No. 13-3532

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

GLICKENHAUS INSTITUTIONAL GROUP,
Plaintiff-Appellee,
vs.
HOUSEHOLD INTERNATIONAL, INCORPORATED, et al.,
Defendants-Appellants.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Case No. 1:02-cv-5893
The Honorable Ronald A. Guzman, District Judge

PLAINTIFFS-APPELLEES' SUPPLEMENTAL APPENDIX
VOLUME 1 OF 3

ROBBINS GELLER RUDMAN
& DOWD LLP
MICHAEL J. DOWD
SPENCER A. BURKHOLZ
DANIEL S. DROSMAN
JOSEPH D. DALEY
MAUREEN E. MUELLER
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
LUKE O. BROOKS
JASON C. DAVIS
Post Montgomery Center
One Montgomery Street, Suite 1800
San Francisco, CA 94104
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs-Appellees

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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
	)	March 31, 2009
Defendants.	)	9:00 a.m.

VOLUME 2
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

portfolio, since that's the largest asset.

And the past due percentages are very important, to see what the quality of the loan portfolio is.

So, the regulators don't want the lenders to be
02:24:51 masking that number to them. And, so, that's one of the things that I would look at when I was a field examiner.

Q. Let's now turn to the opinions you actually reached in this case.

Did you reach any conclusion about whether Household
02:25:05 engaged in predatory lending practices during the 1999 to 2002 time frame?

A. I did reach an opinion.

Q. And tell us what that is.

A. My opinion is, after looking at everything, that Household
02:25:18 engaged in company-wide systemic predatory lending.

Q. Now, did you also reach any opinion or conclusion as to whether Household hid the quality of its loans during the 1999 to 2002 time frame?

A. I did reach an opinion.

02:25:35 Q. And please tell the jury what that opinion is.

A. My opinion, after looking at everything that I looked at, is that Household utilized re-aging practices to mask their delinquencies.

Q. Let's -- before we talk in more detail about how you
02:25:51 arrived at those opinions and what you found that supported

the limited purpose of showing you -- or assisting you to evaluate the expert witness' opinion and how sound that opinion is.

The underlying opinion must not be used by you for
03:45:03 any other purpose than to evaluate the opinion of the expert witness.

You may proceed.

MR. DROSMAN: Thank you, your Honor.

BY MR. DROSMAN:

03:45:15 Q. Ms. Ghiglieri, before the break I asked you whether you prepared a demonstrative exhibit to assist you in explaining your conclusion that Household engaged in a variety of predatory practices during the 1999-to-2002 time frame.

Did you prepare such an exhibit?

03:45:33 A. I did.

Q. Would that assist you in explaining your testimony?

A. Yes, it would.

Q. At this time I will show you what has been marked as Plaintiffs' Demonstrative Exhibit 29 for identification.

03:45:45 What are the entries on Plaintiffs' Exhibit 29?

A. These are the various predatory lending practices that I found when I was reviewing all of the documents.

Q. Let's take the first predatory lending practice listed, the effective or equivalent rate.

03:46:06 Can you tell the jury what that is?

A. Yes. Household's rates were higher than its competitors. So in order for it to be able to make loans, they came up with a way of describing their rates as effective rates.

Basically what they would do is tell the customer, 03:46:25 you can pay your mortgage payment -- half of your mortgage payment every two weeks instead of making your mortgage payment once a month. And in that way, you will pay it off faster. And that's true because you make 13 payments instead of 12 payments if you make a half of a payment every other 03:46:48 week.

But what they would do is, they would then calculate what they called an effective rate and compare it to someone that's making their payment once a month for 30 years. And they would say, because you are paying less interest, you are 03:47:02 paying a lower interest rate, which is not true.

If I took out a 30-year mortgage and I refinanced it somewhere else after two years, the amount of interest I would pay to the first lender would be less than if I would have stayed there for 30 years and paid it. But my interest rate 03:47:20 didn't change.

So Household used what they called this effective rate. Sometimes they would call it equivalent rate. Sometimes they would call it comparative rate. But they would couch this, their higher rate, in terms of this biweekly 03:47:37 payment plan and say, you know, your effect rate is lower. So this is an example.

Someone would come in, apply for a loan or refinance their current loan. Household would do this effective rate calculation based on the biweekly payment plan. And they

03:47:55 would say, well, you currently have an 8 percent rate. But if you come and refinance with us, the effective rate would be 7 percent. And the customer would say, oh, that's great; I am going to refinance. But really what would happen is, the interest rate would still be, you know, 12 and a half or

03:48:11 13 percent.

So Household used this predatory lending practice to get people to come in and borrow from them, even though their rates were not competitive. If they would have said, if you pay your loan every two weeks on the current loan, the rate

03:48:30 would be 4 percent, you know, as compared to our 7 percent.

So the reason why Regulation Z is in place, as I said this morning or earlier -- I am sorry -- this afternoon is lenders are required to only use the annual percentage rate so that customers can compare from lender to lender what the

03:48:50 rates are so they can compare apples to apples. Regulation Z is violated when you come up with all these different sorts of rates to give to the customer. So that was the effective equivalent rate scam that Household was running during this 1999-to-2002 time frame.

03:49:08 Q. Now, we have touched on the second practice, insurance packing. But can you tell us what that is?

A. Yes. Insurance packing is when you add insurance premiums for credit life, accident and health, unemployment, whatever kind of insurance, on to the loan without the borrower's knowledge. That's a typical insurance packing definition.

Household did some of that.

They also would tell the customers that the insurance was required. Sometimes they wouldn't tell them at all. And if the customer would come to the loan closing -- let me back up a minute.

What Household trained their employees to do was to assume that the customer wanted all of these insurance products. So when the customer got to the loan closing, the insurance would already be added on. If the customer would notice it, they would say many times, oh, we have to run all your loan documents; this is going to take a long time.

If the customers, you know, asked about it and really said, we don't want it, we don't want it; they would say, don't worry about it. You can cancel after 30 days.

They would get their premium back -- a portion of their premium back, but the premium would still be on their loan. And they would be making not only payments over 30 years because of the insurance, they would also be paying interest on that insurance premium.

So this is considered a predatory lending practice.

03:50:54 03:51:14 03:51:29 03:51:46 03:52:17

And it's particularly egregious when the type of insurance is single premium credit insurance. And that is where you make a premium payment up-front. You pay it off, of course, as you pay your mortgage off over 30 years, but the insurance only lasts for five years. So you no longer have insurance, and still after the fifth year, you are paying for this. So regulators in a lot of states have prohibited this. That is a particularly egregious predatory lending practice.

Q. Did you see instances in which Household packed single credit premium insurance on?

A. Yes.

Q. What about the next practice, failure to properly disclose? Can you tell us what that is?

A. Failure to properly disclose is in two major categories. There were a lot of problems with disclosure, but I will confine it to these two categories.

One is the good faith estimate. And for anyone that has gone to close on a home, you will know that when you make an application to a lender, three days after the application is accepted you are supposed to receive a good faith estimate of the closing costs. And that's under the Real Estate Settlement Procedures Act, which is known as RESPA.

The good faith estimate that Household would give, when they would give it -- sometimes they didn't give it; sometimes it was late -- but when they would give the good faith estimate, it was a wide range. They would say, your closing costs are going to be between zero dollars and $8,000.

03:52:35 The majority of the time on the documents that I looked at, Household charged at the high end of the range or in excess of the range. The lenders are never supposed to charge in excess of what they have on the closing costs without redisclosing. But in many cases, Household would charge in excess of that range.

03:52:52 Household's practice was to charge at the high end of the range. And if you look at the regulatory literature, when you give a range and almost all the time when you charge at the high end of the range, it's considered deceptive if you are giving too wide of a range to a borrower. So that's one of the problems with failure to properly disclose. And it's

03:53:11 considered a predatory lending practice.

03:53:28 The other example of failure to disclose was the prepayment penalty. A prepayment penalty is when you go to pay off your mortgage either through refinance or from other means and you are charged a penalty for paying it off. Some states have prohibited this, but some states have not.

03:53:49 And when Gary Gilmer took over Household in 1999 -- 1998, starting in 1999 they increased the amount of the prepayment penalty from three years to five years. What that meant was, if you came in to pay off your loan inside of five years, you were charged six months' worth of interest as a penalty.

And this prepayment penalty disclosure was buried in the fine print in the middle of the loan documents. You know, you always have a big stack of loan documents to sign. Many 03:54:05 times the customers didn't know about this prepayment penalty.

If they would see the prepayment penalty and ask about it, they would be told, don't worry about it; it will be waived. And then, of course, as I saw in some of the complaints, people would have to move for their job or 03:54:22 whatever and come into Household and they would say, sorry, it's not waived.

So those are two examples of failure to disclose: the good faith estimate being in too wide of a range and the prepayment penalty not being clearly disclosed.

03:54:35 Q. The next practice is excessive fees and points.

Can you tell us what that is and how it existed at Household?

A. Yes. Excessive fees and points. A point is 1 percent of the loan balance. And what discount points are normally used 03:54:54 for is to buy down the rate. So if your lender has a program, for example, where if you pay 1 or 2 points, you can buy down the rate by, you know, like a half a percent or something, that's a decision that the borrower and the lender -- that the borrower makes in negotiation with the lender.

03:55:14 As an examiner, when I am looking at a lender's books

03:55:34 03:55:51 03:56:10 03:56:30 03:56:44

and records and they are offering discount points, I would expect to see a wide range of discount points. In other words, maybe Borrower A has paid 1 point because that's all they could afford. Borrower B might pay no points because they don't want to buy down the rate. Borrower C might pay 3 points to buy down the rate a little more.

What Household was doing was a couple of different things.

One is, they would -- it was their goal to charge 7 to 7 and a half or whatever the state would allow. Some states would only allow 5 points; other states would allow up to 7 and a quarter, 7 and a half. And it was their goal to charge that for each and every loan.

When you charge discount points, again, you are supposed to have a negotiation with the borrower, and then the rate is supposed to be reduced. I did not see that here. And many of the regulators agreed with that opinion. They said the customers don't know about being able to buy down the rate, and so they should have been shown differently on the good faith estimate as origination fees.

Q. The next practice is loan splitting.

Can you tell the jury what that is?

A. Loan splitting is where a customer would apply to refinance their mortgage, and they would show up and not only would there be one loan there, there would be two.

The first loan, of course, Household had higher rates than other lenders. So they would have their first mortgage at a noncompetitive rate. But Household would tack on insurance premiums. They would tack on these discount points. They would load up the first mortgage such that they had to make a second loan to account for all the fees and insurance premiums they were adding on.

Now, the second loan was at a very high rate, sometimes up to 24 percent. And the customers would be surprised that -- you know, they wanted to refinance their mortgage, and they show up and there is two loans. So that's called loan splitting. And it's considered a predatory practice.

Q. The next practice is equity stripping.

Can you tell us how that was used at Household and what that is?

A. Now, we talked a little bit earlier about equity stripping. And that is where -- for example, you have a $100,000 home, that's the value of it; and your mortgage, your current mortgage is $80,000. And it takes a long time to build up your equity.

But you could go to Household and refinance that loan. And in the time it would take you to sign the papers, that hard-earned equity would be stripped away because of these fees and insurance premiums and other things tacked on to the loan.

Equity stripping means that the lender has stripped away the equity in your home because of the high cost of the loans that they are making.

03:58:22 Q. The next practice is prepayment penalties. I know you already spoke about that in the context of failure to properly disclose.

Was there anything else with respect to prepayment penalties that Household engaged in that was predatory?

03:58:36 A. One of the things that Household did was increase their prepayment penalties from three to five years.

And a five-year prepayment penalty, I can tell you from the regulatory perspective, is considered excessive. And the reason that Household was so interested in assessing these

03:58:56 prepayment penalties -- well, I should say one of the reasons -- is because they didn't want the borrowers to be refinancing their loans at another lender.

THE WITNESS: Can I just take a one-second break?

MR. DROSMAN: Sure.

03:59:33 (Brief pause.)

THE COURT: We would take a break, ladies and gentlemen, but it's 4 o'clock, and I would just as soon wait here and see if the witness can get back here and we can utilize the time more effectively that way. So just try to

04:00:00 sit and relax.

(Brief pause.)

BY MR. DROSMAN:

04:00:33 Q. We were talking about prepayment penalties.
A. Yes.
Q. Do some states prohibit prepayment penalties altogether?
A. Some states do prohibit them, yes.
Q. Did Household find a way to impose prepayment penalties in states that had prohibited them?
A. Yes. There is something called the Alternative Mortgage
04:00:52 Transaction Parity Act, AMTPA for short. What this says is, a lender who is licensed in the state that otherwise prohibits certain things like prepayment penalties can charge them if they meet certain requirements under this federal law.

And one of the ways that
04:01:11 you can come under AMTPA is if you have a variable rate, a variable interest rate. So they came up with a product that they thought allowed them to do that. A lot of the states disagreed. But they did try and charge prepayment penalties -- or they did charge prepayment penalties trying to
04:01:32 fall underneath AMTPA.

Q. The next practice is loan flipping.

Can you tell us what that is and how it was used at Household?

A. Loan flipping is simply continuous refinances. And each
04:01:52 time Household would refinance a loan -- they would flip a

loan, they would add more fees and more product premiums to it.

If the borrower couldn't pay, for example, they would refinance it adding more fees and insurance premiums. And so
04:02:11 it just became even more difficult for the customers to pay. So that's called loan flipping, continuous refinancing.

Q. Did you see that practice at Household?

A. I did.

Q. Did you conclude whether that was systemic and widespread?

04:02:26 A. Yes, it was.

Q. Finally, there is blocking the back door.

A. Blocking the back door.

Remember I said that Household had a higher interest rate than their competitors. So what they wanted to do, once
04:02:41 they got them in the front door, is, they wanted to prevent them from refinancing with someone else and going out the back door. This is just a term that they use, "blocking the back door."

And the way they would do this is -- if you just look
04:02:52 at my list -- first, they would get them in by saying, this is the effective rate, when that was not true. They would pack on insurance premiums. They would pack on high fees and points. They would strip away the equity and charge prepayment penalties.

04:03:13 Now, if you think about going to a lender and asking to borrow money for a house, normally they want you to have a 20 percent down payment, which means you are going to have 20 percent equity in the home.

Many lenders will not lend the closer you get to
04:03:31 100 percent of loan-to-value, it's called, where the loan is getting closer and closer to the value of the home.

Household actually had a product that went to 125 percent loan-to-value. So not only did you not have equity in your home, you had negative equity in your home.

04:03:50 So they used a variety of ways to block that back door so that the customers couldn't go to another lender and refinance.

Q. And did you determine whether Household was engaged in all of the practices that you have just discussed?

04:04:06 A. Yes. All of these practices I saw at Household.

Q. Did you determine whether all of these practices were widespread at Household?

A. Yes, they were.

Q. Let's shift gears for a moment and talk about Household's
04:04:18 corporate culture.

Did you examine Household's corporate culture in reaching your conclusions?

A. I did.

They had a corporate culture of growth. That was
04:04:27 their main focus when Gary Gilmer came to Household in 1998.

A. I do.
Q. What is it?
A. This is one of the documents that I reviewed in formulating my opinions regarding predatory lending.
04:18:28 Q. What is the document?
A. This document is a memo from Gary Gilmer to Mr. Aldinger and Mr. Schoenholz and other top officials of Household. The date is January 27th, 1999. And the subject is "Initiatives to Accelerate Growth of U.S. Consumer Finance."
04:18:48 MR. DROSMAN: Your Honor, there has been no objection. We move to admit Exhibit 348 into evidence.
THE COURT: It will be admitted without objection.
MR. DROSMAN: I am sorry?
THE COURT: Admitted without objection.
04:18:59 (Said exhibit was received in evidence.)
BY MR. DROSMAN:
Q. If you could, please tell me what the significance of the first page of Exhibit 348 is to your opinions in this case.
A. If you look at the first paragraph, it says, "As discussed
04:19:14 at our meeting regarding growth on January 18th, 1999, the services of consultant Andrew Kahr have been retained. The directive for Mr. Kahr is to introduce opportunistic methods to accelerate growth of U.S. consumer finance in 1999."
Q. Why don't we stop there.
04:19:36 What is the significance of that to your opinion in

this case?
A. Well, the significance of this to my opinion is that their focus was on growth. They hired Andrew Kahr to help them focus on growth. And they formulated products that were
04:19:53 predatory in nature in order to grow and to keep the customers at Household.
Q. Is the next paragraph on the first page of the document, Plaintiffs' Exhibit 348, significant to your opinions?
A. Well, it talks about from the list of 60 potential
04:20:10 initiatives, 10 have been selected for further review and potential immediate implementation. And then the list is attached.
Q. I will direct your attention to the next page, page ending 367. It looks like the third initiative.
04:20:32 Is that significant to your opinion in this case?
A. Yes. If you look at No. 3, over under "Description," it says, "Can sell as fee protection product, as mortgage benefit, or as free insurance penetration device."
So this is where they are talking about the insurance
04:20:56 packing.
Q. And this is one of Mr. Kahr's initiatives?
A. Yes. Well, this is one of the suggestions that came out of the meeting with him.
Q. And then, if I can direct your attention to page ending
04:21:11 369. The seventh initiative is on that page.

project sponsor within the U.S. consumer finance."

And down below 13, it says, "Overall" -- and it's actually underlined there -- "Overall Gary Gilmer and Dave Schoenholz will continue to co-head the Andrew Kahr initiative

04:25:56 areas within USCF," which is U.S. consumer finance.

Q. If you take a look at Item No. 12 on this page --

A. Yes.

Q. -- and the hash marks under it, is there anything of significance to you about that?

04:26:08 A. Yes. You can see the performance-based pricing is there. And that's one of the things that we talked about where the interest rate would come down if they made 36 straight months of payments.

Q. Did you determine whether Mr. Kahr developed predatory

04:26:33 lending practices at Household?

A. Yes. His suggestions were predatory in nature.

Q. What predatory lending practices did Mr. Kahr develop at Household?

A. Well, his suggestions included performance-based pricing,

04:26:43 which we just talked about; increasing prepayment penalties that blocked the back door; charging higher discount points; credit insurance premiums, the single-premium credit insurance in particular. And those are the ones that I can remember off the top of my head.

04:27:01 Q. Did you determine whether Mr. Kahr developed an effective

rate plan?
A. Yes. An effective rate was also one of them, to make the interest rate look more competitive.
Q. Did you determine whether Household actually implemented
04:27:19 any of the predatory lending practices developed by Mr. Kahr?
A. Yes. The ones that I just talked about plus the effective rate were ones that they implemented.
Q. I am showing you what has been marked as Plaintiffs' Exhibit 461 for identification.
04:27:33 (Document tendered.)
BY MR. DROSMAN:
Q. Ms. Ghiglieri, do you recognize Plaintiffs' Exhibit 461?
A. I do.
Q. What is it?
04:27:57 A. This is a memo from Gary Gilmer to Bill Aldinger, dated January 18th, 1999. The subject, "December and Year-to-Date Operating Results."
Q. And why do you recognize Plaintiffs' Exhibit 461?
A. This is one of the documents that I reviewed in
04:28:16 formulating my opinions regarding Household's predatory lending practices.
MR. DROSMAN: Your Honor, there has been no objection to this document. We move it into evidence.
THE COURT: It will be admitted without objection.
(Said exhibit was received in evidence.)

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
	)	April 1, 2009
Defendants.	)	9:55 a.m.

VOLUME 3
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

Q. Why does this particular information support your opinion in this case?
A. Well, because my opinions outline that when Gary Gilmer came to Household in 1998, the focus turned to growth; and that for 1999, there was an obsession about growth. And they hired Andrew Kahr. They developed these predatory products and services, which they implemented. And they did grow. As it shows here, Household's originations nearly doubled. And the conclusion of the regulators supports my conclusion that they engaged in predatory lending practices and that they were systemic and companywide.
Q. This growth that you said, that they doubled their loan originations, right? What are loan originations?
A. Those are new loans that they booked. And we talked about how the employees were being compensated for booking more loans and for booking more dollars. And that's what they're talking about. The number of new loans, the dollar amount of new loans that they booked doubled and -- since 1999. And the date of this was August of 2002.
Q. And what does the Washington State attorneys generals attribute that huge doubling of loan originations to?
A. To these deceptive sales practices that have -- that they implemented and that they were using.
Q. And is that consistent with your opinion in this case?
A. Yes.

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
	)	April 2, 2009
Defendants.	)	9:45 a.m.

