td><td>4.36%</td><td>4.26%</td><td>4.29%</td><td>4.25%</td></tr>
</table>
* * *

”Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and 4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a
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Household 10-Q for 6/30/01 quarter ended: Household reported net income of $439 million for the quarter ended June 30, 2001 and EPS of $0.94:

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”Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and 4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter.
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Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter." (New List No. 24)	Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter."
09/11/2001	*Albuquerque Journal* – September 11, 2001: "Household Corporate Communications Director Megan Hayden said ACORN members 'have made similar complaints about us in other states, and we have investigated all of their concerns and have found them to be baseless.'" (Interrog. No. 41 Resp.)		
10/17/2001	October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000." (Interrog. No. 41, 42, 43 Resp.)	October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000." "Household's performance this year has been outstanding, even as the economy has continued to weaken. . . . The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations." "Credit Quality and Loss Reserves	"Credit Quality and Loss Reserves At September 30th, the managed delinquency ratio (60+ days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter."

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	.... October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": "Household's performance this year has been outstanding, even as the economy has continued to weaken. . . . The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations. We further strengthened our balance sheet and continued to repurchase shares. . . . The strength of our franchise gives me confidence that we will achieve the high end of our earnings target of 13 to 15 percent EPS growth for the year." (Interrog. No. 41, 42 Resp.)	At September 30th, the managed delinquency ratio (60+ days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter." (New List No. 25)	
10/31/2001	*Associated Press* – October 31, 2001: "Household spokeswoman Megan Hayden denied the company engaged in predatory lending through its Beneficial and Household Finance subsidiaries, even as she pointed to steps the company took this year to end some of its	*Associated Press* – October 31, 2001: "Household spokeswoman Megan Hayden denied the company engaged in predatory lending through its Beneficial and Household Finance subsidiaries, even as she pointed to steps the company took this year to end some of its most criticized practices. Hayden said the problem involved not her company, but 'rogue lenders.' Government regulators say predatory lenders often target the poor, racial and ethnic minorities, seniors and single women."	

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	most criticized practices. Hayden said the problem involved not her company, but 'rogue lenders.' Government regulators say predatory lenders often target the poor, racial and ethnic minorities, seniors and single women." (Interrog. No. 41 Resp.)	(New List No. 26)	
11/14/2001	*Copley News Service* – November 14, 2001: "'We recognized there was a problem when the department brought it to our attention' after the 2000 audit, said Megan Hayden, a Household spokeswoman. 'Following their instructions, we not only refunded the customers who were affected but also put the necessary technological and human controls in place to make sure that would never happen again.'" (Interrog. No. 41 Resp.)		

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<tr><td>11/14/2001</td><td></td><td>Household 10-Q for quarter ended 9/30/01: Household reported net income of $503.8 million for the quarter ended June 30, 2001 and EPS of $1.09:

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<tr><td>Private label</td><td>5.88</td><td>5.66</td><td>5.50</td><td>5.48</td><td>5.67</td></tr>
<tr><td>Other unsecured</td><td>8.51</td><td>8.43</td><td>8.37</td><td>7.97</td><td>7.72</td></tr>
<tr><td>Total managed</td><td>4.43%</td><td>4.27%</td><td>4.25%</td><td>4.20%</td><td>4.21%</td></tr>
<tr><td>Owned</td><td>4.58%</td><td>4.48%</td><td>4.36%</td><td>4.26%</td><td>4.29%</td></tr>
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* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at September 30, 2001, compared with 4.48 percent at June 30, 2001 and 4.29 percent at September 30, 2000. The annualized total consumer owned chargeoff ratio in the third quarter of 2001 was 3.43 percent, compared with 3.26 percent in the prior quarter and 3.01 percent in the year-ago quarter.

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Managed consumer two-months-and-over contractual delinquency</td></tr>
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Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
		percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 31, 2000. The annualized total consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter." * * * "Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy." (New List No. 27)	as a percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 31, 2000. The annualized total consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter." * * * "Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy."
11/21/2001	*Los Angeles Sentinel* – November 21, 2001: "In May, Hayden said, Household Finance 'promptly responded to the department's concern by issuing refunds to our customers and implementing the necessary systems and people controls to prevent such systems issues from happening again.' Hayden claims that 'technology is responsible for the overcharges.'" (Interrog. No. 41 Resp.)		
11/21/2001	*American Banker* – November 21, 2001: "'It is very dangerous to confuse unintentional systematic inac-		

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	curacies on small administrative charges as predatory lending. Those two definitions do not match up,' said Megan Hayden, a spokeswoman with Household. . . . Ms. Hayden said her company made refunds to the borrowers and implemented what it believed was better system." (Interrog. No. 41 Resp.)		
12/04/2001	December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring. (Interrog. No. 42 Resp.)	December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring. * * * "Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158) "All policies have been consistently applied and realistically report results" (PFG000158) "Why are Household's Credit Losses Better" - better credit skills (PFG000152) (New List No. 29)	"Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158) "All policies have been consistently applied and realistically report results" (PFG000158) "Why are Household's Credit Losses Better" - better credit skills (PFG000152)