VOLUME 4
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

10:33:30
10:33:48
10:34:05
10:34:27
10:34:47

A. So as re-agings go up, as loans are re-aged, which is taken out of the two-plus bucket and put back in current, the number of two-plus delinquencies goes down. So this is taking loans from the two-plus bucket and putting them over into the current bucket. So there's an inverse relationship between re-aging and delinquent -- two-plus delinquencies.
Q. What if two-plus delinquencies go up instead of down, what is the effect on re-aging?
A. Well, if they -- if Household stopped re-aging, for example, or diminished the amount of their re-aging, the re-aging would go down and the delinquencies would go up because then the -- there was no way to make those loans current. So here re-aging is going down and the two-plus numbers are going up, so it's a direct inverse relationship.
Q. And is re-aging of loans significant to a regulator?
A. Yes. When I was a field examiner, this is one of the things that we looked at in particular to determine if a lender was masking their delinquencies. We would look at a variety of tactics that they could use, for example, rewriting the loan, forbearance, a variety of things. And we would look to see how prevalent that was in the loan portfolio because the more they were doing that, the more it would lead us to conclude that they were masking delinquencies.
Q. Now, during your reviews as an expert in this case, did you determine whether Household used re-aging to manipulate

its two-plus delinquency number?
A. Yes, that was one of my conclusions, was that Household used various re-aging tactics and practices to mask their delinquencies.
10:35:02 Q. I'll show you what has been marked as Plaintiffs' Exhibit 1387 for identification.
(Tendered.)
BY MR. DROSMAN:
Q. Do you recognize Plaintiffs' Exhibit 1387?
10:35:34 A. I do.
Q. What is it?
A. This is an e-mail from Elaine Markell to Rich Peters and others at Household -- she was at Household -- regarding the Re-aging Fitch Servicer Presentation Slides, dated November
10:35:48 12, 2002.
Q. Why do you recognize this document?
A. This was one of the documents that I looked at in formulating my opinions on the re-aging issues.
MR. DROSMAN: Plaintiffs move Exhibit 1387 into
10:36:02 evidence.
THE COURT: It will be admitted.
BY MR. DROSMAN:
Q. Why don't we start at the bottom e-mail, I guess, the first in the string. And can you tell us, first, who Elaine
10:36:12 Markell is in this e-mail?

grace period adjustment.
Q. And what's the date of this e-mail?
A. August 7, 2001. So this would be for July.
Q. And do the rest of the e-mails show the same thing?
10:56:36 A. Yes.
Q. Does this -- is this significant to your opinion that Household used re-aging tactics like the use of the grace period to manipulate its two-plus delinquency numbers?
A. Yes.
10:56:48 Q. Why?
A. Well, because there's no reason to make this kind of adjustment. Other lenders just do a straight-up deal. Here, what they were doing is using their grace period to move loans from the two-plus bucket back to current. And the pass -- 10:57:03 these sorts of delinquency numbers are very important to regulators and others because it shows the condition of the loan portfolio.
Q. Is this grace period right here, is this the same grace period we heard referred to earlier in an earlier e-mail as 10:57:21 the magic?
A. Yes.
Q. Now, is there a relationship between predatory lending on the one hand -- we talked quite a bit about that yesterday -- and the use of practices like re-aging to hide the true 10:57:34 quality of Household's loans on the other?

A. Yes, there is a relationship.
Q. Did you prepare a demonstrative to assist you in explaining the relationship between predatory lending practices on the one hand and hiding the quality of
10:57:46 Household's loans on the other?
A. I did.
Q. I'll show you what has been marked as Plaintiffs' Demonstrative Exhibit 31 for identification.
Can you tell us what this exhibit shows?
10:58:05 A. Yes. Household starts out making a predatory loan. And remember, they're packing on fees and insurance premiums and stripping away the equity. And what happens is, the borrower cannot pay the loan. It's too large for the borrower to pay.
So Household has one of two choices. They can either
10:58:26 re-age it so that it's not showing up on their two-plus bucket. Or they can refinance it or rewrite it down below, which is flipping it, adding more insurance, adding more fees to it.
And then --
10:58:39 Q. Let me just pause there. To refinance it or rewrite it, does that take it out of the two-plus bucket as well?
A. Right. And it brings it back to current. So they can either re-age it using some sort of tactic that we've already talked about or they can actually rewrite it and make a new
10:58:56 loan and start over.

10:59:11
10:59:30
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11:00:02
11:00:22

Q. Okay.
A. And then, no matter what, the borrower still can't pay because the loan is so packed full of products, premiums and fees and can't go anywhere else because the equity has been stripped and the loan to value is too high so they're stuck. And Household then has one of two choices. They can either rewrite it on the top, which is flip it again and add more fees and premiums, insurance premiums to it, or they can re-age it using one of the tactics, like the grace period or one of their other tactics.
Q. So if they rewrite it right here, does that -- again, that takes it out of the delinquent bucket; now all of a sudden they have a brand new loan so it's current again?
A. Yes. So whether they re-age it or they rewrite it, that's going to bring it to the current bucket. But rewriting it allows them to pack on more fees and insurance premiums. So they can do -- they can either re-age it or rewrite it.
Q. And you talked -- is there a predatory lending practice that this implicates right here?
A. Yes. I mean, it implicates all sorts of predatory lending practices, loan flipping because they're re-aging it multiple times, insurance packing, equity stripping. If they rewrite it into two loans, that would be loan splitting. You know, originally they're reeling them in with the effective rate, as Dennis Hueman would say, and blocking the back door with the

prepayment penalty so that -- and because they've stripped out the equity, there's nowhere for them to go to refinance.
Q. So what's the last step?
A. So the borrower still can't pay, and the cycle starts over
11:00:39 again and go on one of two paths. So there's a correlation between predatory lending practices and the need for Household to re-age and mask their delinquencies.
Q. Thank you, Ms. Ghiglieri.
MR. DROSMAN: I have no further questions at this
11:00:57 time.
THE COURT: You may cross-examine.
MR. KAVALER: Thank you.

CROSS-EXAMINATION

BY MR. KAVALER:
11:01:22 Q. Good morning, Ms. Ghiglieri.
As you know, I'm Tom Kavaler, and I represent the defendants. And we've met before, correct?
A. Yes.
Q. Okay. I'm going to ask you a few questions today about
11:02:07 the same subject matter you've been talking about for the past couple of days. And my time is sort of limited, so I'm going to try and ask you questions that can be answered yes or no. If I do that, will you answer them yes or no?
A. If I can answer them with a yes or a no.
11:02:20 Q. Perfect. Thank you.

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
	)	April 6, 2009
Defendants.	)	9:45 a.m.

VOLUME 5
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

11:45:48
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11:46:42
11:46:57

Q. And did there come a time, sir, in the end of 1997 or early 1998 that you returned to the United States?
A. That is correct.
Q. And at that time, you took a position as the head of the consumer lending department at Household; is that correct?
A. That is correct.
Q. Could you briefly describe for me what your duties were in that position when you came back in 1997, 1998?
A. I can indeed. I was responsible for the HFC branch network, which was about 14 or 1,500 -- strike. Let me back up because I was adding Beneficial in that.
When I first returned to the United States, it was just HFC and about 500 branches, as I recall. So I was responsible for all of that.
In addition, I was responsible for the operating centers. In our operating centers, you know, we did work that you might imagine. Those were collection calls, underwriting. By that I mean loan decisions were made in that area of the operation. Customer service and that sort of thing. So upon my arrival in 1998, that was sort of the way the business was set up. And in round numbers, there were probably -- I won't get this exactly right, but there were several thousand employees. I would guess probably 8,000 employees or so in total at that time.
Q. And you're saying 8,000 people in consumer lending that

reported ultimately to you?
A. That is correct. And that did not include, Mr. Dowd, a goodly number of employees at home office, support-level kinds of people, quality assurance kinds of people, training, human resources. A goodly number of employees working there as well.
Q. And during 1998, Household acquired Beneficial; is that correct, sir?
A. That is -- that is true.
Q. That was in addition --
A. I believe --
Q. I'm sorry, sir.
A. No, I just -- I was going to say I think that was around June or July of 1998.
Q. By this time, you were already running consumer lending at Household?
A. That's true.
Q. And when you acquired Beneficial, you added about another thousand branches; is that fair to say?
A. That's right. So that when we finished the consolidation -- because some branches were consolidated and put together -- we had about 1,400 or 1,500 or so branches. I believe it was in 46 states. And we had six operating centers to support those branches across the United States. And probably 15,000 or so employees.

Q. And, sir, was consumer lending also called United States consumer finance?
A. Yes, it was.
Q. And those two words were used interchangeably?
11:48:17 A. Yes, they were.
Q. And did you report directly to Mr. Aldinger during this time from 1998 to 2002?
A. I did.
Q. And there was nobody between you and he? He was your
11:48:27 boss?
A. That is correct.
Q. Now, is it fair to say, sir, that during -- towards the end of 1998, you believed Household's stock was undervalued; is that correct?
11:48:40 A. I'm sure -- I'm sure I did. I don't remember the exact dates, but yes.
Q. And you believe --
A. That's a fair --
Q. I'm sorry.
11:48:47 A. That's a fair assessment.
Q. And is it fair to say, sir, that you believed that Household's stock was undervalued at that time because you believed that the market would not believe that Household could grow; is that correct?
11:49:00 A. In part that is true. I believe that our franchise was

underappreciated. I believed for a wide variety of reasons our stock was undervalued. But one of the key reasons I believed that the stock was undervalued was because our growth record in recent years had not been as good as I would have hoped.

11:49:20

Q. And, sir, I've noticed in some of the documents that you've written over the years during your time with Household, you used the word market. There's other times when you say Wall Street. I mean, you concede you've used those words; is that correct?

11:49:33

A. I'm sure I have.

Q. And I just want to make sure we're on the same page. When you talk about the market or Wall Street, are you referring to people on Wall Street that work for investment banks that keep track of Household, that watch it, that issue reports about it?

11:49:46

A. If I was talking about Wall Street market. I mean, another market, of course, would be the competitive market or -- in the environment in which we operated, but I think it's fair to agree with you there.

11:49:59

Q. And you also -- when you refer to Wall Street, I take it, sir, you also mean investors; is that fair to say?

A. I do indeed. I do indeed.

Q. Sir, I'd like to show you what's been marked as Plaintiffs' Exhibit 267.

11:50:16

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.

HOUSEHOLD INTERNATIONAL, INC., et al.,

Defendants.

No. 02 C 5893

Chicago, Illinois
April 7, 2009
9:45 a.m.

VOLUME 6
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

01:23:47
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01:24:55

yesterday?
A. No, sir, never.
Q. Okay. Was Household International, during the years that you ran consumer lending, a public company?
A. Yes, it was.
Q. As a result, did you feel that you had responsibilities to any particular groups of people?
A. Certainly.
Q. To whom, sir?
A. Well, I had a responsibility to the people who worked at -- in my business unit at Household, I had a responsibility to the customers that we served, and I certainly had a responsibility to the shareholders.
Q. Were there any tensions among those three different responsibilities that you felt?
A. I would say yes. There were some tensions in this sense: The customers, of course, would like to have a product, whatever that product may be, at the cheapest price that they could get it at; and the shareholders, from their perspective, wanted to make as much profit as we practically could.
Q. And was it your job, along with other senior executives, to harmonize those interests?
A. It would be to balance -- to balance that, and, of course, my view of that is that you can't have one without the other. In other words, you can't have good shareholder, growing

shareholder value unless you take care of the customers. So it's kind of a two-edged sword, I guess.

Q. All right. Now, we've heard several times that Household was a finance company, not a bank.

01:25:10 Please explain the difference between a finance company and a bank.

A. Several. One is a finance company doesn't take deposits. In other words, the money that they lend to customers they have to go out into the market and borrow from someone else. 01:25:28 That would be one difference.

The other, of course, conversely, a bank would take deposits, so the money that they would lend would come from their deposit base. That's one point of difference of it.

Another major point of difference were the rules 01:25:44 under which banks and finance companies operate. The finance companies -- let me start with banks. The banks had, as you can imagine taking customer deposits, much more stringent requirements, much more stringent requirements at almost every level, and that included requirements around the kinds of 01:26:04 people that they could make loans to. Fundamentally, they would make loans to people who had pristine or near-pristine credit.

A finance company was able to exist really because of that -- of that rule, that -- by that I mean they had -- 01:26:21 there's a market out there, a lot of people out there, that

Q. Now, Mr. Gilmer, you told us something about the organization of the consumer lending group that you headed.
Did we prepare a demonstrative which would help you walk through this and explain it, demonstrate it to the jury?
01:41:16 A. Yes.
MR. KAVALER: Your Honor, may we put up the demonstrative?
THE COURT: Yes.
MR. KAVALER: Put up -- there we go.
BY MR. KAVALER:
Q. Mr. Gilmer, where do you sit on this structure, as it were?
A. I -- I sit at the top of the pyramid.
Q. Okay. And who is that right under you?
01:41:39 A. Her name is Lisa Sodeika.
Q. And what is her title?
A. She was a special assistant assigned to me.
Q. Now, Mr. Dowd asked you a question earlier today and used the word assistant, and you said the person you were talking
01:41:53 about was your secretary.
What's the difference between that person and Ms. Sodeika?
A. The secretary does clerical work, at least mine did primarily, and a special assistant like Sodeika is not
01:42:06 involved in clerical work at all. Her job, her responsibility

is to be really my eyes and my ears out in the field. By the field, I mean in the branches or out in the processing centers. Her job was to keep me apprised of the things that she thought were most important, and from time to time, I
01:42:23 would give her special assignments beyond -- beyond that.
Q. She reported directly to you.
A. Directly to me, that's correct.
Q. How frequently?
A. Virtually every day.
01:42:31 Q. And how long had she worked for the company, do you know?
A. Fifteen years or so. I'm not sure exactly.
Q. Did you trust her?
A. Absolutely.
Q. Did she have an officer title?
01:42:46 A. Special assistant, yes.
Q. Was she a vice president?
A. She was also a vice president, that's right.
Q. Do you know what her full title was?
A. I don't remember.
01:42:55 Q. Does it refresh your recollection if I suggest she was the vice president of consumer affairs?
A. That sounds -- that sounds right. She had more than one title over time, but that was it at one time.
Q. And one of her responsibilities was consumer affairs?
01:43:09 A. That's correct.

Q. Underneath that, there's Tom Detelich. Who is Mr. Detelich?
A. Tom Detelich was the managing director of the branch network. His job was to oversee all the branch sales
01:43:23 activity, the 1,400 or so branches that we had were his -- were his area of responsibility.
Q. And did he report directly to you?
A. He did.
Q. How frequently would you have dealings with Mr. Detelich?
01:43:35 Excuse me. How frequently would you have dealings with Mr. Detelich?
A. Probably not every day, but several times a week.
Q. Okay. And under that, there are three RGMs, Regional General Managers. What is an RGM?
01:43:49 A. Geographically we had the United States broken up into sort of three broad sections, in the east, a central and a west, and each of the three division general managers were responsible for that geographic area.
Within that area -- and when I say that geographic
01:44:04 area, I'm talking about the sales branch network itself, so each one would have had about a third of the country.
Q. Who did they report to?
A. They reported to Mr. Detelich.
Q. Under them we have 16 DGMs, Division General Managers.
01:44:19 What were they?

A. That was yet still another subset of management that reported directly to the Regional General Managers. Each of the 16 Division General Managers would have a group of offices, and it changed from time to time, but probably 01:44:32 somewhere around 80 or so branches, some within a singular state. California, for example, might have had just one. But most of the Division General Managers, if not all, encompassed more than one state.
Q. Underneath that, we see 125 DSMs, District Sales Managers. 01:44:51 What did they do?
A. The District Sales Manager group was the first-line management that supervised the branches. It was a group of supervisors, each of which had responsibility for probably, again, it varied from time to time, but each one would have 10 01:45:08 or 12 branches, and those 10 or 12 branches and all of the activity within those branches would report to this district manager.
Q. And underneath them, we see 1,400 BSMs, Branch Sales Managers. What did they do?
01:45:22 A. They were just as their title suggests. We have one branch manager for each of our 1,400 branches. So each branch manager was responsibility for the activity within his or her individual branch.
Q. And underneath that it says branch staff, approximately 01:45:38 8,000. What did they do?

01:45:54 A. They reported -- that was the job that I mentioned that I started at back in 1972. It was called branch representative in those days, but it's the entry-level position. These are the 8,000 people that interface every day with the customer, so if you were to walk into an HFC or Beneficial branch, you would likely be greeted by one of these individuals, sometimes the branch manager, but likely would be one of these account executives.

Q. And this entire universe of people all reported to you.

01:46:10 A. They all did.

Q. Okay. And you're responsible for whatever they did.

A. That's correct.

MR. KAVALER: Okay. Now, can we put up the chart that Ms. Ghiglieri used?

BY MR. KAVALER:

Q. Last week I think Ms. Ghiglieri testified more than once that Household's rates were higher than its competitors', so that in order to make loans, Household came up with a way of describing rates as effective rates. Do you recall that

01:46:41 testimony?

A. I do indeed.

Q. All right. Mr. Gilmer, do you have personal knowledge -- not opinion, but fact -- of whether Household's rates were higher than its competitors', lower than its competitors' or

01:46:50 the same as its competitors'?

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
	)	April 9, 2009
Defendants.	)	9:55 a.m.

VOLUME 8
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

70 percent of its customers life insurance? Did you know that?
A. No, I did not.
Q. Is this the first time you've heard that?
01:35:43 A. That is the first time I've heard that, to the best of my recollection.
Q. Now, your investor relations group prepared a report called an investor relations report, right?
A. Yes, we did.
01:36:01 Q. And you prepared it every two or three months, correct?
A. Yes.
Q. During this time period of 1992 to 2002, right?
A. I would assume that we prepared such reports during that time period, yes.
01:36:13 Q. Let me show you one of those reports. We've identified it as Plaintiffs' 198.
(Tendered.)
MR. BURKHOLZ: A copy for counsel.
BY MR. BURKHOLZ:
01:36:36 Q. Feel free to look through it. I'm going to ask you a few questions about the document.
A. It's quite a lengthy document. Do you want me to read the entire thing?
Q. No, I just want you to familiarize yourself with the document.
01:36:48 And then I'll point you to certain parts of it.

A. That would be helpful. Why don't you do that.
(Brief pause.)
BY MR. BURKHOLZ:
Q. Okay. Now, you recognize the document, don't you?
01:37:17 A. Yes.
Q. This is a document that your group would have prepared in the ordinary course of business at Household, correct?
A. Yes.
Q. And you were responsible for finalizing this document,
01:37:29 correct?
A. Yes.
Q. And Mr. Aldinger and Mr. Schoenholz had involvement in editing it, correct?
A. Generally we would have sent it to both Bill and Dave for
01:37:41 review. I can't say that they reviewed this specific one.
Q. That was the practice, correct?
A. Yes, it was.
MR. BURKHOLZ: Your Honor, I move 198 into evidence.
MR. KAVALER: Your Honor, could we come to the
01:37:50 sidebar?
THE COURT: Sure.
(Proceedings heard at sidebar:)
THE COURT: Yes.
MR. KAVALER: Your Honor, I didn't want to say
01:38:18 anything in the hearing of the jury. I want to make sure I'm

doing what you want me to do. These are the instructions that we agreed upon to give the jury. When I said earlier instruction No. 1, this is instruction No. 1. Your Honor was focused on a specific item within it. This time it is, again, 01:38:36 instruction No. 1. It's item second. I referred to instruction No. 1 to distinguish it from instruction No. 2. I don't want to suggest there's any error. On the other hand, I want to be sure the jury --

THE COURT: I think you're accurate. So you want to 01:38:55 direct them to the second part of instruction No. 1, investor relation report?

MR. KAVALER: Yes. And I think you should tell them the other one was instruction No. 1, item number five.

THE COURT: I don't think it's necessary. We were 01:39:07 referring to what we gave them. There's only one fifth in what we gave them.

MR. KAVALER: That's why I thought they would be confused because you said instruction No. 5.

THE COURT: No, I said fifth. I think they'll 01:39:20 understand it.

MR. KAVALER: Thank you, your Honor.

(Proceedings heard in open court:)

THE COURT: You may proceed.

You wanted to make --

01:39:49 MR. KAVALER: Your Honor, limiting instruction No. 1, paragraph second.

THE COURT: Correct. This document will be admitted subject to the second paragraph in the limiting instruction No. 1.

01:40:04 MR. KAVALER: Thank you, your Honor.

BY MR. BURKHOLZ:

Q. This is an investor relations report for the time period May to August 2002, correct?

A. Yes.

01:40:16 Q. This is a report that was prepared by your investor relations group, correct?

A. Yes.

Q. Now, the first three pages of the document has a description of events during different months during this time

01:40:38 period, correct?

A. Yes.

Q. And how did you prepare that particular part of the document?

A. This -- this would have been prepared based on our

01:40:51 knowledge of just news events, analyst reports, ancillary activities that affected the trading of the stock or the stock market in general.

Q. So you were looking at newspaper articles and analysts' reports, for example?

01:41:07 A. Among other things, yes.

Q. What were the other things you were looking at?
A. As I said, other events that affected the stock market and the trading of our stock.
Q. And you were looking to see how these events, these
01:41:18 newspaper articles and analysts' reports, impacted Household's stock prices, correct?
A. Really just trying to track the particular article or event with changes in the stock price.
Q. And how did you figure out the change in the stock price?
01:41:36 What did you look at?
A. Public information about how the stock prices go up and down.
Q. So if an event -- an analyst's report came out on a particular day and you include it in here, you look at how the
01:41:48 stock performed over that day or the next couple of days; is that what you did?
A. Yes.
Q. Now, you didn't perform any statistical analysis in preparing this analysis of the stock price impact, did you?
01:42:05 A. Not generally, I don't think so, no.
Q. You're not an expert in statistical analysis of stock price movements?
A. No, sir.
Q. You're not an expert in loss causation, are you?
01:42:16 A. No.

Q. You're not an expert in damages, are you?
A. No.
Q. Nobody in your group that prepared this report is an expert in those areas, are they?
01:42:22 A. I don't believe anyone was at that time.
Q. And you're not an expert in determining if Household's stock price declined because of the market declining or because of information coming out regarding Household's business practices?
01:42:39 A. If you don't mind, could you just repeat the question? Please just read it back.
Q. Sure. You're not an expert in determining if Household's stock price declined because of the market going down or because of information coming out regarding Household's
01:42:53 business practices?
A. That is correct, I would not be.
Q. But this investor relations report does compare Household to its peers, correct?
A. Yes, yeah.
01:43:07 Q. Over a period of time, right?
A. Right.
Q. And it also compares Household to the market, the S & P 500, correct?
A. Yes, it does.
01:43:16 Q. Okay. Let's look at that on page four of the document.

We can highlight the top portion, performance versus financial indices, that section right there, to the bottom, S & P 500.

This part of the document shows how Household performed compared to a peer group average, the S & P 500 and 01:43:44 the S & P 500 Financial for various months for this report, correct?

A. Yes.

Q. And these are the months May, June, July and August of 2002, correct?

01:43:55 A. Yes.

Q. And it also shows how Household performed for the entire year, from January 1, 2002, up until the end of August 2002, correct?

A. Yes. Sorry.

01:44:10 Q. And that's what the year-to-date refers to on the right-hand side, right?

A. Yes.

Q. And that shows that Household declined by 37.7 percent compared to its peer group going down 9.4 percent for the 01:44:24 entire year up until the end of August 2002, correct?

A. Yes.

Q. Let's look at the peer group that's on the next page. I'm sorry, two pages from there.

Who selected that group?

01:44:56 A. It would have been my group that picked the names.

Q. And those are companies that Household compared itself to during this time period, correct?
A. Yes, sir.
Q. Included AIG, Citigroup and Wells Fargo, correct?
01:45:09 A. Among others, yes.
Q. Keep that document handy. I want to show you another one. We marked it as Plaintiffs' 1156.
(Tendered.)
MR. BURKHOLZ: A copy for counsel.
01:45:36 MR. KAVALER: Thank you.
BY MR. BURKHOLZ:
Q. This is an e-mail that you received on or about August 30, 2002, correct?
A. Yes, sir.
01:45:47 Q. From Donna Taillon; is that correct?
A. Yes.
Q. She worked at Household, correct?
A. Yes, she did.
MR. BURKHOLZ: Your Honor, I move 1156 into evidence.
01:45:58 THE COURT: It will be admitted.
BY MR. BURKHOLZ:
Q. Let's highlight the entire part of the e-mail.
It says Craig, Tom phoned. Would like the price history of Household's stock, as he wants to measure the
01:46:13 decrease in the stock price from various points in time in the

people, right?
A. Well, you said around the country. I was responding to that.
Q. And these people were investors in Household stock, right?
02:13:47 A. From time to time, yes.
Q. When you went and you met with -- did you meet with people from Schwab, Charles Schwab and Company?
A. That, I don't recall.
Q. How about Putnam Investments?
02:13:58 A. Yes.
Q. And they had individual accounts that owned stock in Household, correct?
A. I don't know if Putnam had individual accounts.
Q. Now, let's go back to, let's say, the spring of 2002. Do
02:14:21 you remember that there were critical articles of Household in Barron's and Business Week in late 2001?
A. Yes.
Q. Very critical of Household's accounting policies, especially with respect to its loans, correct?
02:14:34 A. Yes.
Q. And, in fact, Mr. Schoenholz, Mr. Aldinger made presentations at the -- at the FRC conference, the Financial Relations Conference, in the spring of 2002, right?
A. Yes.
02:14:47 Q. And they provided information to analysts and investors

that were there that day, correct?
A. Yes.
Q. Provided slides regarding information regarding Household, right?
02:14:56 A. Yes.
Q. Now, you didn't review any of the backup material for any of those slides, did you?
All the information that went into those slides and that were presented to those investors that day, you didn't
02:15:11 review that, did you?
A. I would not have reviewed all of the information that went into preparing those slides.
Q. So if Mr. Schoenholz made a statement on that day regarding Household's re-age policies, you wouldn't know the
02:15:22 basis for the statement? You just believed he was telling the truth because you worked with him, right?
A. In general, that would be the case. But in other cases, there was information that I was aware of. So it would be both.
02:15:33 Q. But you wouldn't have all the information that Mr. Schoenholz had when he made a public statement like that, did you?
A. I'm not sure I could have had all of the information that anyone would have had.
02:15:41 Q. You just relied on the fact that you didn't think that he

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
) April 13, 2009
Defendants.) 9:00 a.m.

VOLUME 9
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

about your two-plus statistics; is that right, sir?
A. Yes.
Q. Okay.
And that's the paragraph that begins, "Own Consumer Two Month and Over Contractual Delinquency."
Do you see that?
A. I do.
Q. All right.
And, then, you provided a table regarding your two-plus numbers at Page 902 of this document; is that right?
A. Yes.
Q. Okay.
And, sir, one of the reasons that you reported your two-plus statistics -- this information about the percentage of your portfolio that was more than two months delinquent -- was because that was an important metric that both Wall Street and investors looked at; isn't that correct?
A. Yes.
Q. Okay.
In other words, you were a loan company and the quality of loans would be something that would be of interest or be significant to readers of your financial statements; is that right?
A. What I'm hesitating about is I think, taken by themselves, it wouldn't be of great interest. I think it would be

interest in the context also of the loss reserves of the company -- to get a full picture of the credit position of the company.

Q. Right.

02:49:02 My question to you, though, was: One of the reasons that you put the two-plus statistics in your Qs and your Ks was because that's something investors would want to look at in considering the quality of your loan portfolio; is that correct?

02:49:14 A. Correct.

Q. And, sir, in arriving at the re-age -- or, I'm sorry, at the two-plus numbers in Defendants' Exhibit 854 -- in this 10-Q, did Household say anything about the percentage of the portfolio that had been re-aged before this number -- this

02:49:37 two-plus number -- had been arrived at?

A. I'm sure not.

Q. Okay.

Did Household say anything about the percentage of this portfolio that had been re-aged multiple times before

02:49:47 this number was arrived at?

A. No.

Q. Sir, I'll show you what's been marked as Plaintiffs' Exhibit 736. I'd ask you to take a look at that, if you would.

02:50:22 (Document tendered to counsel and the witness.)

BY MR. DOWD:
Q. Sir, do you recognize Plaintiffs' Exhibit 736 to be the Household International 10-Q for the period ending September 30th, 1999?
02:50:38 A. It purports to be.
Q. Okay.
And you have no reason to doubt that it is, right, sir?
A. I don't.
02:50:43 Q. And looking at the page that ends with the Bates range 229, you signed off on this 10-Q for the period ended September 30, 1999, as the Executive Vice-President and Chief Financial Officer at Household; is that right?
A. Correct.
02:50:59 Q. And you were affirming that it was accurate in all material respects; is that correct, sir?
A. Correct.
Q. And, sir, again, you would have reported net income information in this document; is that correct?
02:51:13 A. Yes.
Q. And you would have reported earnings per share information in this document; is that correct?
A. Yes.
Q. And, in addition to that, you would have reported your
02:51:25 two-month -- two-plus -- statistics; is that right?

A. What I'm telling you is that our policy said that, under -- my understanding, under all circumstances, that a collector would talk to a delinquent customer, would document those discussions on the customer's record before an account was re-aged.

Q. Well, let's see what you said about that a little while later, all right, sir.

Let me ask you: Did there come a time that you changed this 10-K?

03:54:21 A. Well, as --

THE COURT: When you say this 10-K, which one are you referring to?

MR. DOWD: I'm sorry, your Honor. We're referring to Defendants' 852. I apologize to the Court.

03:54:28 THE COURT: Which is for what year?

MR. DOWD: That's December 31, 2001.

BY THE WITNESS:

A. Say again, please.

BY MR. DOWD:

03:54:39 Q. Yes, sir.

Was there a time that you reissued this 10-K to correct or to amend this disclosure about your re-age practices?

A. Well, we already talked about the fact that in the summer

03:54:55 of 2002, we reissued the 10-K. And the language that was

03:55:25 included in the first version and reviewed by our -- by Arthur Andersen and the language included in the second version, which was reviewed by KPMG, was the same language. I believe in 2003, the company revised the language in the 10-K in connection with the HSBC acquisition.

Q. Okay. Let me just ask you to back up a little bit.

You said the language was looked at by Arthur Andersen. These aren't Arthur Anderson's financial statements, right? They're your financial statements, aren't they, sir?

03:55:41

A. When I -- when I signed these financial statements --

Q. Sir, just answer my question. Are they your financial statements, Household's, or Anderson's financial statements?

A. They're the financial statements of Household International.

03:55:54

Q. And Household International's financial statements are the responsibility of management of Household International to get it right; isn't that right?

A. In discharging -- yes. And in discharging that responsibility, I relied on business unit and corporate office financial people and credit risk people who had more detailed knowledge than I did; and I relied on their informed professional judgment. And I also relied on the fact that our auditors would have reviewed that language.

03:56:06

03:56:34

Q. Okay. Sir, but they were your responsibility? You were

the guy who signed them, right?
A. No question.
Q. Okay. Sir, I'll show you what's been marked as Plaintiffs' Exhibit 1267. I'd ask you to take a look at that
03:56:48 if you would.
(Tendered.)
BY MR. DOWD:
Q. Sir, do you recognize Plaintiffs' Exhibit 1267 to be a copy of a document entitled form 10-K/A for Household
03:57:25 International for the period ended December 31, 2001?
A. That's what it says.
Q. Okay.
MR. DOWD: Your Honor, I'd offer Plaintiffs' Exhibit 1267 if I could.
03:57:36 THE COURT: It will be admitted.
BY MR. DOWD:
Q. Okay. I just want to make sure I get this straight, sir. You had filed Defendants' 852, a 10-K for the period that ended December 31, 2001, you filed that in the regular course
03:57:49 in March of 2002; is that right?
A. Correct.
Q. Okay. And then a year later, in March of 2003, you filed an amended version of that 10-K; is that correct, sir?
A. Where does it say it was filed a year later?
03:58:07 Q. It's March of 2003, isn't it, sir?

Sir, I'll show you what's been marked as Plaintiffs' Exhibit 183. I'd ask you to take a look at that if you would.
(Tendered.)
(Brief pause.)
04:13:53 BY MR. DOWD:
Q. Sir, do you recognize Plaintiffs' Exhibit 183 to be a copy of a transcript of the Household International financial relations conference call; is that right?
A. It seems to be.
04:14:17 Q. Okay. And, sir, there's nothing unusual about you guys preparing a transcript or having a transcript prepared of a conference call; is that right?
A. Correct.
Q. Okay. And it notes the moderator is Edgar Ancona; is that
04:14:31 correct?
A. Correct.
Q. And I believe you told me earlier that he was the treasurer of the company; is that right?
A. Correct.
04:14:37 Q. And does this refresh your recollection that the financial relations conference that you had referred to earlier took place on April 9, 2002?
A. It appears to be.
Q. Sir, you were present in person at this financial
04:14:50 relations conference; is that right?

04:15:03

04:15:23

04:15:51

04:16:01

04:16:12

A. Yes.
Q. And in addition to yourself, was Mr. Gilmer there?
A. I think so.
Q. Okay. Was Mr. Aldinger there?
A. Yes.
Q. And tell me a little bit about this financial relations conference. Was it held in a public place? Where was it held? A hall? How did it work?
A. It was a gathering of bankers, commercial bankers, investment bankers, equity analysts, fixed-income analysts, generally people who followed Household in the financial community. It was held in the Chicago area at a conference room in a hotel.
Q. Okay. And I take it this is like a conference room that you guys from Household rented; is that right?
A. Right.
Q. About how many of these bankers and financial analysts and other people that followed Household, about how many of them were there that day?
A. My guess is it was close to 400.
Q. Okay. And these people were all there to listen to yourself and Mr. Aldinger make presentations, among other things; is that right?
A. Among other things.
Q. Okay. Did people also get to listen in on the phone that

day?

A. I believe under the SEC regulations, under the fair disclosure regulations, that it was like Web cast or simulcast.

Q. Okay. So, in other words, in addition to these 400 people who were in the room, there were other people that follow Household, as you put it, investment analysts, bankers, people like that, that could also watch what you were saying?

A. Correct.

Q. Now, sir, I'd ask you to turn to the page that ends with the Bates range 300 in Plaintiffs' Exhibit 183.

MR. DOWD: Your Honor, I'd offer Plaintiffs' Exhibit 183 at this time.

THE COURT: It will be admitted.

BY MR. DOWD:

Q. Sir, have you found the page that ends with the Bates range 300?

A. I did.

Q. I'd refer you specifically to the very bottom of that page and ask you to take a look at that.

(Brief pause.)

BY THE WITNESS:

A. Correct.

BY MR. DOWD:

Q. Okay. And, sir, this portion of the transcript, this was

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
	)	April 14, 2009
Defendants.	)	8:45 a.m.

VOLUME 10
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

A. They did.
Q. Okay. You had to report something at the end of March, and then you said we got to change that policy back; isn't that right?
A. It said we needed to take and test to see what the right policy should be. And changing it back -- I think what this says is we rescinded it as implemented and started a test. So the idea was to figure out what policy did make sense.
Q. But the policy -- people were asking questions about re-aging or restructuring at the end of 2001, right?
A. It was a topic of discussion.
Q. Okay. And you made a decision to reduce the amount of re-aging and restructuring you were doing in this business unit; is that right?
A. Correct.
Q. Okay. The two-plus numbers went up; is that right?
A. That's correct.
Q. And then you said, we're not going to -- we're going to rescind that policy change; is that right?
A. I think what I said is the two-plus numbers went up, which we reported as they went up. And that what we wanted to do was to execute the new policy or start a test to figure out what the new policy should be.
Q. Right. But what I asked you is, you rescinded the new policy, right?

Q. And among others, both yourself and Mr. Aldinger were cc'd on Mr. Makowski's June 21 e-mail, right?
A. Yes, sir.
Q. Okay. There's a bunch of handwriting on the right-hand
10:57:11 side of the page. Do you recognize that handwriting?
A. It's Mr. Aldinger's.
Q. So, in other words, he sent you the e-mail after he had kind of written a bunch of stuff on there; is that right?
A. It appears to be.
10:57:20 Q. The subject of Mr. Makowski's e-mail is Revised - New Re-aging Policy; is that right?
A. Correct.
Q. And he goes on in the text of the e-mail to say, At the senior management meeting this week, new policies for re-aging
10:57:36 delinquent accounts were approved; is that right?
A. That's what it says.
Q. What was your understanding of what Mr. Makowski referred to when he talked about the senior management meeting?
A. We had -- Mr. Aldinger periodically would have an off-site
10:57:55 meeting with his senior team to go through kind of topics that weren't just the day-to-day topics.
Q. Okay. And I take it you would have attended the senior management meetings?
A. Yes, sir.
10:58:07 Q. Okay. And Mr. Makowski lists these new policy changes for

re-aging delinquent accounts, right?
A. That's what he does.
Q. Okay. And, for example, on the left-hand side, one of the policies relates to real estate secured; is that right?
10:58:25 A. Correct.
Q. And then it says BUs. I assume that's business units, right?
A. Yes.
Q. And it says MS. That would be mortgage services. CL, for
10:58:36 example, consumer lending, right?
A. Correct.
Q. And then he lists these new policies as requiring two payments and a minimum of 12 months since prior re-age, for example, for real estate secured; is that right?
10:58:50 A. That's correct.
Q. And then he goes on to say, Our immediate next steps are to affirm any impacts on financial projections and identify any outstanding transition issues by July 1, 2002; is that right?
10:59:03 A. Correct.
Q. And he says, Detailed policies need to be finalized and approved by July 15; is that right?
A. That's what he says.
Q. And he goes on to say, The new policy changes will be
10:59:13 announced in July, with implementation to take effect August

1; is that right?
A. That's what he says.
Q. Okay. And can you read Mr. Aldinger's handwriting?
A. Pretty tough.
10:59:30 Q. Okay. I take it you would -- got used to reading it during your time at the company though, right?
A. Well, you know, that's why, if you notice, the bulk was typed. His secretary could translate it and would type it up for people.
10:59:47 Q. It looks like under number two there, he writes, Do we have a better understand of the financial impact; is that right?
A. I guess.
Q. That's what it looks like to you too?
11:00:00 A. Do we have a better understand of the something impact.
Q. Okay.
A. It could be financial. I don't know what it is actually.
Q. Okay. And these were questions directed at yourself, I take it?
11:00:11 A. I think this is what he would have wanted to discuss.
Q. And so there was a management meeting where you talked about changing your re-age policies in the summer of 2002; is that right?
A. It was in June, I believe.
11:00:26 Q. Okay. And was the intention at that time with regard to

the re-aging policies to make them stricter or tighter?
A. I think the -- I think the intention was to try to move to more bank-like policies, while at the same time making sure we still served our customer base -- because the consumer lending
11:01:04 wasn't a bank -- and to try to figure out how to balance those two things, becoming more bank-like and still serving that traditional customer base.
Q. When you say more bank-like, the bank-like re-aging policies would be stricter, right?
11:01:22 A. Yes.
Q. I'll show you what's been marked as Plaintiffs' 1117. I'll ask you to take a look at that.
(Tendered.)
MR. DOWD: A copy for counsel.
11:01:48 (Brief pause.)
BY MR. DOWD:
Q. Sir, do you recognize Plaintiffs' 1117 as a series of e-mails dated between July 9 and July 11, 2002?
A. Yes, it is.
11:02:03 MR. DOWD: Your Honor, at this time I'd offer Plaintiffs' 1117.
THE COURT: Admitted.
BY MR. DOWD:
Q. Sir, let's start out with the bottom e-mail on this string
11:02:20 at the bottom of the first page. That's a copy of an e-mail

from Dave Stockdale to yourself and others at Household, dated July 9, 2002, right?
A. Correct.
Q. And the subject of his e-mail is Re-age Meeting Summary,
11:02:37 July 9, 2002; is that right?
A. That's correct.
Q. And he says he wanted to summarize yesterday's meeting; is that right?
A. Correct.
11:02:44 Q. Did you attend the re-age meeting that he's referring to there on July 9, 2002?
A. I don't think so.
THE COURT: Keep that mike close to you, please.
BY MR. DOWD:
11:03:07 Q. You all set?
A. Yeah.
Q. And in his e-mail, Mr. Stockdale says, We walked through the methodology of CCM and the businesses on the impact; is that right?
11:03:20 A. That's what it says.
Q. Okay. CCM is corporate credit management; is that right?
A. I think so.
Q. Okay. And what he's talking about generally in this e-mail is these proposed policy changes for the re-age to
11:03:32 become more bank-like; is that right?

A. That's correct.
Q. Okay. For example, he says consumer lending is okay with the policies, but noted that the financial impact was uncertain; is that right?
11:03:43 A. That's right.
Q. He says, They will implement a two-payment policy, right?
A. That's what it says.
Q. He says, Also real estate re-ages will immediately be done no more frequently than 12 months; is that right?
11:03:54 A. That's what he says.
Q. He also goes on to say in his second numbered paragraph, Retail services agreed to a policy requiring two payments for the first re-age and three payments for subsequent re-ages; is that right?
11:04:09 A. That's what it says.
Q. Okay. And then, sir, you replied to that e-mail on July 11, 2002; is that right?
A. I did.
Q. And you talked about having further discussions with
11:04:24 Mr. Gilmer; is that correct?
A. That's correct.
Q. And you say, Gary's concern is that if we find that the results are worse than we thought -- or you say "though." I assume you meant "thought," right?
11:04:40 A. Right.