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
12/10/2001	*Business Week* – December 3, 2001: Household stated that the practice of reaging was is an industry norm. Household also stated that collection rates improve after loans were "reaged", that the Company's charge-off policy followed industry standards closely, that applying bank regulatory rules would barely increase the amount of charge-offs and that total reserves were at the highest level in company history. (Interrog. No. 42 Resp.)	*Business Week* – December 3, 2001: HOUSEHOLD IS ACCUSED OF: / HOUSEHOLD REPLIES: Rolling over late loans by adding missed payments to ends of loans, thus masking delinquencies / The practice is an industry norm, and collection rates improve after loans are "re-aged" Delaying recognition of charge-offs to boost earnings / Charge-off policy follows industry standards closely Moving loans from its bank subsidiary to minimize need for reserves / Applying bank regulatory rules would barely increase the amount of charge-offs Cutting on balance sheet reserves, though its portfolio is riskier / Total reserves are at the highest level in company history (New List No. 28)	HOUSEHOLD IS ACCUSED OF: Rolling over late loans by adding missed payments to ends of loans, thus masking delinquencies Delaying recognition of charge-offs to boost earnings Moving loans from its bank subsidiary to minimize need for reserves Cutting on balance sheet reserves, though its portfolio is riskier
01/10/2002	*Associated Press* – January 10, 2002: "Hayden said some of the repeated problems stemmed from Household's acquisition of its Beneficial subsidiary. 'Our solution wasn't adequate, and we're disappointed with that,' Hayden said. 'We're continuing to increase our own– Household's own– oversight of our compliance, because it's a priority for us.'" (Interrog. No. 41 Resp.)		
01/16/2002	January 16, 2002 Household Press Release entitled "Household Re-	January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full-Year Net Income": Household "re-	"Credit Quality and Loss Reserves At December 31st, the managed delinquency ratio (60+days) was

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	ports Record Quarterly and Full Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000." (Interrog. No. 41, 42, 43 Resp.) .... January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full Year Net Income": "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth ex-	ported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000." "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic environment. . . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year." * * * "Credit Quality and Loss Reserves At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent." (New List No. 30)	4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	ceeded our expectations while credit indicators weakened only modestly in a tough economic environment. Recognizing the importance of a strong balance sheet, we provided $154 million in excess of owned chargeoffs, bringing our reserves to their highest level ever. . . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year. We further strengthened our balance sheet while investing in sales and marketing to position our franchise for sustainable growth in the future. We are well-positioned to deliver 13 to 15 percent EPS growth for 2002." (Interrog. No. 41, 42 Resp.)		
02/06/2002	*Copley News Services* – February 7, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers. . . . We do the right thing for our borrowers. We	*Copley News Services* – February 6, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers . . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers."	

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	make good loans that not only are legal loans, but are beneficial for our customers." (Interrog. No. 41, 42 Resp.)	(New List No. 31)	
02/07/2002	*Contra Costa Times* – February 7, 2002: "They have charged us in the past with being a predatory lender, but those allegations have almost uniformly proven false and misleading," (Interrog. No. 41 Resp.)		
02/18/2002	*National Mortgage News* – February 18, 2002: "Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." (Interrog. No. 41 Resp.)	*National Mortgage News* – February 18, 2002: "Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." (New List No. 32)	
02/28/2002	*Star Tribune* – February 28, 2002: "Household International, parent of HFC and Beneficial Loan and Thrift brands, said new policies provide 'unprecedented protections' for subprime borrowers – normally people whose credit scores are too		

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<tr><td></td><td>low to qualify for mortgage loans at market rate. . . . The new policies come from 'always looking at better ways we can serve our customers, and raising the bar for industry lending standards,' said Megan Hayden, Household's corporate communications manager."

(Interrog. No. 41 Resp.)</td><td></td><td></td></tr>
<tr><td>03/13/2002</td><td>Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: "Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity."</td><td>Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002 Household reported Net Income of $1.923 billion in 2001, and E.P.S. of $4.13:

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS
<table>
<tr><th>All dollar amounts are stated in millions. At December 31, unless otherwise indicated.</th><th>2001</th><th>2000</th><th>1999</th><th>1998</th><th>1997</th></tr>
<tr><td>Owned Two-Month-and-Over Contractual Delinquency Ratios</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.58%</td><td>3.10%</td><td>3.95%</td><td>3.66%</td></tr>
<tr><td>Auto finance</td><td>2.92</td><td>2.46</td><td>2.02</td><td>2.90</td><td>1.48</td></tr>
<tr><td>MasterCard/Visa</td><td>5.67</td><td>4.90</td><td>3.59</td><td>5.09</td><td>3.55</td></tr>
<tr><td>Private label</td><td>5.99</td><td>5.60</td><td>6.09</td><td>6.03</td><td>5.60</td></tr>
<tr><td>Personal non-credit card</td><td>9.04</td><td>7.99</td><td>9.06</td><td>8.24</td><td>7.55</td></tr>
<tr><td>Total consumer</td><td>4.53%</td><td>4.26%</td><td>4.82%</td><td>5.31%</td><td>4.87%</td></tr>
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Household International, Inc. and Subsidiaries</td><td>Household reported Net Income of $1.923 billion in 2001, and E.P.S. of $4.13:

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS
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<tr><th>All dollar amounts are stated in millions. At December 31, unless otherwise indicated.</th><th>2001</th><th>2000</th><th>1999</th><th>1998</th><th>1997</th></tr>
<tr><td>Owned Two-Month-and-Over Contractual Delinquency Ratios</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.58%</td><td>3.10%</td><td>3.95%</td><td>3.66%</td></tr>
<tr><td>Auto finance</td><td>2.92</td><td>2.46</td><td>2.02</td><td>2.90</td><td>1.48</td></tr>
<tr><td>MasterCard/Visa</td><td>5.67</td><td>4.90</td><td>3.59</td><td>5.09</td><td>3.55</td></tr>
<tr><td>Private label</td><td>5.99</td><td>5.60</td><td>6.09</td><td>6.03</td><td>5.60</td></tr>
<tr><td>Personal non-credit card</td><td>9.04</td><td>7.99</td><td>9.06</td><td>8.24</td><td>7.55</td></tr>
<tr><td>Total consumer</td><td>4.53%</td><td>4.26%</td><td>4.82%</td><td>5.31%</td><td>4.87%</td></tr>
</table>
* * *

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS</td></tr>
</table>

<table>
<tr><th>Date</th><th>"False Statements" Listed in Interrogatories Nos. 41-43 Responses</th><th>"False Statements" Listed on the New List</th><th>"False Statements" to be Deleted from the New List</th></tr>
<tr>
<td></td>
<td>(Interrog. No. 41 Resp.)
....

Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002, Household falsely stated: "Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. We have been preparing for an economic slowdown since late 1999. Throughout 2000 and 2001, we emphasized real estate secured loans which historically have a</td>
<td>CREDIT QUALITY STATISTICS – OWNED BASIS
<table>
<tr><th>All dollar amounts are stated in millions. At December 31, unless otherwise indicated.</th><th>2001</th><th>2000</th><th>1999</th><th>1998</th><th>1997</th></tr>
<tr><td>Managed Two-Month-and-Over Contractual Delinquency Ratios</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.68%</td><td>2.63%</td><td>3.27%</td><td>3.67%</td><td>3.69%</td></tr>
<tr><td>Auto finance</td><td>3.16</td><td>2.55</td><td>2.43</td><td>2.29</td><td>2.09</td></tr>
<tr><td>MasterCard/Visa</td><td>4.10</td><td>3.49</td><td>2.78</td><td>3.75</td><td>3.10</td></tr>
<tr><td>Private label</td><td>5.48</td><td>5.48</td><td>5.97</td><td>6.20</td><td>5.81</td></tr>
<tr><td>Personal non-credit card</td><td>8.87</td><td>7.97</td><td>8.81</td><td>7.94</td><td>7.81</td></tr>
<tr><td>Total consumer</td><td>4.46%</td><td>4.20%</td><td>4.66%</td><td>4.90%</td><td>4.64%</td></tr>
</table>
* * *

"Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity."
* * *

"Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as</td>
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* * *

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</tr>
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Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	lower loss rate as compared to our other loan products, grew sensibly, tightened underwriting policies, reduced unused credit lines, strengthened risk model capabilities and invested heavily in collections capability by adding over 2,500 collectors. As a result, 2001 charge-off and delinquency performance has been well within our expectations." (Interrog. No. 42 Resp.) .... Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: "We believe our policies are responsive to the specific needs of the customer segment we serve. . . . Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported. Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate	reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. As a result, charge-off and delinquency performance has been well within our expectations." * * * "We believe our policies are responsive to the specific needs of the customer segment we serve. . . . ***Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported.*** Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition." * * * "Our policies for consumer receivables permit reset of the contractual delinquency statute of an account to current, subject to certain limits, if a delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections." (Emphasis added.) (New List No. 33)	

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	and result in proper loss recognition." (Interrog. No. 42 Resp.) .... Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002: Household filed a Form 10-K that disclosed Household's restructuring policies. Specifically, the Management's Discussion and Analysis of Financial Condition and Results of Operations portion of Household's Form 10-K included the statement that "[o]ur policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured." (Interrog. No. 42 Resp.) .... Household FY0 1Report on Form 10-K filed with the SEC on		

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	March13,2002. "We service each customer with a focus to understand that customer's personal financial needs. . . . [O]ur policies are designed to be flexible to maximize the collectibility of our loans while not incurring excessive collection expenses on loans that have a high probability of being ultimately uncollectible. Cross-selling of products, proactive credit management, 'hands-on' customer care and targeted product marketing are means we use to retain customers and grow our business." (Interrog. No. 42 Resp.)		
04/05/2002	*The Bellingham Herald* – April 5, 2002: "'You do not stay in business for 124 years by taking advantage of consumers,' Hayden aid. 'You do not make any money trying to take advantage of consumers. You lose money.'" (Interrog. No. 41 Resp.)		
04/09/2002	April 9, 2002 Financial Relations Conference: Defendants made numerous false statements regarding Household's reaging and restructur-	April 9, 2002 Financial Relations Conference: Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530] Credit Policies – Overview – In some cases charge-off policy is longer	Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530] Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management.

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List

	ing policies. For example, defendants informed investors that Household's policies were "appropriate for each customer segment; that the Company's reage policies were [n]ot intended to defer credit loss recognition or to overstate net income; that the reage policies were in place to for the customer's benefit; that customers who were reaged had indicated willingness and ability to pay; that Household's reage policies had been "consistently applied and [were] appropriate for each product. Defendants also falsely assured investors at the April 9, 2002 conference that Household had in place strict restructuring controls. Household also presented inaccurate statistical data regarding restructures and assured investors that the Company was adequately reserved.
	
	(Interrog. No. 42 Resp.)
		than bank policy to optimize customer management.
		Reage Policies – Overview
		• Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices
		• Not intended to defer credit loss recognition or to overstate net income
		• Policies have been consistently applied and are appropriate for each product
		Credit Policies – Personal Non-Credit Card
		• Restructures
		  • If an account is ever 90+, lifetime limit of 4 restructures allowed
		
		Defendants issued false or misleading information regarding Household's reaged portfolio in a number of charts included in Exhibit ___ (HHS01883518) – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.
		
		(New List No. 34)
			Reage Policies – Overview
			• Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices
			Credit Policies – Personal Non-Credit Card
			• Restructures
			  • If an account is ever 90+, lifetime limit of 4 restructures allowed
			
			Defendants issued false or misleading information regarding Household's reaged portfolio in a number of charts included in Exhibit ___ (HHS01883518) – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.

04/17/2002	April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09,	April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record	"Credit Quality and Loss Reserve At March 31st, the *managed basis* delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized *managed basis* net charge-off ratio for the first quarter of 4.09

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	its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million." (Interrog. No. 41, 42, 43 Resp.) .... April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": "Household turned in a very strong first quarter. . . . In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility." "Our credit quality performance was well within our expectations in light of the continued weakness in the economy. . . . We anticipate a very manageable credit environment for the remainder of the year. . . . We are off to a great start, and I am comfortable with our ability to meet	$511 million." "Household turned in a very strong first quarter. . . . In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility." "Our credit quality performance was well within our expectations in light of the continued weakness in the economy. . . . We anticipate a very manageable credit environment for the remainder of the year." * * * "Credit Quality and Loss Reserve At March 31st, the *managed basis* delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized *managed basis* net charge-off ratio for the first quarter of 4.09 percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. . . ." "The *owned basis* delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized *owned basis* charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago." (New List No. 35)	percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. . . ." "The *owned basis* delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized *owned basis* charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago."

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	our 13 to 15 percent earnings per share growth target for 2002." (Interrog. No. 41, 42 Resp.)		
04/22/2002	*Bellingham Herald* – April 22, 2002: "It is absolutely against our policy to in any way quote a rate that is different than what the true rate is . ... I can't underscore that enough." (Interrog. No. 41 Resp.)	*Bellingham Herald* – April 21, 2002: "It is absolutely against our policy to in any way quote a rate that is different than what the true rate is . . . . I can't underscore that enough." (New List No. 36)	
05/00/2002	*ABA Banking Journal* – May 2002: "For 124 years, we've set the standard for responsible lending. And now we're doing it again." (Interrog. No. 41 Resp.)		
05/03/2002	*ChicagoTribune* – May 3, 2002: "Household quickly denied that it misleads customers. . . . In response to the latest suit, Household denied that it misleads customers. 'Acorn continues to launch baseless accusations and lawsuits rather than work to enact real solutions to help eliminate predatory lending from the marketplace,' the lender's statement said."	*Chicago Tribune* – May 3, 2002: "Household quickly denied that it misleads customers. . . . In response to the latest suit, Household denied that it misleads customers. 'Acorn continues to launch baseless accusations and lawsuits rather than work to enact real solutions to help eliminate predatory lending from the marketplace,' the lender's statement said." (New List No. 37)	

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	(Interrog. No. 41 Resp.)		
05/07/2002	*Newsday* – May 7, 2002: "Household spokeswoman Megan Hayden said yesterday that the company 'was surprised and concerned by [the comptroller's] statement. We believe we have the highest standards for responsible lending, and we very much hope to speak directly with the comptroller to address his questions and concerns.'" (Interrog. No. 41 Resp.)		
05/10/2002		Household 10-Q for quarter ended 3/31/2002. Household reported net income of $511 million, and E.P.S of $1.09 CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables): March 31, 2002 / December 31, 2001 / March, 31 2001 Real estate secured 2.88% 2.63% 2.55% Auto finance 2.04 2.92 1.74 MasterCard/Visa 6.54 5.67 5.02 Private label 6.33 5.99 5.62 Personal non-credit card 9.60 9.04 8.79 Total Owned 4.77% 4.53% 4.36% (New List No. 38)	Household 10-Q for quarter ended 3/31/2002. Household reported net income of $511 million, and E.P.S of $1.09 CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables): March 31, 2002 / December 31, 2001 / March, 31 2001 Real estate secured 2.88% 2.63% 2.55% Auto finance 2.04 2.92 1.74 MasterCard/Visa 6.54 5.67 5.02 Private label 6.33 5.99 5.62 Personal non-credit card 9.60 9.04 8.79 Total Owned 4.77% 4.53% 4.36%
05/10/2002	*The Record* – May 10, 2002: "Our position is that the accusations [re-	*The Record* – May 10, 2002: "Our position is that the accusations [regarding predatory lending] are baseless . . . . The loans are legal, they	