Q. Okay. We will not have time to modify before creating a big financial impact; is that right?
A. That's right.
Q. And I take it that was a concern that Mr. Gilmer expressed to you at that time and you put in this e-mail?
A. I would assume so.
Q. Okay. And you go on to say, I'm not willing to run the risk that we blow our second quarter forecast; is that right?
A. That's right.
Q. You meant you didn't want to start implementing these changes and blow your financials, your forecast for that quarter; is that right?
A. This would have been the forecast for the year.
Q. Okay. And you say -- you say, Continue the steps already in place to reduce the June stock numbers.
Do you see that?
A. I do.
Q. And that meant continue the steps that had already been taken to reduce the re-aging; is that right?
A. We're -- in this time period, we were trying to reduce the reliance on re-ages where it didn't really impact the core customer in a meaningful way.
Q. Okay. Sir, I'll show you what's been marked as Plaintiffs' Exhibit 618 and ask you to take a look at that if you would.

(Tendered.)

MR. DOWD: A copy for counsel.

BY MR. DOWD:

Q. Sir, I'd ask you to take a look at Plaintiffs' Exhibit 618.

11:06:17

Is that a copy of an e-mail chain dated July 12, 2002, among Household employees?

A. Correct.

Q. And --

11:06:26 MR. DOWD: Your Honor, at this time I'd offer Plaintiffs' Exhibit 618.

THE COURT: Admitted.

BY MR. DOWD:

Q. And at the bottom e-mail there is, again, an e-mail from Dave Stockdale, this time dated July 12, 2002; is that right?

11:06:35

A. That's correct.

Q. And I take it that you received it on or about that date; is that right? You're cc'd there?

A. I would assume so.

11:06:48 Q. And the subject is Re-age Policies; is that right?

A. Correct.

Q. Now, Mr. Stockdale writes, After further discussion with Dave Schoenholz, the new re-age policies that were agreed by senior management last month should not be implemented until further notice; is that right?

11:07:01

A. That's what it says.
Q. Okay. And he goes on to say, The financial impact is too variable to risk the plan for 2002; is that right?
A. That's what it says.
Q. Okay. So, in other words, you had had this meeting in June where you had talked about going to these stricter bank-like restructuring/re-aging policies; is that right?
A. Correct.
Q. Then you had a discussion with Mr. Gilmer, and you decided that if you went to these stricter re-aging policies, it could affect or risk you making your plan numbers for the year 2002; is that right?
A. That's not quite what happened. What -- what -- what happened was when Makowski -- let me back up.
When Makowski did his memo or his presentation, your Exhibit 512, I don't think he was quite correct in saying that they had all been approved. What we had agreed in -- at that meeting is that this is what we wanted to move towards. And when I say move towards, this is the table you showed me. But Paul had not had a chance prior to making this presentation to meet with the business unit financial people or the business unit credit risk people, just due to time constraints.
So what was left the meeting, the senior management meeting, is we wanted to move towards this; but Makowski had to meet with the business unit financial people, the business

unit collections people, credit risk people and so forth to make sure everyone understood what would be done and to make sure that we did it in an appropriate planned fashion. So they were having those conversations. And I think that's what 11:09:06 Stockdale's -- your Exhibit 1117 refers to, Stockdale was referring to those meetings.

And what came out of that was a difference of opinion between the corporate credit risk group and the business unit credit risk group. And there were really two points of 11:09:24 contention. The corporate guys thought that changing re-aging wouldn't increase ultimate losses. It was just a timing issue. The business unit guys didn't agree with that at all. They said, no, if -- if you change your re-age policies substantially, you're going to increase your ultimate losses 11:09:44 because once that customer starts getting delinquent, they'll never get back and they'll roll to charge-off and so forth. And so that you will actually have higher losses for the company, for the shareholders if you try to move to this immediately.

11:10:00 I believe that's what Gary Gilmer and I talked about. And my feeling was we wanted to do this in a practical way. I remember the problem we had at Morgan Services when we didn't do it with a testing environment. So what we concluded was, is that we would slow it down some. We would continue to try 11:10:24 to, as it made sense, reduce that reliance on re-aging. We would introduce testing. So you had a test-and-learn thing in consumer lending. And the other concern was how to implement it, how to roll it out, because, particularly in consumer lending, a lot of these customers had been originated with the 11:10:45 understanding that there would be that kind of flexibility in the collection side. So people felt it was unfair to those customers to just change it immediately.

So what we ultimately came up with was, we're going to do test-and-learn. We're going to see what made sense. We 11:11:05 would continue to try to reduce the reliance and move towards more bank-like policies. And my recollection of what we agreed was, is that starting for new originations on January 1 of '03 is when we would get to what Makowski had outlined.

Q. Okay.

11:11:23 A. I think that's what was going on.

Q. All right. And the reason that Mr. Stockdale gave here for this decision not to move to these tighter re-age policies was the financial impact is too variable to risk the plan for 2002, right?

11:11:37 A. I think that was his shorthand for what I just described to you.

Q. Okay. But what he wrote was, The financial impact is too variable to risk the plan for 2002, right?

A. Those are his words.

11:11:56 Q. Sir, I'd like to show you what's been marked as

statement?
A. I don't remember one way or the other.
Q. Okay.
Do you recall contacting the National Mortgage News
01:05:29 and asking them to correct this statement or anything like
that?
A. I don't remember one way or the other.
Q. Okay.
Sir, I'd like to talk to you a little bit about
01:05:41 Andrew Kahr.
You know who he is, right?
A. I do.
Q. And in late 1998/early 1999, you and Mr. Aldinger decided
to hire Andrew Kahr; is that right?
01:05:52 A. That's right.
Q. And you hired him, basically, to generate ideas for
growth; is that correct?
A. That's correct.
Q. And before you hired Andrew Kahr, you and Mr. Aldinger had
01:06:02 a meeting with him; is that correct?
A. That's correct.
Q. And, at that meeting, Mr. Kahr demanded that he be
accountable only to Mr. Aldinger; is that right?
A. Andrew wanted to report only to Bill, that's correct.
01:06:22 Q. Okay.

Q. Now, counsel asked you about a big stack of documents that are piled up here (indicating) on the table -- various 10-Ks and 10-Qs and other public filings. Do you recall that?
A. I do.
01:37:39 Q. Now, would you explain to the jury and to the Court the process by which --
MR. SLOANE: Let me withdraw that.
BY MR. SLOANE:
Q. Did you write those documents?
01:37:52 A. I did not.
Q. Would you explain to the Court and to the jury what was the process by which those documents were created?
A. Let me start with the 10-K document because that's a more comprehensive document.
01:38:10 Q. Let me interrupt you one second.
MR. SLOANE: Your Honor, we have a demonstrative exhibit, 802-01. May we publish that on the board, please?
I don't believe there's any objection to it.
THE COURT: If there's no objection, yes.
BY MR. SLOANE:
Q. Perhaps this can serve as an aid to the jury and to you, Mr. Schoenholz.
So, why don't you walk us through this document, if you would.
01:38:38 A. Okay.

01:38:59 01:39:17 01:39:32 01:39:46 01:40:07

Well, in this time frame, what it means is that the 10-K draft would have been initially prepared, generated by the Corporate Controller's group with input from Investor Relations, from the Treasury Department, from the Credit Risk Department, clearly on the types of disclosures we've been talking about would be drafted by the Credit Risk people; and, also, would include initial input from the external auditors.

It would then be reviewed, after it was actually drafted, by other people in the Corporate Controller's group. I think that says "Internal Audit."

A draft would then go to Mr. McDonald, who was the Chief Accounting Officer.

Q. Mr. McDonald was the person that Mr. Dowd asked you about in connection with certain of the exhibits you saw this morning?

A. Yes, sir.

He would then review the draft thoroughly, provide his input, his comments, his direction, at which time he would then circulate a 10-K document to all of those people listed: Basically, senior business unit, operating managers, as well as financial managers and functional heads within the corporate office.

They were charged with reviewing the 10-K, particularly as it related to disclosures that they had specific informed knowledge on. They provided their input back to what we had was called a Disclosure Committee. And that Disclosure Committee consisted -- my recollection is it consisted -- of McDonald; the treasurer; representatives of the legal group that were, like, the SEC experts; as well as 01:40:32 some people -- a couple business unit financial people -- I believe.

They would take it, digest it, come up with a draft that they were happy with. There would be then kind of a summary meeting with Aldinger, myself, McDonald, and that says 01:40:51 Schwartz, who was kind of the SEC counsel in this time frame, to talk about any issues, anything that we needed to revolve at a higher level.

KPMG, the auditors, would then review that draft. Although they had provided input at the very beginning part of 01:41:10 the process, but they would review it and, in essence, sign off on that as part of their audit processes. That would include reviewing the MD&A and all those types of disclosures, as well.

I would then get a draft and I'd review it very 01:41:27 carefully; generally, kind of in the late December time frame and, then, probably updated in the late January time frame.

It would go to Mr. Aldinger. Mr. Aldinger would take and review it and provide whatever comments he had. Then we provided a draft of the 10-K to the Audit Committee generally 01:41:52 at the end of January for a meeting when the auditors would present the results of their audit.

Mr. McDonald would take and talk about the financial statements.

Prior to the meeting with the Audit Committee, we had a separate advanced meeting -- this is pre-Audit Committee meeting -- with Mr. Levy, who was the Chairman of the of Audit Committee.

Mr. Levy was a retired senior technical partner with KPMG and was a very -- truly an expert in this area of financial reporting and disclosures.

He wanted to have a -- he wanted to have a -- private advanced meeting with myself, McDonald, the internal auditors, the external auditors. And then he would meet privately just with the internal auditors and privately just with the external auditors, would get his input and then present it to the Audit Committee and then get their input.

Q. Let me be sure I understand this.

Did all of the 10-Ks and 10-Qs, after July 30, 2002, go through this same process?

A. That's correct.

Q. Now, what was the process -- what's the significance of the July 30, 2002, date, in your mind?

A. That was when Sarbanes-Oxley came in.

Q. What does that mean?

A. Sarbanes-Oxley was legislation introduced on creating a requirement for the Senior Chief Executive Officer and principal Financial Officer. So, in essence, certify financial statements that were filed with the SEC.

And in response to that requirement to have that certification, we created a sub-certification process that, in essence, that had everybody in the business -- and there were, I don't know, 40 or 50 people -- had to certify, in essence, to Mr. Aldinger and myself the same things that we would have to certify to the outside world.

That's why July -- that's the significance of July 30.

Q. So, that was after July 30th, after this law got passed; is that right?

A. Right.

Q. What was the process like before this law got passed?

A. It was, essentially, the same process. The difference would be there wasn't a formal certification process and we didn't have a formal disclosure committee. So, it was more like McDonald -- it would be the same where he would send it out to the different business units and the functional heads, but he would get the input back himself and working with his department, giving it to KPMG; and, then, really are the rest of the process was the same.

Q. Now, when you signed these documents -- these 10-Ks or 10-Qs that Mr. Dowd showed you -- did you draw any comfort or

reliance on this process?
A. Of course.
I mean, I couldn't be aware of every detail or everything. So, I clearly reformed -- relied -- on kind of the informed -- the judgments of informed -- professionals; whether those were people internally or externally, I would have relied and taken comfort from the fact that the external auditors reviewed and signed off on things.
Now, that doesn't -- we earlier talked about were they the responsibility of management. Clearly, but --
Q. Let me stop you.
How many people would have been involved in reviewing this document before it got to you -- internal, external? Can you give us an order of magnitude?
A. Literally dozens -- multiple dozens -- of people.
Q. Now, did this apply both before and after July 30, 2002; that is, literally dozens ands of people would have been involved --
A. Yes.
Q. -- in the review of it?
A. Yes.
Q. And those -- that review -- would have gave you comfort as to the accuracy of what was in there?
A. Absolutely.
Q. Now, you were responsible for what was in there because

you signed it; isn't that right?
A. That's correct.
Q. Now, Mr. Dowd showed you a document I'd like to put on the screen. It's Plaintiffs' Exhibit 1076 -- I'm sorry, it's 176.
01:46:40 MR. SLOANE: 176.
(Brief pause.)
BY MR. SLOANE:
Q. Now, this was a document, I think you testified, was something that was prepared -- when Mr. Dowd asked you -- I
01:46:50 think you said by Mr. McDonald?
A. It was a combination of Mr. McDonald and the outside auditors.
Q. Okay.
And Mr. McDonald --
01:46:59 MR. SLOANE: Going back to that chart, again, for a second, Brian.
(Brief pause.)
BY MR. SLOANE:
Q. -- Mr. McDonald, again, was one of the people who reviewed
01:47:06 the final version of these public disclosures before they were issued to the public; isn't that right?
A. Without question.
Q. And that's him right there in the middle (indicating)?
MR. SLOANE: Brian, if you can highlight "Steve
01:47:21 McDonald" right there (indicating) at the top. It's over

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
) April 15, 2009
Defendants.) 8:55 a.m.

VOLUME 11
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

(Brief pause.)
BY MR. DOWD:
Q. Mr. Devor, is this a copy of the demonstrative that you had prepared to assist you in explaining your conclusions?
02:15:51 A. Yes, it is.
Q. Okay.
And can you walk us through your conclusions that you reached after performing your work in this case?
A. Sure.
02:15:59 Basically, three conclusions; and, that is, that the 10-Ks and 10-Qs that were issued during the period that contained financial statements and other disclosures were misleading or false because --
THE COURT: A little bit louder, sir. The jurors
02:16:16 can't hear you.
THE WITNESS: Sorry.
THE COURT: Step back away from the mike and speak loudly to that man over there (indicating), the one asking you the questions.
02:16:23 (Laughter.)
BY THE WITNESS:
A. I guess I should repeat my answer.
BY MR. DOWD:
Q. Sure. Go ahead.
02:16:30 A. Basically, that during the period the company's 10-Ks and

10-Qs that were issued and which contained financial statements, as well as disclosures and -- both in the form of footnotes, as well as in something called Management's Discussion and Analysis, were misleading or false because of
02:16:59 these three reasons.
First, Household failed to disclose required information about improper lending practices.
Secondly, Household used re-aging and other loan quality concealment techniques to manipulate delinquency
02:17:15 statistics.
And, thirdly, Household improperly recorded revenue and expenses, resulting in a restatement.
Q. Okay.
And, sir, what is it in your background that allows
02:17:30 you to formulate these opinions, to reach these conclusions?
A. Well, first of all, I've been an auditor for 36 years. And what auditors do is, again, look at reporting -- and, for much of my career, it's been public reporting in public companies -- and determine whether or not the reporting is, in
02:17:52 fact, fair or not fair. That's what auditors do.
But over -- beyond -- that, in 36 years I've developed a vast experience in applying technical accounting and SEC rules, that need to be applied when one puts together these 10-Ks and 10-Qs.
02:18:15 So, that's what's in my experience that gives me the

engaged in improper lending practices; and, therefore, what were the reporting responsibilities of the company, as a result of that.

Q. And were you also asked to make a determination of amounts
02:39:25 attributable to predatory lending practices between 1999 and 2002?

A. I was.

Q. Okay.

Let me first ask you: What was your conclusion
02:39:35 regarding Household's disclosures regarding predatory lending?

A. That they were, in some cases, non-existent and certainly inadequate.

Q. Okay.

And let me ask you: Did you also make an effort to
02:39:51 quantify the amount of revenue that Household had recorded, that was attributable to loan splitting, misrepresenting loan fees and points, misrepresenting interest rates, insurance packing and imposing prepayment penalties during the relevant time frame?

02:40:07 MS. BUCKLEY: Objection, your Honor.

THE COURT: The basis?

MS. BUCKLEY: The subject of your MIL on revenue recognition.

THE COURT: Overruled.

BY MR. DOWD:

Q. You can answer.
A. Okay.
I just have to remember the question.
Q. Do you want me to --
02:40:25 A. No, I got it.
The answer is: Yes, I did.
Q. Okay.
And what was the amount that you came up with?
A. Approximately $3.2 billion.
02:40:37 Q. Okay.
And, generally, how did you arrive at that $3.2 billion number?
A. I used computations that were done by the company.
Q. Okay.
02:40:46 And did you look at that 3.2 billion for -- was that for the period from 1999 through the second quarter of 2002?
A. It was.
Q. Okay.
And approximately what percentage of Household's
02:41:11 revenues were attributable to improper lending practices between the beginning of 1999 and the second quarter of 2002?
MS. BUCKLEY: The same objection, your Honor.
THE COURT: Overruled.
MS. BUCKLEY: I'd request a sidebar.
02:41:28 THE COURT: Sure.

quantified, that was attributable to improper lending practices, and compare it to the amount of revenue between 1999 -- June 30th, 1999 -- and June 30th, 2002?

A. I did.

02:46:10 Q. Okay.

And can you tell us approximately what percentage of revenue was attributable to these practices during that time period?

A. I believe it ranged from, depending on what period we're

02:46:25 talking about, somewhere between five-and-a-half percent to eight percent.

Q. And did you also look at the 3.2 billion, as it compared to net income, during that same time period?

A. I did.

02:46:40 Q. And did you prepare a demonstrative depicting that?

A. I did.

Q. Okay.

I'll show you what's been marked as Plaintiffs' Demonstrative 40. And I'd ask you to look at that, if you

02:46:51 would.

And can you explain to me what you were trying to determine straight with Plaintiffs' Demonstrative 40?

A. Just the impact of the amounts attributable to the alleged improper lending practices, as a percentage of net income that

02:47:23 the company actually reported.

Q. Okay.
And, so, for example, in 1999, what was the percentage that you determined, based on the documents that you looked at?
02:47:33 A. As you can see, it's 28 percent, roughly.
Q. Okay.
And, then, for the year 2000, 32 percent; is that right?
A. That's correct.
02:47:43 Q. Okay.
And for the year 2001, 36 percent?
A. That's correct.
Q. And, finally, for the year 2002 -- the first two quarters -- 32.8 percent?
02:47:55 A. That's correct.
Q. And, again, these amounts shown in that middle column there (indicating) -- the -- attributable to the lending practices -- are dollars of net income during these periods attributable to loan splitting, misrepresenting loan fees and
02:48:14 points, misrepresenting the interest rate, insurance packing and imposing prepayment penalties; is that right, sir?
A. That's right.
Q. Okay.
In addition to looking at internal calculations of
02:48:25 the amounts attributable to certain lending practices, did you

that the company had realized from improper lending. That's something that's important to an investor or anybody else looking at these financial statements.

Q. All right.

02:58:54 And, sir, going back to Plaintiffs' Demonstrative Exhibit 107, what was your second opinion that you reached or conclusion that you reached?

A. That Household used re-aging and other loan quality concealment techniques to manipulate delinquency statistics.

02:59:13 Q. Okay.

Now, you've used the word "delinquency statistics." What is a delinquency statistic in the Household world? What does that mean?

A. Household -- and other people in the same industry --

02:59:27 disclose in that Management's Discussion and Analysis section certain information about the loan portfolio's delinquency status -- how much of the loans are delinquent -- and that's what this is.

Q. Okay.

02:59:45 Why would a finance company report information about loan delinquency?

A. Well, if you think about it, it's the largest item that the company has on its balance sheet, on its financial statements -- the loans.

02:59:58 So, if it's the largest asset and most important asset, a reader would want to know how good the quality of that asset is.

It's how the company actually makes a living; how the company earns fee income and interest income as a result of its loans.

It's almost the equivalent, if you think about it, of a farmer who has a plow and a horse, and that's how the farmer makes a living.

If you were going to make some sort of decision about whether you want to buy that business or not, you'd want to know the health of the horse or the plow, because that is obviously going to impact the ability to make earnings going forward.

Q. And how did Household disclose information in its 10-Qs and 10-Ks with regard to delinquency?

A. They disclosed, again, in The Management's Discussion and Analysis section something called their "Two-Plus Delinquency Statistics," and I'm guessing you've heard that term before, but that's what they disclosed --

Q. All right.

And could we please --

A. -- as well as charge-off statistics.

MR. DOWD: Could we please pull up what's been marked as Plaintiffs' Demonstrative Exhibit 120?

(Brief pause.)

BY MR. DOWD:
Q. Sir, did you have Plaintiffs' Exhibit 120 prepared for your use in presenting your opinion today?
A. I did.
03:01:30 Q. Okay.
And can you explain to us what its significance is?
A. Well, this is an actual blow-up of what was included in 2001's 10-K for Household. Over to the right are the 2- -- the right-hand four columns are the -- 2000 statistics.
03:01:51 If you look in the middle, the four columns, that's the 2001 statistics. And it's broken down by line of business. That's how Household reported it. And it represents the percentage of the loan portfolio that, in this case, the company owned, that is greater than two months past
03:02:15 due at those dates.
So, for instance, under Column 1 that says, "No. 1" there, that would be the delinquency -- the percentage of loans over 60 days old -- at March 31st, 2001. And, of course, at the -- and the number 4 would be at the -- end of
03:02:36 the year.
Q. And, sir, did you reach a conclusion as to whether Household had accurately reflected the quality of its loan portfolio through the two-plus statistics in the Qs and Ks?
A. I did reach a conclusion.
03:02:49 Q. And what was that conclusion?