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	garding predatory lending] are baseless . . . . The loans are legal, they are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . The loan[s] conform[] to the company's 'tangible benefits test." (Interrog. No. 41 Resp.)	are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . Hayden says the loan[s] conform[] to the company's 'tangible benefits test." (New List No. 39)	
05/14/2002	*St. Paul Pioneer Press* – May 14, 2002: "Household spokeswoman Megan Hayden said the company denies misleading the Dodges or other families about the terms of their loans. . . . 'You don't stay in business 120 years if you simply take advantage of people,' Hayden said." (Interrog. No. 41 Resp.)		
05/14/2002	*AP Online* – May 14, 2002: "All of [Household's] lending policies are in accord with federal and state regulations and requirements . . . ." (Interrog. No. 41 Resp.)	*AP Online* – May 14, 2002: "All of [Household's] lending policies are in accord with federal and state regulations and requirements . . . ." (New List No. 40)	
05/20/2002	*National Mortgage News* – May 20, 2002: "[Hayden] said, senior management 'has actively followed' the		

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	issue of responsible lending, compliance, quality assurance and making sure that the company is abiding by policies and procedures that 'indeed do represent the ethics of this company' as an industry leader." (Interrog. No. 41 Resp.)		
05/22/2002	May 22, 2002 Household Press Release entitled "Household Names New Vice President-Director of Compliance": "The decision to appoint Kauffman furthers Household's ongoing efforts to strengthen policy and compliance functions, and enhances the company's long-standing commitment to serving middle market borrowers fairly and responsibly. 'We take compliance very seriously at Household,' said Gary Gilmer. 'We have made important steps to fortify our compliance functions, such as increasing our infrastructure, doubling the size of the centralized compliance and field audit team, and reengineering our exam reviews. The addition of James Kauffman is a meaningful next step. His impeccable credentials, financial services industry ex-		

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	perience and first-hand knowledge of compliance requirements will be an invaluable resource as Household continues its focus on compliance excellence.'. . . Household leads the consumer lending industry with stringent responsible lending policies and practices.'" (Interrog. No. 41 Resp.)		
05/31/2002	*American Banker* – May 31, 2002: "It is our regulators' and the attorney general's job to investigate any complaints brought forth by consumers in their state, and we don't find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower." ... [some] "customers in Bellingham may have indeed been justified in their confusion about the rate of their loans" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch."	*American Banker* – May 31, 2002: "It is our regulators' and the attorney general's job to investigate any complaints brought forth by consumers in their state, and we don't find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower." . . . "some customers in Bellingham may have indeed been justified in their confusion about the rate of their loans" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch." (New List No. 41)	

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	(Interrog. No. 41 Resp.)		
07/02/2002	*The Oregonian* – July 2, 2002: "Household International offices deny any pattern of wrongdoing and say the company is open to changes in its lending practices if they are harmful to consumers. 'We've made mistakes,' said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. 'Is there a companywide pattern of abuse? Absolutely not.'" (Interrog. No. 41 Resp.)	*The Oregonian* – July 2, 2002: "Household International offices deny any pattern of wrongdoing and say the company is open to changes in its lending practices if they are harmful to consumers. 'We've made mistakes,' said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. 'Is there a companywide pattern of abuse? Absolutely not.'" (New List No. 42)	
07/17/2002	July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million." (Interrog. No. 41, 42, 43 Resp.)	July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million." * * * "Our results this quarter were fueled by ongoing strong demand for our loan products. . . . Growth this quarter was strong, while we have maintained our conservative underwriting criteria. . . ." * * * "Credit Quality and Loss Reserves At June 30th, the *managed basis* delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized	"Credit Quality and Loss Reserves At June 30th, the *managed basis* delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized *managed basis* net charge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago." "The *owned basis* delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized *owned basis* net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago."

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	July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": "Our results this quarter were fueled by ongoing strong demand for our loan products. . . . Growth this quarter was strong, while we have maintained our conservative underwriting criteria. . . . The company's operating performance has been very strong in the first half of 2002, and, although the economic environment is likely to remain uncertain, we believe our businesses are well-positioned for the remainder of the year." (Interrog. No. 41, 42 Resp.)	*managed basis* net charge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago." "The *owned basis* delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized *owned basis* net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago." (New List No. 43)	
07/17/2002	July 17, 2002 Household Conference Call: "The impact on us of those changed laws has been virtually nil or minimal. That is because we already have in place our best practices. In many cases, our best practices exceed what these states have been asking or are in line with what these states are asking. . . . Now let's talk about the lawsuits. We think straight out that the class		

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	action suits brought by Acorn (phonetic) in particular are just baseless, and we don't see any long-term impact there. We think they are wrong. . . . On the AGS, obviously again, it is a political issue. There has been lots of talk. We will like we do on everything else focus on resolving that issue over the next six months or so, but I cannot go into any details except to say that I am confident that our best practices and our current model ultimately will prevail, and we will do what we do because we do not do predatory lending. . . . [T]he final message is lots of moving parts, lots of headline issues, but economically, we run a very strict model and a very good model for our customers, and we don't think when we are sitting here talking to you next year there will be anything substantially different in the returns or practices. I am sorry for such a long answer." (Interrog. No. 41, 42 Resp.)		
07/26/2002	*Bellingham Herald* – July 26, 2002: "Household employees 'may' have misrepresented mortgage terms to		