A. The conclusion is that these statistics were basically false and misleading, as well as disclosures relating to it.
Q. And why is that?
A. Because the company used these techniques -- which I'll
03:03:06 call "loan quality concealment techniques," such as re-aging and whatever -- to actually move things out of their two-plus category and to reflect them either as current or in some other category that's not two-plus, so that these numbers don't really reflect the numbers that actually were two-plus,
03:03:32 as well as there isn't any disclosure indicating any of that.
Q. Okay.
And have you prepared a demonstrative that explains the type of loan quality concealment techniques that you became aware of as you performed your work in the last four
03:03:42 years?
A. I have.
Q. Okay.
MR. DOWD: And I'd ask that we pull up Plaintiffs' Demonstrative Exhibit 39, please.
03:03:48 THE COURT: Do you want to finish with that now or do you want to take a break now, counsel?
MR. DOWD: If you want, your Honor. Let me just finish with this one. We'll walk through it quick.
THE COURT: Okay.
03:04:00 BY MR. DOWD:

03:04:12
03:04:32
03:04:49
03:05:28
03:05:34

Q. And, sir, what is contained in Plaintiffs' Demonstrative Exhibit 39?
A. Well, these are, I guess, six examples of the kinds of practices that I've called "loan quality concealment techniques" that the company used during the relevant period of this case, that had the impact of moving things out of the two-plus category; and, in effect, therefore, not reporting it in the 10-Ks and 10-Qs.
Q. And, just for the record, sir, what were those six types of loan quality concealment techniques that you identified?
A. Okay. Re-ages and restructures; late stage re-ages; forbearance; skip-a-pay; re-writes; and, grace periods.
MR. DOWD: Do you want to stop there, your Honor?
THE COURT: Yes.
Let's take our 15-minute break, ladies and gentlemen.
(Jury out.)
THE COURT: You may step down, sir.
Okay. We'll take a 15-minute break.
MR. DOWD: Thank you, your Honor.
MR. KAVALER: Your Honor, can I ask you a question?
THE COURT: I'm sorry, go back on the record.
MR. KAVALER: I just want to know if you had a time chosen for Friday yet.
THE COURT: No, I haven't. Why don't you folks tell me when you think you want to meet.

MR. KAVALER: Are you available at all times?

THE COURT: The morning there's going to be a call for sure.

About what time, Carol? Noon, probably?

03:05:44 THE CLERK: Yes.

We have a sentencing at 10:30 and some statuses. So, that's a good hour usually.

THE COURT: The sentencing will go until 11:30.

So, it will be probably around 12:30.

03:05:56 MR. KAVALER: Is that what you want us to do?

Whatever you want, your Honor.

THE COURT: Why don't we count on that now: 12:30.

MR. KAVALER: Is that all right with you guys?

MR. DOWD: Fine.

03:06:07 THE COURT: Now, we're in recess.

(Brief recess.)

THE COURT: Let's bring the jury out.

(Jury enters courtroom.)

THE CLERK: Please be seated.

03:24:51 THE COURT: Proceed.

MR. DOWD: Thank you, your Honor.

BY MR. DOWD:

Q. Mr. Devor, when we left off, you were talking about these re-aging and other loan quality concealment techniques, is

03:25:01 that right?

A. Yes.
Q. Have you seen any evidence that would suggest to you that these techniques were used extensively?
A. Yes.
03:25:07 Q. And can you tell us about that.
A. Well, the -- first of all, there was a lot of company documents that -- during the time period that indicate they were.
MS. BUCKLEY: Objection, your Honor.
03:25:20 THE COURT: Basis?
MS. BUCKLEY: The witness has conceded he's not an expert in predatory lending.
THE COURT: Overruled.
BY THE WITNESS:
03:25:33 A. So that's one -- do I keep talking?
BY MR. DOWD:
Q. Yes. Go ahead.
A. So that's one.
I think the company actually at some point used a
03:25:43 number like 17 billion in its proxy statement to also indicate that at least for '01 they had used re-aging and other techniques of close to $17 billion, so that's a pretty significant number.
Q. Okay. And, sir, have you prepared an animation or a
03:26:00 series of demonstratives that will explain how these different

the two-plus statistic column but included that in the 31-to-60-day column even though it might be being paid on, say, day 74 or something, or even 75, but nonetheless it would -- if it was paid at all, but it was -- but it was

03:39:58 included in the middle column as opposed to the far column.

Q. Okay. So in other words, it didn't show up as two-plus in the Qs and Ks, is that right?

A. That's correct.

Q. Okay. You just went through a number of these loan

03:40:08 quality concealment techniques.

Have you seen evidence that each of these was used by Household during the relevant time period?

A. I have.

Q. Okay. And have you prepared a slide that demonstrates how

03:40:19 all these different things work in conjunction in your example?

A. I have.

Q. Okay. And can we take a look at that, please.

A. Sure.

03:40:29 So these are -- these are all the accounts that we've really spoken about if you put them all up there, and if I can just summarize. So the first one we talked about was automatic re-age, where they just take it out of 60 days plus and move it over to current, notwithstanding nobody's paid.

03:40:50 Forbearance, they've agreed to lay off, but the

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
	)	April 16, 2009
Defendants.	)	9:18 a.m.

VOLUME 12
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

09:36:59 order to get the context, Blazer's financial maneuvering over the past few years -- just the word maneuvering to me is somewhat troubling -- past few years has resulted in a clear disconnect between the field approach to management and the policies created by the finance group which were espoused to be a solution to the issues created by the Beneficial acquisition.

09:37:16 And here's really what's key to me. But it is hard to imagine that they are not also being employed to boost earnings.

Q. And what does earnings mean?

09:37:33 A. Earnings is that thing on the income statement that shows the net profit, how much the company earned during a period of time. And it's probably the number that most users, be they investors, banks, whatever, would look at to gauge the performance of the company more than any other.

Q. Is there anything else about this document that you considered significant in reaching your conclusions?

09:38:03 A. I believe the rest of the document just gets into more details, and there's other e-mails attached, but I think that's the highlights of at least what I found significant.

Q. Fair enough.

Now, sir, do you have an understanding as to what happened to the proposed Household/Wells Fargo merger?

09:38:20 A. Yeah, my understanding is that after the due diligence

procedures -- my understanding, based on the testimony, is that Wells Fargo decided not to continue with the acquisition.
Q. Now, sir, I think we've covered your first two conclusions or opinions. You also had a third conclusion overall, and I'd
09:38:47 ask that we pull up Plaintiffs' Demonstrative 107.
And, sir, could you briefly walk us through your third conclusion?
A. Yes. Household improperly recorded revenue and expenses resulting in a restatement and, that is, originally issued
09:39:10 financial statements had to be restated or corrected.
Q. And, sir, I'll show you what's been received in evidence as Plaintiffs' Exhibit 231.
(Tendered.)
BY MR. DOWD:
09:39:42 Q. Sir, is Plaintiffs' Exhibit 231 a copy of a restated 10-K for the period ended December 31, 2001?
A. It is.
Q. Okay. Now, first I'll ask you, did you prepare a demonstrative to assist you in describing this restatement?
09:40:04 A. I did.
Q. And when did this restatement take place?
A. I believe in August of '02, the company actually filed this -- this restatement and restated a whole bunch of years and -- including the first quarter, I believe.
09:40:24 Q. And so initially, sir, Household had issued those 10-Qs

and 10-Ks that we saw, the ones from -- for the period ended June 30th, 1999, through the first quarter of 2002, right?
A. That's correct.
Q. Okay. And included within that was in March of 2002, the company filed what we've looked at as Defendants' Exhibit 852, which was the 10-K for the period ended December 31, 2001; is that correct?
A. That's correct.
Q. And now in August, they come out and say we're going to do this restatement; is that right?
A. That's correct.
Q. Okay. Let's pull up Plaintiffs' Demonstrative Exhibit 127.
Sir, can you explain to us what is shown in Plaintiffs' Demonstrative Exhibit 127?
A. Yes. Well, this is the disclosure that was made within the restated, the amended 10-K -- that's why it says 10-K/A -- in 2001 which again was filed for 2001, which was filed in August of 2002 correcting the '01 one as well as other periods.
And it's just a blowup, I think, of, you know, the first couple of lines of the paragraph in the 10-K that the company -- where the company described in their footnotes the disclosure to the numbers, what happened with the numbers. Again, remember, going back to yesterday, the footnotes

explain what's in the numbers.
Q. Okay. And, sir, is the blowup basically just a blowup of the language that's in Plaintiffs' 231?
A. Yes.
09:42:10 Q. And could you walk us through a brief description of the restatement and how -- what the company said about it.
A. Well, with the slide up there for one more second at least. The 386, I believe, was the impact on net income for all the periods restated. And the company restated, I
09:42:31 believe, back to 1994. So they restated the earnings from '94 to the first or second quarter of 2002.
The restatement related to -- just briefly, to the company's contracts that it had entered into relating to credit card arrangements with four entities, General Motors,
09:42:55 the AFL-CIO, something called UP, a company called UP, as well as a marketing company called Kessler.
And it basically in its most basic form related to, for the most part, expenses that were, for the most part, not being written off over a shorter -- short enough period of
09:43:22 time which, of course, had the impact of overstating income and in one case actually booking revenue that should not have been booked.
So in a nutshell, that's what it was. All four of them -- all four contracts, the accounting for it, overstated
09:43:40 net income for all those periods.

Q. Okay. Now, sir, you said that for that entire period, I think you said '94 through sometime in 2002, they restated 386 million of net income; is that right?
A. That's correct.
09:43:55 Q. Okay. And have you also prepared a demonstrative to show what the effect was on the relevant time periods that we're talking about from 1999 through 2002?
A. Yes, which of course was my focus. I have.
Q. Okay. And I'd ask to pull up what's been marked as
09:44:17 Plaintiffs' Demonstrative 128.
All right. Can you walk us through what's been marked as Plaintiff's Demonstrative 128?
A. Yes. The -- I mean, this demonstrative is just put together to show what the company's reported historical net
09:44:42 income was for '99 through '02.
And the restated net income is what it was changed to in that 10-K/A that we -- you know, that we referred to before -- that I referred to before. And the difference between those two columns is the impact on net income, and
09:45:06 we've expressed it as -- or I've expressed it as percentage of reported net income. And you can see it goes from -- you know, from 1 percent at the end to as high as 6 percent in different periods.
Q. All right. Sir, I hate to do this, but just so it's in
09:45:27 the record, in other words, for year-end 1999, the company in

its 10-K reported 1 billion 486 million in net income; is that correct?
A. That is correct.
Q. That's what they put in originally back at the end of '99 in their Q -- K that they would have filed in the beginning of 2000; is that right?
A. That is correct.
Q. Okay. And at this point in time in August of 2002, they say, we have to change our accounting and the number that we should have reported at that time was 1.428 million; is that right?
A. That's correct.
Q. Okay. And then that -- what you did is just try to figure out how much of it was overstated, and that's the difference between the 1486 and the 1428 and that's 4.1 percent of their net income; is that right?
A. That's correct.
Q. Okay. And then walking through these columns, sir, they reported 372 million in the first quarter of 2000 and they should have reported 351; is that right?
A. That's correct.
Q. And that's 6.1 percent overstated; is that right?
A. That's correct.
Q. Similarly, in the second quarter of 2000, they reported 383.9 million, and they should have reported 368.3 million; is

that right?
A. That's right.
Q. And that's an overstatement of 4.2 percent; is that correct?
09:46:48 A. That's correct.
Q. The third quarter of 2000, they reported 451 million, they should have reported 434; is that right?
A. That's correct.
Q. And that's an overstatement of 3.8 percent?
09:46:59 A. That's right.
Q. The same thing in the fourth quarter of 2000, 492 reported versus 476 restated; is that right?
A. That's correct.
Q. And that's 3.5 percent, correct?
09:47:11 A. That's right.
Q. Okay. And then looking through the four quarters of 2001, in the first quarter they reported 431 in net income; it should have said 405, right?
A. That's right.
09:47:21 Q. And that's 6.5 percent; is that correct?
A. That's right.
Q. Q2, 2001, we have 439 versus 423.3, and that's an overstatement of 3.7 percent; is that right?
A. That is right.
09:47:35 Q. Q3, 2001, 503 versus 485.6; is that correct?

A. That's right.
Q. And that's 3.8 percent?
A. That's right.
Q. Then Q4, 2001, we have 548.9, and they should have reported and did report restated in August 2002, 533 million; is that right?
A. That's right.
Q. And that's 2.9 percent; is that correct?
A. That's correct.
09:47:58 Q. First quarter 2002, they originally had reported in their Q 511 in net income, and in their restatement they say the number should have been 491; is that right?
A. That's right.
Q. And that's 4.1 percent; is that right?
09:48:11 A. That's right.
Q. Second quarter of 2002, 513 million versus 507 million; is that right?
A. That's right.
Q. And that was 1.2 percent; is that right?
09:48:20 A. That is right.
Q. Can you just explain to us what exactly is a restatement?
A. A restatement is when a company realizes there's something wrong with financial statements that are on the street, so to say, and there's something materially wrong. And, of course, under -- you know, to not mislead any users of those financial

statements anymore, they need to pull them back and put out the new numbers. That's what a misstatement is.

It's a -- a restatement, rather. It has to be material and it's an admission that it was wrong. You can't 09:49:04 restate for a change in estimate later on. I mean, if you do change your estimate to a better estimate, that's something that gets recorded currently, prospectively, as opposed to going back.

Basically the only time you restate is for 09:49:23 companies -- is when you know your numbers are materially wrong. So it's an admission that the numbers were wrong and materially wrong.

Q. Is a restatement a common event?

A. It is not a common event. I mean, it occurs occasionally. 09:49:36 But as you can imagine, you know, the -- you can imagine how troubling it is for a company to restate, I mean, to go to whoever the users are and say, hey, you know those financial statements I gave you, they're wrong, I need them back, I'll give you new ones. So it's not done very commonly.

09:49:57 Q. When a company restates, whose decision is it to restate?

A. It's, you know, I believe -- by the way, just to finish that last question, I think back in 2000, there was some kind of study as I recall. And in 2000, something like 2 percent or so of all public companies and all filings had actually 09:50:18 restated, which means 98 percent did not. I'm sorry.

Q. Okay. And whose decision is it to restate ultimately?
A. Well, it has to be the company's. Remember, as we said yesterday, these financial statements belong to the company. They don't belong to the auditors. They don't belong to
09:50:36 anybody else. They're the company's.
And remember, the company's management signs off on those financial statements; and if the company restates, it's the company's -- it's the company's place to do it. They're the only ones that can restate.
09:50:51 Q. Okay. And, sir, did you perform an analysis, look at the underlying documents and materials produced in this litigation and independently conclude as to whether the company should have restated?
A. Yes. You know, this was vetted extensively by KPMG in the
09:51:14 2002 time frame. And I read everything they did. I looked at the documents they referred to that were in the record. I read deposition testimony.
I also looked at the original accounting, read memos and read the testimony that related to the original decisions
09:51:37 to record these transactions. I looked at Arthur Andersen, who was the predecessor auditor at the time. I looked at their testimony and whatever documents we had. I looked at the contracts. And, you know, I reached my own conclusion.
Q. Okay. And did you agree with the company's decision that
09:52:00 it needed to restate these financial statements?

A. I did.
Q. Now, sir, I'd just like to conclude briefly with a sort of summary of your opinions. And I'd ask that we pull up Plaintiffs' 126.
09:52:30 Sir, do you have that there on the screen?
A. I do.
Q. So, sir, you -- your first conclusion that you testified to, could you just remind us of that, that we talked about yesterday briefly?
09:52:44 A. Yes. That is Household failed to disclose required information about improper lending practices. And, again, this goes to the fact that the 10-Ks and 10-Qs were false and misleading because the information in there did not contain disclosures that were in accordance with those GAAP 09:53:06 requirements that I indicated in footnote disclosure, as well as the SEC MD&A disclosure requirements, management's discussion and analysis with respect to significantly -- a significant amount of revenue -- the company earning a significant amount of revenue relating to the improper lending 09:53:30 practices, assuming that they are considered -- I was asked to assume that those lending practices were considered improper.
Q. Okay. And, sir, I'd like to go back to one demonstrative that we looked at yesterday. It's Plaintiffs' Demonstrative 40. If we can pull that up briefly.
09:53:53 Sir, this was -- you explained it to the jury -- a

chart of the amount of net income attributable to improper lending practices during the relevant period. And I think when I asked you about it, I asked you about the percentages, but I didn't ask you to put the actual numbers that you had calculated on this net income into the record.

09:54:08

I'd just ask you, what was the amount that you determined for 1999?

A. $422 million, which was 28 percent of the company's reported net income for that year.

09:54:27

Q. Okay. And the amount that you calculated for the year 2000 was 554 million; is that right?

A. 554 million, which was 32 percent or almost 33 percent of the reported net income for 2000.

Q. And in 2001, the amount was 696 million; is that correct?

09:54:47

A. That is correct.

Q. And for the first two quarters of 2002, it was 336 million; is that right?

A. That's correct.

Q. Sir, just going back to Plaintiffs' 126, your second

09:55:05

conclusion was the loan quality concealment techniques that we even discussed this morning; is that correct?

A. Yes. I mean, we spent most of yesterday probably discussing this issue. And that is, again, that Household used re-aging and other loan quality concealment techniques to

09:55:23

manipulate the delinquency statistics. And, again, it goes to that chart that was in the 10-K, the two-plus chart, you know, having numbers that are, in essence, false and misleading and no disclosures explaining it.

Q. Okay. And then that third reason was just a restatement

09:55:40 that we just spoke about; is that correct, sir?

A. That is correct.

Q. Thank you, Mr. Devor. I have no further questions at this time.

A. Okay. You're welcome.

09:55:48 THE COURT: You may cross-examine.

CROSS-EXAMINATION

BY MS. BUCKLEY:

Q. Good morning, Mr. Devor.

A. Good morning.

09:56:38 Q. You'll recall yesterday, Mr. Devor, Mr. Dowd asking you how many times you had been retained as an expert witness or consultant in connection with litigation matters.

Do you remember that?

A. I don't actually remember him asking me how many times I

09:56:57 was retained. I think he asked me to generally characterize my expert accounting work, but he may have. I don't remember that specific question.

Q. All right. Well, let's go back and we can find it. Would it refresh your recollection if I were to tell you that you

09:57:15 said 30, 40 or 50 in terms of testimony?

A. Yes, actually, it would. Thank you.
Q. And as to being consulted, too numerous to mention.
Do you remember that?
A. Yeah, basically.
09:57:27 Q. Okay. And Mr. Dowd asked you whether you had been hired by both plaintiffs and defendants in connection with expert witness work.
Do you remember that?
A. I certainly remember it, yes.
09:57:43 Q. And you said yes, but certainly much more by plaintiffs than defendants; is that correct?
A. That's correct.
Q. Okay. You recall, Mr. Devor, that you were required to provide us with a listing back a few years ago of all of the
09:57:58 trial and deposition testimony that you had given in the last four years.
Do you recall that?
A. Vaguely.
Q. Do you recall that you gave us such a list?
09:58:08 A. I believe part of the rules are that I need to list in the back of my report, which is the way we usually do it, the last four years of testimony in cases that I've given, and I believe I listed those cases in my Rule 26 report.
Q. So you gave us a list, right?
09:58:29 A. It was attached to the report, yes.

Q. Great. I went back to my office last night, Mr. Devor, and I checked that list and I counted all the federal securities class actions that you listed on it. Would it surprise you to learn that there were 13?

09:58:47 A. I would have no idea how many are listed on there.

Q. You wouldn't know one way or the other?

A. It's a report that was done about two years ago, and I would have listed whatever the last four years' worth of oral testimony was that I gave on that thing, which is what we do 09:59:05 in every case.

Q. Well, let's go down the list, okay, Mr. Devor? I'm going to call out a case, and I want you to tell me whether you represented the defendants -- whether you were retained by the defendants or the plaintiffs. Okay?

09:59:16 A. Okay. And just to make sure I understand your question, whether I was engaged by counsel for the defendants or counsel for the plaintiffs; is that correct?

Q. No, that's not really what you said yesterday, Mr. Devor. Mr. Dowd did not ask you whether you had been retained by 09:59:32 counsel for the plaintiffs or counsel for the defendants. He asked you whether you had been retained by the defendants or the plaintiffs.

Do you remember that?

A. Well, he may have. I don't remember his exact question, 09:59:44 but my response was meant to be articulated, I'm hired by

10:00:02 counsel. I rarely meet the plaintiffs really.
Q. So you're hired by counsel for the plaintiffs but you testify for the plaintiffs; is that right?
A. No, no, no. Let's start that one over. I am engaged by counsel for either --
MS. BUCKLEY: Move to strike, your Honor.
THE COURT: He answered. He answered no. That's sufficient. Ask the next question.
BY MS. BUCKLEY:
10:00:11 Q. We're going to go down the list now, Mr. Devor, of the cases that you provided in your list as required by the federal rules. And the question is, in the case that I read, were you retained by counsel for the plaintiffs or were you retained by counsel for the defendants. Is that okay with
10:00:30 you?
A. Yes. And, of course, just so you know --
MS. BUCKLEY: Move to strike, your Honor.
THE COURT: The answer yes will stand.
THE WITNESS: I understand.
10:00:40 BY MS. BUCKLEY:
Q. In re Sunbeam Securities Litigation, the Southern District of Florida.
A. In that case that I testified in, I was --
Q. Counsel for plaintiffs or counsel for the defendants,
10:00:50 Mr. Devor?

A. I was retained by counsel for the plaintiffs.
Q. In re Jennifer Convertibles Securities Litigation, Eastern District of New York.
A. Counsel for the plaintiffs.
10:01:03 Q. In re Safeskin Securities Litigation, the Southern District of California.
A. I was engaged by counsel for the plaintiffs.
Q. In re Steven J. Gutter v. E.I. DuPont de Nemours and Company and Edgar J. Woolard, Jr., Southern District of
10:01:17 Florida.
A. I believe I was engaged by counsel for the plaintiffs.
Q. In re Envoy Securities Litigation, Middle District Tennessee.
A. Same.
10:01:32 Q. Counsel for plaintiffs?
A. Yes.
Q. In re A.T. Cross Securities Litigation, District of Rhode Island.
A. Counsel for the plaintiffs.
10:01:43 Q. In re AT&T Corporation Securities Litigation, District of New Jersey.
A. Same.
Q. In re WorldCom, Inc., Securities Litigation, Southern District New York.
10:01:56 A. Well, there are two WorldCom cases.

Q. Not the bankruptcy case, Mr. Devor, the securities case.
A. WorldCom, I was engaged by counsel for the plaintiffs.
Q. How about in re CMS Energy Securities Litigation, Eastern District of Michigan?
10:02:11 A. I was -- same thing.
Q. Fredda Levitt v. PricewaterhouseCoopers, LLP, Southern District of New York.
A. Same thing.
Q. And in re Omnicom Group, Inc., Securities Litigation, 10:02:22 Southern District of New York.
A. Same thing.
Q. We're almost there, Mr. Devor.
In re Tenet Healthcare Corporation Securities Litigation, Central District of California.
10:02:34 A. Same thing.
Q. And in re Ryan v. Flowserve Corporation, et al., Northern District of Texas.
A. Counsel for the plaintiffs.
Q. Counsel for the plaintiffs.
10:02:46 A. Those are cases that I just testified --
Q. There's no question pending, Mr. Devor.
Let's talk a little bit about your expertise, Mr. Devor.
Mr. Dowd asked you if you had been qualified as an 10:02:59 expert in federal courts.

Do you recall that?
A. I don't remember the precise question, but it was something like that, yes.
Q. Well, we'll ask it again. Have you been qualified as an expert in federal courts?
10:03:11
A. Sure, I've testified in federal courts.
Q. And have you been disqualified in federal courts?
A. To testify at a trial? Not that I recall.
Q. Not that you recall?
10:03:23
A. At a trial? No.
Q. Has your opinion ever been rejected in federal courts?
A. Never for reliability. It may have been for relevance, but never for reliability.
Q. Do you recall submitting an opinion in a case called in re Acceptance Insurance Companies, Inc., Securities Litigation, Mr. Devor?
10:04:02
A. I recall writing an affidavit on a narrow issue that was used to determine, I believe, in support of a motion for summary judgment as I recall.
Q. You understand an affidavit is testimony, don't you, Mr. Devor?
10:04:19
A. I'm not a lawyer. I -- I -- it's not oral testimony. But it is what it is.
Q. It's sworn testimony under oath; is it not?
A. I believe when I write that affidavit I swear that it's
10:04:32

the truth. In my opinion, it's the whole truth. I think I do. I say that on the affidavit, absolutely.
Q. You have to sign it in front of a notary, don't you, Mr. Devor?
A. I believe that that goes to state rules, and it doesn't necessarily -- I don't know that you have to sign it in front of a notary. I certainly have to sign it. But, nonetheless, I've never issued an affidavit that I would -- was not a hundred percent comfortable with.
Q. All right. And you know that in the in re Acceptance Insurance Companies Securities Litigation, that the Court rejected your opinion there, correct?
A. The Court deemed my opinion to be irrelevant because the Court could not -- could not find the analysis within the affidavit. Again, no oral testimony. So I think the Court decided that my opinion was not helpful or relevant to the decisions needed to be made and therefore would not be considered because the analysis was not apparent in the affidavit. Again, I never testified in that case.
Q. Mr. Devor, you seem to be having some problem with the fact that an affidavit is testimony; is that right?
A. Well, I'm distinguishing in my mind between oral testimony, which I never gave in that to explain the affidavit, and the affidavit.
Q. The affidavit being written testimony, correct?

A. That's --

MR. DOWD: Objection, your Honor. It's argumentative.

BY MS. BUCKLEY:

10:05:59 Q. Relevance wasn't the ground on which your affidavit was rejected, was it?

A. Absolutely. The Court said, I believe, in there because the analysis is not present -- which, by the way, I respectfully disagree with; it was there. But with all due

10:06:16 respect, I believe the decision was because the opinion in -- because the affidavit does not make clear what the analysis was. It doesn't have problems with the analysis. It just said because the affidavit doesn't make clear what Mr. Devor's analysis was, in essence, then the affidavit will not be

10:06:37 helpful to us and therefore is not relevant. It does not go to reliability or anything else.

Q. Would it refresh your recollection, Mr. Devor, if the Court said, quote, Devor does not explain how he reached his ultimate opinions, nor does he describe the analytical

10:06:54 processes he went through to reach his opinions, unquote. Would that refresh your recollection that your affidavit was not rejected on grounds of relevance?

MR. DOWD: Your Honor, perhaps if we're going to refresh the witness' recollection, we should show him a copy

10:07:07 of the document so he can look at the other parts. Otherwise, it's an improper question and not refreshing recollection.

MS. BUCKLEY: I think I'm permitted to read him the document first, your Honor.

MR. DOWD: You're permitted to say is there anything
10:07:25 that would refresh your recollection and if it's the opinion, you give it to him.

MS. BUCKLEY: He already testified as to what he thought the opinion said and why his opinion was rejected and he's wrong.

10:07:35 MR. DOWD: That's absolutely untrue. Your Honor, I move to strike that. What he said is absolutely right.

THE COURT: The objection is sustained. There's no basis for reading a document into evidence at this point. My recollection of the testimony was that the witness never
10:07:52 indicated that he did not recall or remember or that he needed to have his recollection refreshed. The objection is sustained.

BY MS. BUCKLEY:

Q. Mr. Devor, did you also submit testimony in a case called
10:08:07 in re IKON Office Solutions, Inc., Securities Litigation?

A. Deposition testimony I did.

Q. You recall that?

A. It was a long time ago, but I recall it vaguely.

Q. And you recall that your opinion was rejected in that case
10:08:26 because you relied on, quote, unreliable assumptions?

A. No.
Q. You don't?
A. My opinion was rejected -- my ability to testify? I'm not sure I understand what you're saying.
10:08:37 Q. I'm asking you --
A. No, I don't remember that.
Q. You don't remember.
MS. BUCKLEY: May I approach the witness, your Honor?
THE COURT: You may.
10:09:09 (Tendered.)
BY MS. BUCKLEY:
Q. This is the problem with having two pairs of glasses, Mr. Devor. You never have the right one when you need it.
I think I gave you the wrong one.
10:09:28 (Tendered.)
BY MS. BUCKLEY:
Q. Do you want to turn to page 21 of the printout, Mr. Devor, right-hand column, halfway down.
And the earlier reference to your opinion is on page
10:09:52 20 of the printout, right-hand column, halfway down.
A. I'm sorry. 20 or 21?
Q. Both. It starts on page 20, halfway down.
A. Dealing with Professor Carmichael and Devor?
Q. Right.
10:10:09 A. Okay. So I'm sorry. Is there a question?

Q. And then there's another reference to your report on page 21 halfway down.
A. Yes.
Q. Does this refresh your recollection that your opinion was rejected because it relied on unreliable assumptions?
10:10:21
A. First of all, I'm not sure what you mean by my opinion was rejected. I wasn't precluded from testifying. I mean, this was not a -- that's not what this is. I mean, in general, you know, what happened, I believe, as I understand it, is this was a case that dealt with reserves and whether a company's policy equated to those GAAP rules that I put on the screen yesterday.
10:10:45
And there was testimony in the record that indicated the company believed that the whole purpose of these rules was, in fact, to generate financial statements that were in accordance with GAAP. And that was one of the basis of my opinions.
10:11:05
For whatever reason, with all due respect to I believe Judge Katz, when he read this, for some reason he ignored that. He did not -- he didn't mention why. He just said that Devor's opinion that the company's policy equates to GAAP is -- whatever he says -- unsupportable or not -- I think he says not supported by the facts or whatever. But he doesn't mention the whole thing that I based my opinion on.
10:11:25
So I -- you know, and, again, there was no hearing so
10:11:49

And I measured the amount of inflation on every day during the
relevant period using two different methods, which is a way to
calculate the amount of loss that any individual investor
suffered during the relevant period, depending on what day
01:48:49 they purchased and what day they sold.
Q. Based on the analysis that you described, did you form any
opinions in this case?
A. Yes. I formed the opinion that Household's disclosure
defects, its inaccurate disclosures, caused there to be
01:49:08 significant inflation in Household stock price for much of the
relevant period. And as a result, again depending on when
investors purchased and when they sold, investors in Household
stock suffered very significant losses as a result of
Household's defective disclosures.
01:49:32 Q. You mentioned the term stock price inflation. What did
you mean by that?
A. What I meant by that is that the stock price on any given
day for any company reflects the information that is known
about that company. And if there is a situation where a
01:49:52 company is not disclosing accurate information about itself,
the stock price will reflect not only the accurate information
about the company but also the inaccurate, or the false
information, about the company.
And what inflation is, is a measure of how much the
01:50:11 stock price has been affected by the false information that's

been disclosed by a particular company.
Q. Can a misrepresentation and an omission both cause the stock price to be inflated?
A. Yes. You can have -- there are two classic situations 01:50:30 where inflation can exist.

One situation is where a company makes a false statement and the stock price rises to a level that's higher than it would have been in the absence of the false statement. That would be a classic misrepresentation situation.

01:50:48 There is also an equally equivalent way that inflation can occur if a company discloses information but fails to disclose something negative about itself that it knows about but investors in the marketplace do not know about. In that situation the stock is inflated because the stock is prevented from falling to a lower level, which is the level that the stock would have fallen to had the company disclosed the additional negative information that it failed to disclose. That's a traditional omission type of situation causing inflation.
Q. In your opinion, how could the wrongdoing that the plaintiffs allege in this case have caused inflation in Household stock?
A. Well, first of all, I would say, in any situation where a company does not accurately reflect its financial condition and its growth prospects, that potentially could be very

stock price performance during the relevant period?
A. Yes. In a number of different ways, I did.
Q. And what did you conclude?
A. I concluded that during the implementation of the Household growth strategy, particularly beginning in the end of 1999, 2000, and much of 2001, Household stock performed extremely well.
And then, when the criticism started to mount, when Household's denials about its lending practices and aggressive accounting began to be more and more questioned, when people started to disbelieve what Household was saying in terms of analysts and other market professionals, the stock price started to fall.
So it went from somewhere in the 40s to almost 70. And then in the latter part of the period, when the truth started to come out, the stock fell to somewhere in the high -- low 20s and then the higher 20s.
Q. And did you also analyze the information that was being communicated to investors during this relevant period?
A. Yes. Again, very carefully on a day-by-day basis.
Q. And did you perform any statistical tests to analyze the relationship between the information communicated to investors at Household and its stock price during this time period?
A. I did.
Q. And what did you do?

A. I performed what is generally referred to as an event study, which is a type of what -- a statistical technique known as a regression analysis.
Q. Let me hand you what we have marked as Plaintiffs' 1391.
02:21:52 (Document tendered.)
BY MR. BURKHOLZ:
Q. Is Exhibit 1391 your event study?
A. Yes.
MR. BURKHOLZ: Your Honor, there is no objection to
02:22:13 this document. I move it into evidence.
THE COURT: It will be admitted.
(Said exhibit was received in evidence.)
BY MR. BURKHOLZ:
Q. I would like you to explain the event study to the jury.
02:22:24 And let's focus on one of the dates that you looked at, August 14th, 2002.
What is the significance of that date, if you recall?
A. That's the date that Household issued its restatement.
Q. Okay. Why don't you walk us through what you did in the
02:22:47 event study with respect to that date and explain to the jury the different headings here.
A. Okay. Let me start by just very briefly explaining what an event study is so that the context is clear.
One of the things that we know about the stock prices
02:23:07 for any company is that the stock price can be affected by

basically three things.

It can be affected by movements in the overall stock market. It could be movements in the industry that the company is a part of, developments in the industry. And it
02:23:26 could also be affected by things that are unique to the particular company that are not shared with other companies in the industry or not shared with the overall market.

And what the regression analysis does that's reproduced in the event study is, it analyzes on any given day
02:23:50 how much of a company's stock price movement is explained by the market in the industry as opposed to how much is specific to the particular company.

And it's very important always, in understanding stock price movements, to understand the relationship between
02:24:12 the company on the one hand and the overall market and the industry.

So just for example, unfortunately, in roughly the past year -- although it's gotten a little better -- the stock market has basically fallen in half from 14,000 roughly to
02:24:34 below 7,000. Now it's a little bit above 8,000.

So if you didn't know that and I told you that during this period you had a stock that lost 5 percent of its value, you might think that that wasn't so good because you lost money. But I guarantee that most people who buy stocks would
02:25:00 be delighted if they only lost 5 percent of their value in the

02:25:18 last year because the overall stock market lost 50 percent of its value.

Similarly, in the last month, the stock market has gone up significantly, by 25 percent approximately. And if I told you during that period you had a stock that made 5 percent, you might think that you made money. But then if I tell you that the overall market went up by 25 percent, you wouldn't think that was such a good investment.

02:25:34 And the purpose of the event study is to not look just at whether a stock price goes up or down but rather to understand how it performed relative to the overall market and relative to the overall industry that it's a part of, because unless you know that, it's impossible to know how a stock really did.

02:25:53 And that's what an event study does. It does that by a fairly complicated statistical method. But the basic idea is pretty simply. It's what I just described.

With that background, maybe we can just highlight the top --

02:26:08 Q. Can I ask you a question before we get to that?

A. Sure. Of course.

Q. Is an event study a common technique that's used to estimate damages?

02:26:17 A. Yes, I believe it is the standard methodology that's used in virtually every case that I am aware of to estimate both

whether a particular disclosure is important to investors as well as it can also be used to estimate damages.
Q. Let's look at the August 14th date.
Why don't you walk us through what's going on here.
02:26:35 A. Again, just briefly by way of background, I just want to go through the columns first at the top.
The first is the date. So if we go down to October 14th --
Q. August 14th, you mean?
02:26:47 A. I am sorry. Excuse me. August 14th.
The next column is the price.
I don't know if everybody can read that. In fact, I am having -- oh, I see it on the screen.
$38.09. That's the closing price on August 14th.
02:27:11 The next column is the volume, which is a little over 18,659,000 shares.
And the next column is Household return. And what that means is that Household's stock price on August 14th went up by .77 percent relative to what the price was, the closing
02:27:42 price, the previous day.
So again, you might think, looking at that, that Household stock price went up that day. In fact, it did go up that day.
But if you go to the next two columns, the return on
02:27:58 the S&P 500, which is a measure for the overall market, the

that is simply a measure of whether the negative performance of Household on that day is sufficiently large to be considered significant using this particular regression analysis and event study.

Any time there is three stars on a particular date, the conclusion is that, based on this particular event study, this particular regression analysis, Household stock price underperformed by a statistically significant amount on this particular day.

And that's how an event study works, basically.

Q. What was the -- what is the relationship between this event study and your quantification of inflation?

A. I used two methods of quantification. An event study is basically used in both of them.

But with respect to the first method, what I did was, I selected those disclosures which I considered to be fraud-related during the relevant period where there was a statistically significant price movement, where I was also reasonably confident that the fraud-related disclosure on a particular day was responsible for a particular statistically significant price movement.

Q. And how many dates did you find during this period?

A. Using under my first method, 14 dates.

Q. What was the first date that you found one of these events -- one of the dates that you are testifying about?

A. November 15th, 2001.
Q. Why were these 14 dates selected?
A. They were selected because I wanted to isolate the fraud-related disclosures that were important to investors.
02:33:55 So I had to make a series of judgments based on the event study in order to do that. I had to isolate disclosures. I had to determine whether those disclosures occurred at a time when there was a statistically significant stock price movement. And I had to be reasonably confident that the
02:34:18 fraud-related disclosure was responsible for the price movement.
Q. And have you prepared a demonstrative that summarizes the relationship between your analysis of the 14 dates and inflation?
02:34:28 A. I have.
MR. BURKHOLZ: Can we bring up Plaintiffs' Demonstrative 150.
BY MR. BURKHOLZ:
Q. Now, before we look at -- is this the demonstrative that
02:34:44 you prepared?
A. Yes.
Q. Before looking at these 14 dates, was there another set of dates that you could have picked?
A. Yes. I believe this particular analysis focuses on
02:34:59 14 dates. I have seen an analysis by Household that

identifies 166 dates.
Q. If you included those dates in your quantification, would the inflation be higher or lower?
A. It would be almost double the number that I calculated
02:35:16 here. We will get to it, but the $7.97 number.
If I included all the defendants' dates, that number would increase by another $7, so it would be virtually $15, which would make the harm and the losses to investors much greater than what I myself calculated under this first method.
02:35:39 Q. So selecting the 14 dates was conservative, in your view?
A. Absolutely. Relative to the choice of dates of the defendants.
Q. Let's look at the 14 dates.
Why is November 15th, 2001, the first date on this
02:35:51 exhibit?
A. Because that is the date that the California Department of Corporations filed suit against Household alleging that Household had engaged in systematic unfair predatory lending practices.
02:36:10 Q. Did you prepare a demonstrative related to that date?
A. I did.
MR. BURKHOLZ: Can we bring up Plaintiffs' Demonstrative 137.
BY THE WITNESS:
02:36:31 A. I don't think -- this is not the right document.

That's the right document.

BY MR. BURKHOLZ:

Q. I want to hand you what we have marked as Plaintiffs' 1305, Plaintiffs' 1405, and Plaintiffs' 1452.

02:36:44 (Documents tendered.)

BY MR. BURKHOLZ:

Q. Plaintiffs' 1305 is a California Department of Corporations press release.

Plaintiffs' 1405 is a Bloomberg article regarding a

02:36:52 lawsuit on November 14th, 2001.

And Plaintiffs' 1452 is a Household press release of November 15th, 2001.

Did you take excerpts from those three exhibits and include them on your demonstrative?

02:37:05 A. I did.

MR. BURKHOLZ: Your Honor, I move these three exhibits into evidence subject to the limiting instruction.

THE COURT: They will be admitted subject to the limiting instruction.

02:37:18 (Said exhibits were received in evidence.)

BY MR. BURKHOLZ:

Q. Can you describe the demonstrative that you prepared.

A. Yes. This is an exhibit which describes the events on November 15th, 2001, the California Department of Corporations

02:37:39 lawsuit.

And it also, on the third line, says "residual price change, negative $1.86," meaning that this is the first of my 14 dates where there was a fraud-related disclosure which had a significant effect on Household stock price.

02:38:00 And I think it's fairly self-explanatory, but just so we are all clear, the press release of the California Department of Corporations stated that, "After the close of trading on November 14th, 2001, the California Department of Corporations issued a press release announcing that it had 02:38:24 sued Household for imposing 'excessive and improper fees, penalties, interest, and charges in violation of state consumer protection laws.'"

And then I also included Household's response.

"Household International responded that it is 02:38:42 'currently reviewing the specifics of the lawsuit but vehemently denies any assertion that it has willfully violated the lending laws that regulate its business.'"