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	'some' Whatcom County homeowners who refinanced their home loans at the Bellingham office of HFC. . . . The manager of that office was replaced." (Interrog. No. 41 Resp.)		
08/14/2002	August 14, 2002 Household Press Release entitled "Household International Certifies Accuracy of SEC filings in 2002": "Household's results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels. The company's operating performance in the first half of the year has been very strong, and our businesses are well-positioned for the remainder of the year... . Household has undergone a thorough review of our financial statements and related accounting policies in conjunction with our new auditors, KPMG LLP. As part of this review, we have determined to adopt certain revisions	August 14, 2002 Household Press Release entitled "Household International Certifies Accuracy of SEC filings in 2002": "Household's results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels." (New List No. 44)	

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	to the accounting treatment of our Mastercard/Visa co-branding and affinity credit card relationships, and a credit card marketing agreement with a third party. We are restating earnings to reflect the cumulative impact of the adjusted items over the period in which the adjustments are applicable as determined in consultation with our new auditors at KPMG. The restatement associated with these matters has the effect of reducing second quarter earnings per share by \$.01, or approximately 1 percent, and EPS for the six months ended June 30, 2002 by \$.06, or 2.8 percent, versus what was reported in the company's earnings release of July 17, 2002. These changes are not expected to have any significant impact on our future results of operations." (Interrog. No. 41, 42 Resp.)		
08/14/2002	Household reiterated this false disclosure ["[o]ur policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined	Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002: Household reported net income of \$507 million and E.P.S. of \$1.08 CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):	Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002: Household reported net income of \$507 million and E.P.S. of \$1.08 CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

<table>
<tr><th>Date</th><th>"False Statements" Listed in Interrogatories Nos. 41-43 Responses</th><th>"False Statements" Listed on the New List</th><th>"False Statements" to be Deleted from the New List</th></tr>
<tr><td></td><td>number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured."] in its Form 10-Q for second quarter 2002, filed with the SEC on August 14, 2002, its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002, and its Form 10-Q for third quarter 2002, filed with the SEC October 24, 2002. Beginning in April 2002, Household also disclosed inaccurate and misleading statistics related to restructures in SEC filings and elsewhere.

(Interrog. No. 42 Resp.)</td><td><table><tr><th></th><th>June 30, 2002</th><th>March 31, 2002</th><th>June 30, 2001</th></tr><tr><td>Real estate secured</td><td>2.78%</td><td>2.88%</td><td>2.59%</td></tr><tr><td>Auto finance</td><td>2.99</td><td>2.04</td><td>2.35</td></tr><tr><td>MasterCard/Visa</td><td>6.13</td><td>6.54</td><td>4.80</td></tr><tr><td>Private label</td><td>6.19</td><td>6.33</td><td>6.54</td></tr><tr><td>Personal non-credit card</td><td>9.12</td><td>9.60</td><td>8.79</td></tr><tr><td>Total Owned</td><td>4.61%</td><td>4.77%</td><td>4.48%</td></tr></table>* * *
"Our credit policies for consumer loans permit the reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections."
* * *
Household reiterated this false disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002.

(New List No. 45)</td><td><table><tr><th></th><th>June 30, 2002</th><th>March 31, 2002</th><th>June 30, 2001</th></tr><tr><td>Real estate secured</td><td>2.78%</td><td>2.88%</td><td>2.59%</td></tr><tr><td>Auto finance</td><td>2.99</td><td>2.04</td><td>2.35</td></tr><tr><td>MasterCard/Visa</td><td>6.13</td><td>6.54</td><td>4.80</td></tr><tr><td>Private label</td><td>6.19</td><td>6.33</td><td>6.54</td></tr><tr><td>Personal non-credit card</td><td>9.12</td><td>9.60</td><td>8.79</td></tr><tr><td>Total Owned</td><td>4.61%</td><td>4.77%</td><td>4.48%</td></tr></table>* * *
Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections."</td></tr>
<tr><td>08/16/2002</td><td>The Patriot Ledger – August 16, 2002: "Household spokeswoman Megan Hayden . . . denied the company broke any laws. . . . 'Clearly, as a national lender that operates in 46 states we cannot do so if we don't follow the laws and regulations,' she said."

(Interrog. No. 41 Resp.)</td><td></td><td></td></tr>
<tr><td>08/19/2002</td><td>New York Times – August 19, 2002: "Despite the industry wreckage,</td><td></td><td></td></tr>
</table>

Date	"False Statements" Listed in Interrogatories Nos. 41-43 Responses	"False Statements" Listed on the New List	"False Statements" to be Deleted from the New List
	Household is hanging tough. On a conference call this week, its chief executive, William F. Aldinger, dismissed as groundless two lawsuits filed by the Association of Community Organizations for Reform Now, a community group that specializes in credit issues that affect law-and middle income people. Though nine states have enacted tougher anti-predatory lending laws in the last three years, Aldinger said these had 'virtually no impact' on Household because the company began during the last 18 months two sets of reforms in lending practices. 'We area good group of people, a high-quality team with good ethics,' Aldinger added." (Interrog. No. 41 Resp.)		
09/01/2002	*Origination News* – September 1, 2002: "'We clearly follow all state and federal laws and regulations,' Household spokeswoman Megan Hayden said". (Interrog. No. 41 Resp.)	*Origination News* – September 1, 2002: "'We clearly follow all state and federal laws and regulations,' Household spokeswoman Megan Hayden said." (New List No. 46)	
09/02/2002	*National Mortgage News* – September 2, 2002: "A household	*National Mortgage News* – September 2, 2002: "A Household spokeswoman said she is not aware of any pending enforcement actions or	