But you can see from the price reaction, the negative price reaction, the negative significant price reaction, that 02:39:00 this is the beginning of the time when Household, that had been denying its involvement in predatory lending throughout, when market participants begin to doubt Household's denials because of the accumulation of accusations and firsthand accounts by customers who had complained about their dealings 02:39:24 with Household.

Q. And did analysts comment on this lawsuit?
A. Yes, quite extensively.
Q. Let me show you Plaintiffs' Exhibit 1407. It's a November 15th, 2001, Salomon Smith Barney analyst report.
02:39:36 (Document tendered.)
MR. BURKHOLZ: I would like to move that into evidence, your Honor. I don't believe there is an objection. Again subject to the limiting instruction.
THE COURT: It will be admitted subject to the
02:39:44 limiting instruction.
(Said exhibit was received in evidence.)
BY MR. BURKHOLZ:
Q. What is the significance of this report to your opinion?
A. Well, if we highlight under "summary" just the first
02:39:55 bullet point -- remember what I wanted to do was isolate events and then be reasonably confident that the events are the cause of the stock price movement; in this case, a stock price decline.
Here you have the analyst saying exactly that: that
02:40:17 Household shares sold off almost 4 percent intraday on news that the California Department of Corporations has filed an $8.5 million lawsuit against Household for lending law violations (predatory lending).
Then, on the next page -- this is quite important in
02:40:39 light of subsequent developments. In the third paragraph, the

paragraph beginning "Clearly." The second sentence, if we could highlight that.

The analyst says, "The greater potential risk" -- in other words, greater than the fact that they are being sued for $8.5 million -- "in our view is that this lawsuit turns into a larger development," which is exactly what occurred.

Then, the last sentence of the paragraph, if we could highlight that.

"Thus, to the extent there were further findings from another audit or another regulatory body was interested in pursuing the matter, there could be further chapters in the story."

And again, that's exactly what occurred.

Q. Let me show you another analyst report, Exhibit 1408, a Deutsche Bank Alex. Brown report, dated on the same day, November 15th, 2001.

(Document tendered.)

MR. BURKHOLZ: I would ask that to be admitted into evidence, your Honor, subject to the limiting instruction.

BY THE WITNESS:

A. Again --

THE COURT: Excuse me.

THE WITNESS: I am sorry, your Honor.

THE COURT: That's all right.

It will be admitted subject to the limiting instruction the jurors have.

(Said exhibit was received in evidence.)

THE WITNESS: I apologize, your Honor.

THE COURT: Go ahead.

02:42:08 BY MR. BURKHOLZ:

Q. Now, what is the significance of this analyst report to your opinion?

A. This analyst report, again, talks about the significance of the lawsuit. And, again, this analyst begins to suspect

02:42:21 that there is going to be problems with the long-term growth strategy that might develop as a result of the lawsuit.

So if we look at the middle of the page on Page 94, conclusion, if we can just highlight 1, 2, 3. The analyst talks about what the possible effect of the lawsuit might be.

02:42:53 It talks about how much more in refunds might Household owe to consumers who are victims of predatory lending.

Will the accusations escalate within or beyond the state? Again, that's exactly what occurred.

02:43:09 And three, will there be any operational constraints? Meaning the business strategy that Household pursued to drive its growth, whether they are going to be -- whether there were going to be constraints on that strategy as more and more complaints occurred, more and more lawsuits were filed, more

02:43:27 and more regulators were concerned and upset, whether

Household was going to have to abandon the identical practices which fueled its growth strategy in the first place.

Q. Now, the article refers to the department filing the suit on November 9th, 2001. And this analyst report is on
02:43:43 November 15th, 2001.

What's the significance of that?

A. Well, they are both relevant dates, but if you look at the stock price reaction, the stock price reaction occurred on November 15th. That was also the day that Household issued a
02:44:01 press release denying the allegations as opposed to saying it was working something out or some alternative form of disclosure.

And November 15th was the date that the analyst, as we just looked at, isolated as the date that Household stock
02:44:20 price fell because of the filing of this lawsuit, coupled with Household's denial on November 15th.

Q. Did the value of Household stock decline by the $8.5 million that the California Department of Corporations was seeking?

02:44:37 A. No. It declined by much, much more than that because analysts concluded and investors concluded, with the benefit of hindsight, correctly that it was much more than the $8.5 million that was at stake. It was Household's ability to continue with the business practices that it was engaged in,
02:44:57 whether Household was going to be able to avoid more regulator

scrutiny, more lawsuits, more complaints by consumers.

These are the things that analysts said might happen, and those are the things that in fact did happen later on in the relevant period.

02:45:12 Q. Did you prepare a demonstrative for the second date that you selected, December 3rd, 2001?

A. I did.

MR. BURKHOLZ: Can we bring up Demonstrative 138.

BY MR. BURKHOLZ:

02:45:27 Q. Are there analyst reports and articles referred to in this demonstrative?

A. Yes.

Q. Let me hand you what we have marked as Plaintiffs' Exhibit 1409, a Dow Jones capital markets report of

02:45:42 December 1st, attaching the Barron's article; Plaintiffs' Exhibit 1421, Bernstein Research report of December 4, 2001; and Exhibit 1420, which is a Legg Mason December 3rd, 2001, analyst report.

(Documents tendered.)

02:46:04 BY MR. BURKHOLZ:

Q. Are those the documents that you are referring to in this demonstrative?

A. Yes, sir, they are.

MR. BURKHOLZ: Your Honor, we move these three

02:46:09 exhibits into evidence subject to the limiting instruction.

THE COURT: They will be admitted subject to the limiting instruction that the jury has already been given.

(Said exhibits were received in evidence.)

BY MR. BURKHOLZ:

02:46:18 Q. What is the significance of the three documents that you refer to in the demonstrative to your opinion?

A. These are articles, a Barron's article and articles -- analyst reports discussing the Barron's article. Again, you can see at the heading that this is the second of my

02:46:37 14 specific disclosures. It's a December 3rd article in Barron's.

Again, you see residual price change of minus $1.90, meaning that Household stock price declined by this amount, according to the event study after adjusting for movement in

02:47:01 the overall market in the industry, as I explained with the event study. And it's also, based on my event study, a statistically significant day.

And then, there are again some excerpts from what's disclosed on this day.

02:47:17 So again, I think it's fairly self-explanatory, but it states on Saturday, September 1st -- the difference between September 1st and -- December 1st and December 3rd is, there is no trading on Saturday, but there is on Monday. So the price impact is going to be on Monday, not Saturday.

02:47:34 Barron's published an article questioning Household's accounting and reaging practices. And then a discussion of how at least a few observers suggest that the bottom line might also have benefited from aggressive accounting to, among other things, minimize net loan losses.

An analyst, whose firm worked for Household, stated that he was bothered that, among other things, "Other subprime mortgage lenders have experienced losses at twice the level reported by Household."

And then the demonstrative goes on to discuss the analyst commentary. And I don't need to read every single thing on the demonstrative. But the thing at the bottom of the page I think is useful to read.

"Household stock is reacting to concerns about management credibility." In other words, the stock price is falling because Household's denials are becoming less and less credible as more and more complaints surface.

"Specifically, is management using the latitude provided by its loan-recognition policies to distort reported payment behavior by postponing the recognition of losses?"

Q. Let me show you what we have marked as Plaintiffs' 1419.

It's a December 3rd Reuters release.

What is the significance of that document to your opinion?

A. Again, it just confirms what I just said, if we take a look at the very first paragraph of it.

MR. BURKHOLZ: Your Honor, can I move Exhibit 1419 into evidence? I am sorry. Subject to the limiting instruction.

THE COURT: It will be admitted subject to the
02:49:45 limiting instruction.

(Said exhibit was received in evidence.)

BY THE WITNESS:

A. I am not sure everybody can read that, but it states shares of loan and credit card, Household International fell
02:49:55 5 percent on Monday -- the Monday we were just talking about -- amid heavy trading following an article in a business weekly, Barron's, which cited analysts' views that the firm was underestimating bad loans.

BY MR. BURKHOLZ:

02:50:09 Q. Okay. I want to move to December 12th, 2001.

One of your other dates was December 5th, 2001, correct?

A. Correct.

Q. What happened on that day?

02:50:22 A. The stock price went up on that day, and the reason is that Household said that, notwithstanding all -- it might be useful just to put the demonstrative up for a second because I don't want to paraphrase.

MR. BURKHOLZ: Let's put up demonstrative -- I
02:50:45 believe it's 139.

BY THE WITNESS:
A. This is a day when the stock price went up. So you see residual price change $1.85.
But if you look under the second bullet point, the
02:51:06 first dash there, where the statement is made that Mr. Aldinger addressed concerns raised in a recent Barron's article regarding the company's accounting practices. And then the statement is made that, "Household remains confident in its ability to deliver 15 percent EPS" -- earnings per
02:51:32 share -- "growth in 2001 and 13 to 15 percent growth in 2002."
So Household again says that these practices are not going to affect its ability to grow, which is actually different from what occurred subsequent to this.
But at this particular time, investors see that.
02:51:50 They think the growth strategy is in place. It's not going to be affected. The stock price goes up.
Q. That ends up in your calculation reducing plaintiffs' -- inflation that you found in this particular model?
A. Correct. It included all positive movements and negative
02:52:06 movements that met my criteria in my 14 disclosures.
Q. Let turn to the demonstrative -- strike that.
Did you prepare a demonstrative for the next date, December 12th, 2001?
A. I did.
02:52:18 MR. BURKHOLZ: Can we bring up 140, please.

BY MR. BURKHOLZ:
Q. Is this the demonstrative that you prepared for the December 12th, 2001, date?
A. Yes.
02:52:40 Q. Let me show you what we have marked as Exhibit 1410. It's a December 11th, 2001, Legg Mason analyst report.
(Document tendered.)
MR. BURKHOLZ: I would ask to move that into evidence, your Honor, subject to the limiting instruction.
02:52:54 THE COURT: It will be admitted subject to the limiting instruction.
(Said exhibit was received in evidence.)
BY MR. BURKHOLZ:
Q. Can you describe the significance of that analyst report
02:53:01 that's reflected on your demonstrative?
A. Yes. This is another analyst report that causes a stock price decline. And as the demonstrative indicates, after the close of trading on December 11th, analysts at this particular firm, Legg Mason, issued a report detailing their criticisms
02:53:25 of Household's reaging policies.
Then, again, I don't know if you want me to keep reading every single --
Q. No, that's okay.
A. -- demonstrative. But the point is that the analysts are
02:53:38 saying that we are very suspicious that Household is

accurately reporting its loan portfolio and that it may have losses far greater than what it's reporting. And that criticism causes the stock price to go down.
Q. Okay. Let's look at the date July 26th, 2002.
02:53:56 Did you prepare a demonstrative for that date?
A. I did.
MR. BURKHOLZ: Can we bring up 142, please.
BY MR. BURKHOLZ:
Q. Did you prepare this demonstrative?
02:54:23 A. I did.
Q. And it refers to a Bellingham Herald article?
A. It does.
Q. Let me show you what we have marked as Plaintiffs' 283, which is the Bellingham Herald of July 26th, 2002.
02:54:36 MR. BURKHOLZ: I would ask to move that into evidence subject to the limiting instruction.
THE COURT: It will be admitted.
(Said exhibit was received in evidence.)
BY MR. BURKHOLZ:
02:54:43 Q. What is the significance of this Bellingham Herald article on July 26th, 2002?
A. The significance of this document is, Household acknowledges that some of its employees have misrepresented loan terms to customers -- that's the first point -- where
02:55:05 they hadn't done that before, at least according to this

article.

And then there is a statement by the Household spokesperson that the internal company probe of customer complaints had uncovered some serious problems in that the Bellingham office manager has been replaced as a result.

But what's particularly significant in this article to me, something that at least I had not seen before this article, was that there was a response from the office manager that was terminated. And she took the position, as is stated at the bottom of the demonstrative, that she was being made a scapegoat for all of the criticism that Household was facing and that what she did, the sales pitches she used, came from the company. It wasn't a matter of some rogue or isolated employee. At least her claim was, she was fired unfairly because all she did was implement the predatory lending practices of the company.

Q. Let's look at the next date, which is August 14th, 2002.

That's the date of the statement that you talked about before, correct?

A. Correct.

MR. BURKHOLZ: If we can bring up --

BY MR. BURKHOLZ:

Q. Did you prepare a demonstrative for that date?

A. I did.

MR. BURKHOLZ: If we can bring up 143,

Plaintiffs' 143.

BY MR. BURKHOLZ:

Q. And do you cite in this demonstrative to various analysts' reports and a company press release?

A. Yes. There was something of a difference of opinion about the importance of this restatement among analysts, but a number of analysts did conclude that the restatement indicated that Household's credit card business was going to be much less profitable in the future, lower their growth targets as a result of this particular press release.

And, again, based on my event study, Household stock price was negative on this particular day for the reasons we talked about earlier.

Q. Let me show you what we have marked as Plaintiffs' 227, which is a Household press release of August 14th, 2002; Exhibit 1426, which is the CIBC analyst report of August 14th, 2002; and the Morgan Stanley analyst report of August 15th, 2002.

These are the documents that you are referring to in your demonstrative?

A. Correct.

MR. BURKHOLZ: Your Honor, can we move these three exhibits in subject to the limiting instruction?

THE COURT: I don't think the demonstrative is --

MR. BURKHOLZ: Not the demonstrative, the three exhibits, 227, 1426, and 1413.

THE COURT: They will be admitted.

(Said exhibits were received in evidence.)

BY MR. BURKHOLZ:

02:58:09 Q. What is the significance of the analysts' reaction to the restatement?

A. Well, it's really what I indicated. There were certain analysts who viewed the restatement as very important in terms of whether or not Household was going to be able to continue 02:58:26 to grow at the same rate that investors thought previously and Household had represented previously. And that's what's reflected in the two quotes at the bottom half of the document where one analyst says, "As a result of the accounting adjustment" -- the restatement -- "we have lowered our 2002 02:58:52 and 2003 earnings estimates" -- meaning lowered their growth expectations for those years -- "and lowered our price target on the stock to 57 from 65 to reflect the earnings adjustment and the negative investor sentiment typically attached to any accounting revisions."

02:59:12 And then the next one is to the same effect, that the next analyst is also lowering its earnings projections because "the restatement of earnings suggests to us that returns in the credit card business are lower than we previously thought," that growth is going to be lower than we previously 02:59:30 thought.

Q. Is there a relationship between the lowering of the estimates and the expectation of investors?

A. Yes. The estimates are what create investors' belief that there is going to be growth. So if the estimates for improved
02:59:47 financial performance are lowered, that translates into lower growth.

Q. I think we talked about the Forbes article a little bit before?

A. Correct.

02:59:54 Q. Exhibit 69. Did you prepare a demonstrative for that date, August 16th, 2002?

A. I did.

THE COURT: Why don't we maybe take a break now rather than go into that.

03:00:05 It's 3 o'clock. We will take our afternoon break, ladies and gentlemen. Fifteen minutes and then we will return.

(Jury out at 3:00 p.m.)

THE COURT: We will recess for 15 minutes.

03:00:39 MR. KAVALER: Your Honor, what time are we going to end for the mini summations?

THE COURT: Well, we have an expert witness here. So my preference would be to go until 4:30, and then we can do the summations after 4:30.

03:01:02 But if the jury -- that's a problem. I guess we will

03:01:18 03:01:31 03:01:51 03:02:02 03:02:15

stop about ten minutes before 4:30, and then we will do the summations.

MR. BURKHOLZ: Your Honor, we have one issue I just wanted to raise.

Professor Fischel does have a class Monday morning. I think he can get here by 11:00. We are not going to finish with him today. If we can start at 10:00, we can play -- we have an hour of video that we need to play. We can finish that.

And we also have Mr. O'Han that we can put on, but I understand Mr. Kavaler doesn't want to do that.

I just wanted to raise it before we leave the jury --

MR. KAVALER: Your Honor, that's not correct. There is no issue about Mr. O'Han, Mr. Kavaler not wanting to put on. That's a complete misstatement of what transpired. I would be happy to tell you, but that's not an issue. That's just not true.

THE COURT: Well, it doesn't matter what transpired. You have either deposition testimony or witnesses to take up whatever time between the start of our usual starting time and the time your expert can come back. We will interrupt his testimony and bring him back when he is available.

MR. BURKHOLZ: Thank you, your Honor.

THE COURT: Okay.

THE WITNESS: Thank you, your Honor.

THE COURT: Recess.
THE CLERK: Court stands recessed.
(A brief recess was taken at.3:02 p.m.)
THE COURT: Ready to proceed?
03:18:44 MR. BURKHOLZ: We are.
THE COURT: Okay. Let's bring the jury out.
(Jury enters courtroom.)
THE CLERK: Please be seated.
THE COURT: You may proceed.
03:19:48 MR. BURKHOLZ: Thank you, your Honor.
BY MR. BURKHOLZ:
Q. Do you have the Forbes article in front of you?
A. If I can find it. Do you have another copy?
Q. Sure. I do.
03:20:08 Did you prepare a demonstrative based on the Forbes article?
A. I did.
Q. Give you a copy.
A. Thank you.
03:20:21 MR. BURKHOLZ: Can we bring up Plaintiffs' Demonstrative 144?
BY MR. BURKHOLZ:
Q. Is this the demonstrative you prepared?
A. Yes.
03:20:32 Q. What was the significance of the Forbes article that came

03:20:59 03:21:32 03:21:49 03:22:06 03:22:29

out on this date, August 16, 2002, to your opinion?
A. This was yet another in the series of disclosures that came out during the relevant period criticizing Household's lending practices. And that's why you see again the residual price change of negative $1.84, a significant price change, and then the demonstrative excerpts a couple of paragraphs from the underlying documents where, at the top of the demonstrative, an article how Forbes accused Household of improper lending practices, where it stated, "In addition to the bait-and-switch on interest rates, Household charges high prepayment penalties and service fees. It lures clients with proposals showing monthly savings that at times fail to materialize, and it structures mortgages to include last-minute second loans that make it difficult for borrowers to defect and get refinancing elsewhere. Household agents call it closing the door," and then the article continues.
Q. Did you mean "closing the back door"?
A. Excuse me, "closing the back door."
And then the article continues that "the practices were not isolated as Household had claimed. In July, Forbes had learned authorities for more than a dozen states descended on Household to demand refunds and reforms."
And then a quote from the Minnesota Commerce Commissioner stating, "Household encourages or at least tolerates these abuses. It's not just an occasional rogue

officer or a rogue office, it has to do with corporate culture, the corporate culture."

Q. And just so we're clear, that decline of $1.84, how does that relate to the market drop on that date?

03:22:49 A. Well, again, that is the decline in Household's stock price, taking into account movements in the overall market and industry on that day, which is what the event study and the regression analysis do with respect to every day during the relevant period.

03:23:06 Q. The dates, in the 14 dates we've been talking about, you're analyzing the decline in Household's stock price that's more than what would have occurred on that day.

A. The decline or the increase that's more than what would have occurred, given what you'd expect in light of the

03:23:22 performance of the market and the industry on those days.

Q. Okay. And your next date, August 27th, 2002, did you prepare a demonstrative for that date?

A. I did.

MR. BURKHOLZ: Okay. Can we bring up 145, please?

BY MR. BURKHOLZ:

Q. Is that the demonstrative you prepared for August 27, 2002?

A. It is.

Q. Okay. Let me show you Defendants' Exhibit 568, which is a

03:23:51 KBW analyst's report, and Plaintiffs' 1429, which is a

Bellingham Herald article of August 27, 2002.
Are those referenced in your demonstrative?
A. They are.
MR. BURKHOLZ: Your Honor, I'd move those two
03:24:12 documents in, 568 from the defendants and 1429 from the plaintiffs, subject to the limiting instruction.
THE COURT: It will be admitted subject to a limiting instruction.
(Defendants' Exhibit 568 and Plaintiffs' Exhibit 1429 received in evidence with a limiting instruction.)
BY MR. BURKHOLZ:
Q. And what was the significance of these two, the KBW report and the Bellingham Herald article that came out at that time to your opinion?
03:24:31 A. This was the -- the day when there is public -- public disclosure discussing the Washington Department of Financial Institutions report as well as an analysis, again, by another analyst of Household's position in the marketplace in light of the increasing number of complaints, lawsuits, regulatory
03:25:05 investigations, et cetera.
Q. What is the -- if we can focus on the first part underneath the KBW report, what is the significance of that excerpt that you took out of the analyst's report? If we can highlight that.
03:25:19 A. Yes. This is where, again, market participants become

increasingly critical of Household but also become increasingly skeptical that Household is going to be able to continue with its successful implementation of its growth strategy because what the analyst states is that "We can't help but think that the implementation of the company's best practices could reduce the future profitability of a Household home equity loan." And then "Management contends that this is not the case. They deny it."