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	spokeswoman said she is not aware of any pending enforcement actions or settlement talks." (Interrog. No. 41 Resp.)	settlement talks." (New List No. 47)	
09/16/2002	*Forbes* – September 16, 2002: "'Home Wrecker' (Sept. 2, p. 62) disregarded facts and instead crafted an inaccurate portrayal of William Aldinger's Household International and its consumer lending business. While one complaint is one too many, you neglected to mention that 99.99% of our consumer-lending customers do not have a complaint regarding their loan. FORBES neglected to say that our branches undergo three quality assurance auditsa year and that more than 56,000 customer audit calls are made to ensure we meet the highest standards of responsible lending. FORBES did not give any credit to our industry-leading disclosures, such as our one-page, simple-language loan summary– in which customers are clearly communicated with about the terms of their contracts. We regret that FORBES didn't find these facts		

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	relevant. But at Household, our satisfied customers know the difference." (Interrog. No. 41 Resp.)		

Exhibit 7

Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern Division.

Eastern District Thomas W. McENTEGART, Plaintiff,

v.

SUNRISE TRANSPORTATION, INC. and Arthur Johnson, Defendants.

No. 07 C 2006.

Jan. 6, 2009.

Mathew Todd Siporin, Richard L. Pullano, Law Offices of Richard L. Pullano, PC, Chicago, IL, for Plaintiff.

Kathleen Mary McDonough, Robert John McLaughlin, Segal, McCambridge, Singer & Mahoney, Ltd., Chicago, IL, for Defendants.

MEMORANDUM OPINION AND ORDER

RONALD A. GUZMAN, District Judge.

*1 On June 5, 2006, plaintiff was in the cross-walk at the intersection of Congress Parkway and Financial Place in Chicago when he was hit by car that had been hit from behind by a bus operated by defendants. Plaintiff filed this suit to recover damages for the injuries he suffered in that accident. The case is before the Court on defendants' motions to bar Dr. John Ebersole from testifying and plaintiff from introducing evidence about changes in his personality after the accident and plaintiff's motions to bar Jerrold Runquist from testifying and Dr. John Hughes from testifying about plaintiff's alleged marijuana use. For the reasons set forth below, the Court denies defendants' motions and plaintiff's motion to bar Hughes' testimony and grants plaintiff's motion to bar the testimony of Jerrold Runquist.

Defendants' Motion to Bar Dr. John Ebersole from Testifying

Defendants argue that Ebersole's testimony should be barred because plaintiff did not submit a report from him that meets all of the requirements of Federal Rule of Civil Procedure ("Rule") 26(a) (2). There is no dispute that the report, which is not signed by Ebersole, does not wholly comply with the Rule. But that noncompliance is a basis for barring Ebersole's testimony only if it prejudiced defendants. *See* Rule 37(c)(1) ("If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless.")

Defendants have not shown that it did. Though they say the flawed report deprived them of "the benefit of [having] Dr. Ebersole's complete opinions prior to his deposition" (Defs.' Mot. Bar Testimony Ebersole at 4), they do not identify a single opinion about which Ebersole testified that was not set forth in the report. Because there is no evidence that defendants were actually prejudiced by it, plaintiff's failure to adhere strictly to Rule 26 is not a basis for barring Ebersole's testimony.

Defendants also argue that Ebersole's testimony should be barred under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993).*Daubert* teaches that expert testimony is admissible under Federal Rule of Evidence 702 only if "the reasoning or methodology underlying [it] is scientifically valid" and it "will assist the trier of fact to understand or determine a fact in issue."*Id.* at 592-93.Defendants say Ebersole's opinions that plaintiff had a seizure on July 30, 2007 and has epilepsy are unfounded because they: (a) are based on other doctors' examinations of plaintiff; (b) differ from the conclusions of plaintiff's treating physician; and (c) are based on a distortion of the relevant scientific literature.

The Seventh Circuit rejected defendants' first two arguments in *Walker v. Soo Line Railroad Co.:*

> Medical professionals have long been expected to rely on the opinions of other medical professionals in forming their opinions. Federal Rule of Evidence 703, the rule governing the appropriate bases of expert testimony, specifically contemplates, in its advisory committee notes, reliance on reports and opinions from nurses, technicians and other doctors. Indeed, courts frequently have pointed to an expert's reliance on the reports of others as an indication that their testimony is reliable.
>
> ***2** ... That two different experts reach opposing conclusions from the same information does not render their opinions inadmissible.

208 F.2d 581, 588 (7th Cir.2000) (quotation, citations and footnote omitted). Thus, the fact that Ebersole relied on other doctors' data but drew different conclusions from it does not make his testimony inadmissible.

Defendants' last argument is no more persuasive. First, Ebersole did not, as defendants say, opine that plaintiff has a "a 63% possibility ... [of] develop [ing] epilepsy."(Defs.' Mot. Bar Ebersole at 9-10.) Rather, he said one study put plaintiffs risk at that level, but he thought "in general, [that plaintiff] probably has a four to ten fold greater risk than normal individuals, maybe as much as 15 fold."(Defs.' Mot. Bar Ebersole, Ex. C, Ebersole Dep. at 91-92, 99-106.) Moreover, Ebersole acknowledged that other studies suggest the risk is much smaller. (*Id.* at 113-19.)But he said those studies had limited relevance because they pertained to patients whose only injury was a subarachnoid hemorrhage, which was, in Ebersole's view, the "least significant" of plaintiffs injuries. (*Id.*) In short, the record does not show that Ebersole's opinions have no support in the scientific literature and any divergence between that literature and his opinions can be explored on cross-examination. Defendants' motion to bar his testimony is, therefore, denied.

Defendants' Motion to Bar Evidence about Post-Accident Personality Changes

Defendants ask the Court to bar plaintiff from introducing evidence about personality changes he says the accident caused because he did not timely produce evidence relating to that claim. Specifically, defendants say plaintiff did not produce a "First Warning" he received from his employer, the Chicago Board of Options Exchange ("CBOE"), in April 2005 for emotional outbursts he had at work on March 14, 2005 and on two occasions in 2004. (*See* Defs.' Reply Supp. Mot. Bar Reference Trial Personality Change, Ex. B, Mem. from Johnson & Beck to McEntegart of 4/6/05.) Defendants say they first saw that document in July 2008, two months after fact discovery closed, when CBOE produced it. Because they could not explore the pre-accident behavior issues raised by that document, defendants say plaintiff should be barred from offering evidence about the personality changes he allegedly suffered.

Barring the use of evidence wrongfully withheld is among the sanctions available for a violation of the discovery rules. But a sanction will be imposed only if defendants show that a violation actually occurred, *i.e.,* (1) plaintiff had a copy of the first warning document; (2) it was responsive to one of defendants' discovery requests or plaintiff was otherwise obligated to produce it; and (3) plaintiff failed to produce it. Defendants have not established either of the first two elements. Consequently, the Court has no basis for granting their motion to bar.

Plaintiff's Motion to Bar the Testimony of Jerrold Run quist

***3** At the time of the accident, plaintiff was employed by CBOE as a Trading Floor Liaison ("TFL"). TFLs are "middlem[e]n between [CBOE's] regulatory department and ... [its] members," who use CBOE's rules and regulations to resolve disputes that arise on the trading floor. (Pl.'s

Mot. Bar Testimony Runquist, Ex. B, McEntegart Dep. at 14.) Defendants say Runquist is an expert on CBOE's operations, including the skills required to be a TFL, the demands of that job and the performance criteria by which TFLs are judged. Plaintiff says Runquist's proffered testimony does not comport with *Daubert.*

The Court agrees. Though Runquist has a wealth of knowledge about CBOE, the physical and mental demands of the TFL position and the performance criteria applied to them are not among his areas of expertise. Runquist never worked as a TFL, supervised a TFL or completed a performance review for one. (*Id.* at 70, 117-18.)Runquist worked in the regulatory department for only two of his seventeen years with CBOE, and even then, he spent less than ten percent of his time on the trading floor. (Mot. Bar Testimony Runquist, Ex. D, Runquist Dep. at 59-61, 70.) The vast majority of Runquist's time with CBOE was spent as a trainer. (*Id.* at 42.)And, though TFLs were among those he trained, that training was limited to a narrow aspect of their job: interpreting the data generated by CBOE's computer systems. (*Id.* at 42, 161-62.)

Despite his apparent lack of first-hand knowledge, Runquist says he is an expert about the TFL position because:

> I worked with [TFLs] either directly or indirectly. I knew all of them, sat with them, smoked with them, ate lunch with them, attended meetings with them, trained them, explained to visitors and people within the regulation department what they did.

(*Id.* at 87.)That kind of, essentially social, interaction with TFLs does not make Runquist an expert on their job duties, demands and performance criteria. Plaintiff's motion to bar Runquist's testimony is, therefore, granted.

Plaintiff's Motion to Bar Dr. Hughes from Testifying About Marijuana Use

Tests done immediately after the accident showed that tetrahydrocannabinol, the main active chemical in marijuana, was present in plaintiff's blood. Among the opinions defendants' medical expert, Dr. John Hughes, set forth in his report is that "[p]laintiff's positive marijuana test would possibly play a role in his general alertness in June 2006."(Mot. Bar Hughes' Testimony, Ex. B, Hughes Report.) Plaintiff says that opinion exceeds Hughes' scope of expertise.

The Court disagrees. Hughes' expertise in neurology is a sufficient basis for him to opine, generally, on how marijuana affects the brain. (*See id.,* Ex. D, Hughes Curriculum Vitae.) The probative value of that kind of generalized testimony is not likely to be great. But, whatever its worth, Hughes is qualified to give it.

Conclusion

For the reasons set forth above, the Court denies defendants' motions to bar Dr. John Ebersole from testifying and plaintiff from introducing evidence about post-accident personality changes and plaintiff's motion to bar Dr. John Hughes from testifying about plaintiff's alleged marijuana use [doc. nos. 32, 44 & 45] and grants plaintiff's motion to bar Jerrold Runquist from testifying [doc. no. 43].

***4 SO ORDERED.**

N.D.Ill.,2009.
McEntegart v. Sunrise Transp., Inc.
Slip Copy, 2009 WL 35285 (N.D.Ill.)

END OF DOCUMENT