03:25:45

But then the analyst concludes, "However, unless the company substitutes predatory revenues, upfront fees, with non-predatory revenues, we do not see how profitability not being affected is possible."

03:26:03

In other words, Household again states as they've stated earlier that they don't believe their growth strategy is going to be affected, but now Household -- now Household analysts, market professionals who are observing Household, no longer believe what Household is saying in the same way that market professionals no longer believe that predatory lending is not occurring or that accounting is not overly aggressive.

03:26:21

03:26:42 Q. Is the second part of the KBW report significant in your opinion?

A. Yes, exactly, because it's related -- it's really the same point as the predatory lending, that the conclusion that management's aggressive accounting philosophy towards accounting is not immaterial in our view.

03:27:03

Again, market participants, professional investors becoming increasingly skeptical of what they can rely on in terms of what Household is telling them.

Q. And what's your -- what's the significance of the Bellingham Herald article describing the contents of the Washington DFI report and noting the widespread nature of the predatory lending practices detailed in that report?

A. The report as the excerpt on the demonstrative indicates that the Washington regulators concluded that the abusive predatory lending practices were not isolated but were rather systematic and pervasive.

And, therefore, the Bellingham Herald quotes the report or cites the report as saying, "The report rejects any notion that the abuses are due to renegade local representatives who are violating corporate policies. Household has created a situation in which they can completely mislead and confuse the borrower while later providing a plausible explanation for their actions to the department or other regulatory agencies."

Basically, the Washington report is saying the same thing as the fired branch manager, that the practices are not isolated, they're coming from the company and they're pervasive.

Q. And is the market, your understanding that the market is learning more information about the Washington DFI report at

this time?
A. Exactly, because it's starting to be leaked more and more into the press, and now it's disclosed and discussed in this Bellingham Herald article.
03:28:51 Q. Okay. And did you prepare a demonstrative for our next date, September 3rd, 2002?
A. I did.
MR. BURKHOLZ: Can we bring up 146, please?
BY MR. BURKHOLZ:
03:29:07 Q. And is this the demonstrative you prepared for September 3rd, 2002?
A. I did.
Q. And you reference a Sanford Bernstein report of September 3rd, 2002 and an American Banker article of September 10th, 03:29:20 2002?
A. Correct.
Q. Okay. Let me show you what we've marked as Plaintiffs' 1431, which is the Sanford Bernstein analyst report, and 1402, which is the American Banker article of September 10th.
03:29:39 Those are the two documents that you took excerpts out of for your demonstrative?
A. Correct.
MR. BURKHOLZ: Your Honor, can we move those two exhibits in, 1431 and 1402, subject to the limiting 03:29:50 instruction.

THE COURT: They'll be admitted with the limiting instruction.

(Plaintiffs' Exhibits 1402 and 1431 received in evidence with a limiting instruction.)

03:29:56 BY MR. BURKHOLZ:

Q. What were the significance of the Bernstein report and the American Banker article to your opinion?

A. The Bernstein report and the -- well, let me start with the Bernstein report.

03:30:05 That was the first detailed analysis of the effect of the Washington report on Household's growth strategy and its ability to continue to pursue the same practices that had been responsible for the growth strategy in the first place.

And what the demonstrative indicates at the top is 03:30:36 that the Bernstein analysts, having reviewed the Washington report, have --

Q. Let me cut you off there for a second.

A. Sure.

Q. When you say reviewed, what kind of analysis did this 03:30:49 analyst do with that report in the exhibit that you have in front of you?

A. Quite a detailed analysis. There was a lot of leakage before this, but no real detailed analysis of exactly what the report said and, more importantly, what the effect of the 03:31:03 report would be on Household's profitability, its ability to

continue its growth strategy.
Q. Did this analyst look at the impact of Household changing its practices on how much money they could make in the future?
A. That's exactly what they did.
03:31:21 Q. Did he look at it in detail?
A. Looked at it in great detail. And, again, it's not just my opinion, but it was commented on at the time, that that's what the significance of this particular report was.
Q. Okay. Why don't you continue on, and let's look at the
03:31:36 second and third parts of that report. Can you explain the significance of that?
A. Yes, that right at the beginning, you see that the Bernstein analysts lowers their growth estimates for Household based on the Washington report. "Household will likely need
03:31:55 to abandon its target EPS," earnings per share, "growth rate of 13 to 15 percent to a range of 10 to 12 percent as a result of sales practices reform in its branch-based real estate lending business.

"Our assumption of a long-run growth rate of 10
03:32:14 percent for the branch-based real estate portfolio may prove to be at best case zero or even negative growth could occur, and then the combined impact of sales practice reform, the suspension of the stock buy-back program and the accounting restatement announced on August 14th is an estimated 15 cents
03:32:37 in 2002 and 40 cents in 2003.

"As a result, we are lowering our EPS," earnings per share, "estimate for 2002 to $4.48 from $4.63 versus a consensus of $4.57, and for 2003 to $4.96 from $5.36 versus consensus of $5.14."

03:33:04 Q. And was -- is Bernstein a respected analyst entity?

A. Yes, very much so.

Q. Okay. And would market participants consider this report important?

A. Yes, they would, and they did, as indicated by the next
03:33:20 excerpt that's in the bottom part of the demonstrative.

Q. And what is the significance of the American Banker article to your opinion?

A. Well, they're commenting on exactly what you just asked me about, how important the Bernstein article -- the Bernstein
03:33:35 report was, analyzing the Washington Department of Financial Institutions report.

And the American Banker article a week after refers to the Bernstein report and states that "For the first time an equity analyst has put some hard numbers behind concerns that
03:33:59 Household International's lending troubles would reduce its earnings."

So really the first time, rather than just stating that Household's growth strategy might have to change, an analyst is saying exactly how much it would have to change and
03:34:13 what the financial impact of the lowered growth would be for

investors in the future.
Q. And had some analysts in the summer 2002 tried to estimate the impact of the Washington DFI report as parts of it were leaking out?
03:34:28 A. Yes, but this is really the first time that somebody really did it in a concrete way in a way that was disseminated to the public.
Q. Okay. And did you prepare a demonstrative for the next date, September 23, 2002?
03:34:42 A. I did.
MR. BURKHOLZ: Can we bring up Plaintiffs' Demonstrative 147?
BY MR. BURKHOLZ:
Q. And is this a demonstrative you prepared for September 23,
03:34:57 2002?
A. It is.
Q. And the -- you cite an analyst report from CIBC of September 22, 2002?
A. Correct.
03:35:04 Q. Okay. Let me show you Plaintiffs' 1435, which is the CIBC September 22nd, 2002, analyst report.
MR. BURKHOLZ: I'd ask to move that into evidence subject to the limiting instruction.
THE COURT: It will be admitted subject to the
03:35:19 limiting instruction.

(Plaintiffs' Exhibit 1435 was received in evidence with a limiting instruction.)

BY MR. BURKHOLZ:

Q. Now, what was the significance of this CIBC report on September 22, 2002, to your opinion?

03:35:24

A. The significance of this was, again, this is a report that's analyzing the effect of the Washington Department of Financial Institutions report on Household's profitability, on what the likely effect of alteration in Household's lending practices will have on its profitability and on its stock price.

03:35:49

And you also see the -- again, the residual price change of minus $1.52, which, again, is the price taking into account movements in the market and the overall industry on that particular day.

03:36:09

Q. What is the reference to the resolution of the heightened investigations and pending lawsuits?

A. Well, if you're in the perspective of this particular analyst, they're trying to figure out what's going to happen in the future.

03:36:32

You have all of these lawsuits and complaints that have been filed against Household, many more regulatory and governmental investigations, the Washington Department of Financial Institutions report is now public, and nobody knows what's going to happen, what the effect on Household will

03:36:52

ultimately be.

So as a result, if you go back to the top of the demonstrative, the analyst talks about how concerns about these investigations, about the effect of the Washington report caused the analysts to lower their price target for Household from $57 to $36, which is a really major negative shift because of the concern about what the ultimate effect is going to be of all these investigations and lawsuits and regulatory pressure on Household to change its predatory lending practices.

Q. And when you talked about the concern, are you talking about how much money Household will have to pay for any settlement as well as how much money they're going to make in the future? Is that what the analysts are looking at?

A. I think there's some concern about how much money Household will have to pay, but much more important than what Household will have to pay is what the effect will be of abandoning its predatory lending on its profitability and its growth prospects for the future.

That's really what the analysts were more focused on, although obviously the amount is also relevant. But what's more relevant is Household's business strategy, the relationship between predatory lending and aggressive accounting in that business strategy, and whether pressure from investigations, lawsuits, et cetera, will force Household to abandon certain business practices and accounting practices, reducing its profitability, reducing its growth, causing its stock price to fall, which is why the analysts lowered the price target from $57 to $36.

03:38:39 Q. And analysts and investors look at the growth rate of a company in order to estimate how to value that company, what the stock price should be?

A. Yes. How a company is expected to perform in the future, that's really what determines what a stock price is today.

03:38:53 Q. Okay. Have you prepared a demonstrative for our next date, October 4th, 2002?

A. I have.

MR. BURKHOLZ: Okay, can we bring up 148, please?

BY MR. BURKHOLZ:

03:39:08 Q. And is that the demonstrative you've prepared for October 4th, 2002?

A. Yes.

Q. And you cite to a Wall Street Journal article of October 4th, 2002, correct?

03:39:17 A. Correct.

Q. Let me give you what's been marked as Plaintiffs' 1375, which is the Wall Street Journal article of October 4th, 2002.

MR. BURKHOLZ: Ask that that be marked into evidence -- moved into evidence, your Honor, subject to the

03:39:31 limiting instruction.

THE COURT: It will be admitted subject to the limiting instruction.

(Plaintiffs' Exhibit 1375 was received in evidence with a limiting instruction.)

03:39:36 BY MR. BURKHOLZ:

Q. Now, what is the significance of this article coming out, the Wall Street Journal article on October 4th, 2002, to your opinion?

A. This article is reporting basically leakage of a potential 03:39:49 settlement between Household and the attorneys general of the various states that have accused Household of predatory lending practices.

Q. And has there -- there's been discussion about a potential settlement we've looked at on other dates, correct?

03:40:07 A. There was some earlier discussion beginning, I think, at the end of July; but in this particular document, it's reported in the Wall Street Journal, but it also reports that the settlement might fall through because the attorneys general might -- might not agree to it.

03:40:23 Q. And did you prepare a demonstrative for our next two dates, October 10th and 11th?

A. I did.

MR. BURKHOLZ: Okay. Can we bring up Plaintiffs' Demonstrative 149?

BY MR. BURKHOLZ:

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Q. And you cite to an American Banker article on October 11, 2002, as well as a Dow Jones News Service on October 11, 2002, correct?
A. Correct.
Q. Let me show you those exhibits. Plaintiffs' 1418 is the American Banker article, and Plaintiffs' 1415 is the Dow Jones article of October 11th.
MR. BURKHOLZ: Can we move those in, your Honor, subject to the limiting instruction.
THE COURT: It will be admitted subject to the limiting instruction.
(Plaintiffs' Exhibits 1415 and 1418 received in evidence with a limiting instruction.)
BY MR. BURKHOLZ:
Q. So this is your demonstrative that you prepared, 149?
A. Correct.
Q. Okay. What's the significance of the articles that came out on October 11th to your opinion?
A. These articles first disclose more rumors of a settlement, and then the actual settlement, as well as Household's disclosures about what the effect of the settlement and, again more importantly, the change in their business practices will have on its reported performance.
And one thing that's very important I want to highlight is that Household's stock price went up

significantly in response to these particular disclosures on October 10th and October 11th, correcting for movements in the market and the industry as a whole, and the reason for that is that there had been so much leakage, so much concern about
03:42:17 what the settlement might be, whether the settlement would occur, how much Household would decline in profitability as a result of the resolution of the lawsuits and reform of their business practices that the stock price had fallen to a really low level relative to where it had been before. It was now in
03:42:42 the low 20s versus relatively close to 70 that it had been earlier.

And when Household stated, looking at the bottom of the demonstrative, that the effect of the series of business practice reforms would only be 10 cents per share in 2003, 20
03:43:04 cents per share in 2004 and 30 cents per share in 2005, that was much less than what many analysts were expecting. They were expecting the impact on Household's profitability to be greater. So this was relatively good news as compared with what people were expecting.

03:43:24 And then subsequent to this, a number of analysts and commentators said that these numbers were still too high. But as of this particular date, this was perceived as good news by the market because even though Household was saying that it was going to be less profitable in the future, that it wasn't
03:43:42 going to be able to grow at the same rate, the reductions in

profitability and growth were less than some people were forecasting, although, as I said, later these numbers were criticized as well.

Q. You were referring to the Bernstein article that we looked at that was cutting their estimates, that this wasn't as bad as what Bernstein said?

A. Correct, correct.

Q. So that's why the stock went up?

A. Yeah, not just Bernstein, but a lot of other analysts as well.

Q. So this increase in the stock price, how did that impact your quantification?

A. I took it into account. I gave Household full credit for it; and as a result, it reduced my calculation of inflation during the relevant period.

Q. Let's talk about your quantification and go back to your 14 dates. If we can bring up Plaintiffs' Demonstrative 150 again.

We've just looked at most of these dates. I think the only one we didn't look at was the February 27th, 2002. Can you explain that to the jury?

A. Yes. That's a date when Household indicated or disclosed that it was implementing a series of sales practice reforms to try and deal with some of the complaints that it was receiving, and that was perceived positively by the market, which is why there's a plus $1.64 entry there.

And, again, I took that, I gave Household credit for that, took it into account in my calculation of inflation.

Q. And can you explain the chart, how you got to the calculation of taking the increases and decreases into account?

A. Yes. I looked at what the event study showed with respect to all 14 dates, every single one that I identified. And if you look at the last column, the entries in red --

MR. BURKHOLZ: Highlight that whole last thing? Thank you.

Sorry to interrupt.

BY THE WITNESS:

A. No problem.

The entries in red are negative price movements controlling for market and industry conditions. The entries in black are positive price movements controlling for market and industry conditions.

The negative -- the negatives total 16 -- negative $16.33. The positives total $8.37. I netted the positives against the negatives for a total of $7.97.

BY MR. BURKHOLZ:

Q. So including the positive price increases was conservative in your view?

A. Yes. Obviously, if I only looked at the negative ones,

the inflation would be higher. The harm to investors would be greater.
Q. Did you prepare a demonstrative that shows the artificial inflation that you calculated based on the 14 dates?
03:46:32 A. I did.
MR. BURKHOLZ: Can we bring up 151, please?
BY MR. BURKHOLZ:
Q. Okay. Is this a demonstrative that you picked -- that you prepared that shows the quantification -- quantifies the
03:46:50 inflation in Household's stock price for this particular model?
A. Graphically, that's correct.
Q. Okay. And I noticed at the very end, it's a little difficult to see, but the blue line goes over the red line.
03:47:05 Can you explain what's happening in the last month of the class period -- of the relevant period?
A. Yeah. And just for context, the red line is the price. That's what the actual price was of Household on every day during the relevant period.
03:47:21 The blue line, that's referred to as the "true value." That is what my calculations indicate the price of Household would have been had there been no inflation in the stock price as a result of the fraud-related disclosures, as a result of the 14 fraud-related disclosures.
03:47:47 And you see for the entire period until the very end,

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Q. Would there be inflation on that date if there was no finding that the August 16th, 1999 10-Q was false or misleading?
A. No, no, that the -- well, it would depend, I guess, on whether it was an earlier disclosure that was found to be false and misleading. It's hard to separate one from the other.
But so long as there is a disclosure that Household made that was false and misleading because it did not provide accurate information about its predatory lending practices, its re-aging policies, its credit card accounting, the ability to sustain its growth strategy in the future, the inflation would be this particular amount based on my calculations.
Q. Okay. Now, in your opinion, the $7.97 of inflation that you calculated, does that capture, in your opinion, the amount of inflation that was in Household's stock price?
A. No.
Q. And why not?
A. Because what I did was I focused on individual disclosures, but that's in some sense not a completely realistic analysis because it's not as if there was only 14 disclosures during the relevant period.
There was a cascade of negative information that came out about Household, particularly after negative -- particularly after November 15th, 2001, when market

participants, investors, analysts became to increasingly doubt Household's denials and started to really question whether or not Household's disclosures were accurate, whether its accounting was accurate, whether its lending practices were consistent with governing regulations.

03:54:59

There was, as we get a little bit later in the period, tremendous amount of leakage of information about the Washington Department of Financial Institutions report, about the possibility of a settlement, about the need for Household to reform its sales practices and the possible effect that would have on Household's profitability, and I believe that cascade of negative information had an effect, a negative effect, on Household's stock price in addition to the effect of the 14 disclosures that I originally quantified that we just went through.

03:55:21

03:55:44

Q. Do you have the Bellingham Herald article, that Exhibit 1429?

A. Probably better if you give me another copy of it because I have so many documents. I could search for it, but if you have another copy, that would be better.

03:55:57

What's the date of it?

Q. I have a copy.

A. Thank you.

I have it.

03:56:30

Q. Okay. Is this an example of the type of leakage that you

were talking about?
A. Yes. In fact, the article discusses the very leakage that I just described.
Q. Okay. And what in the article is significant to your
03:56:42 opinion regarding leakage?
A. Well, if we just highlight the first half of the page on the first page of the article. The first paragraph talks about the Washington report, the state investigative report on Household.
03:57:08 Then it talks about how it's been suppressed by -- for three months as a result of a court order that Household obtained; then describes, because the article's been now leaked, a -- what the article refers to as a blistering assessment of the Household's loan practices in Washington and
03:57:37 elsewhere in the state.
And then it goes on to talk about what the report accuses the company of, misrepresentations and dishonest statements, failure to provide customers with accurate disclosures, coaxing borrowers into signing without reading
03:57:56 the documents that they're signing, talking borrowers into refinancing at disadvantageous interest rates based on misleading them, adding costly insurance premiums.
But then the next paragraph is really what is supportive of what I said a minute ago. It talks about how
03:58:19 Household's attorneys went to court to obtain a restraining

order blocking release of the report; but in recent weeks, copies of the report have been leaked to every news organization that has followed the HFC story, including the New York Times, Forbes Magazine, American Banker Magazine, and

03:58:41 the Bellingham Herald.

And the point is that my 14 specific disclosures don't pick up all this leakage going on behind the scenes to all of these news organizations about the consequences to Household of this report.

03:58:58 And, again, the same is true with respect to rumors about the settlement, about rumors about the effect of sales practice reform on Household's profitability and its growth strategy, and that's why I think that my first quantification doesn't fully capture the inflation in Household's stock

03:59:18 price.

Q. Okay. Before we get a little further into leakage and your leakage analysis, did you prepare a demonstrative that compared how Household's stock price went down from your first date, November 15, 2001, until the end of the relevant period,

03:59:34 October 11, 2002, to the inflation that you found, the $7.97?

A. I did.

MR. BURKHOLZ: Okay. Can we look at -- bring up 152, please.

BY MR. BURKHOLZ:

03:59:46 Q. Is this a demonstrative that you prepared?

A. Yes.
Q. And can you explain the demonstrative to the jury?
A. Yes. This is a comparison of Household's stock price decline from November 15th, 2001, my first fraud-related 04:00:05 disclosure, the date of the California Department of Corporations suit, to October 11th, 2002, when the settlement and the reform of sales practices is announced, and the red bar is the amount of the decline in Household's stock price. $32.70 was the decline from I think it's, you know, somewhere 04:00:35 around 60 to somewhere in the 20s, but the exact amount of the decline is $32.70.

And I compare that with the amount of inflation that I calculated based on my 14 specific disclosures, which is the blue bar, $7.97, and obviously $7.97 is a much smaller number 04:01:01 than $32.70. So in my first method of the decline in price of $32.70, only $7.97 of that $32.70 decline I attribute to improper inflation, and the rest is attributable to other factors under this first method.

So you can see the vast majority of the stock price 04:01:31 decline I do not count as inflation under my first method.
Q. And it's your opinion that the $7.97 is -- doesn't fully capture the inflation that was in Household's stock price before this time period?
A. Correct. It captures the 14 specific disclosures, but it 04:01:50 doesn't capture the pervasive leakage of all of the

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accusations and the findings in the Washington report, consumer groups, the possibility of more regulatory investigations, the effect on Household's -- rumors about the effect on Household's lower profitability as a result of reform of its sales practices, any analysis of specific disclosures in a situation where there's so much leakage, the specific disclosures can't fully capture all of the decline that's attributable to fraud-related information.

Q. And did you prepare -- compare Household's stock price decline during this period we're looking at to what it identified as its peer group?

A. I did.

MR. BURKHOLZ: Okay. And can we look at -- bring up demonstrative 136, please?

Let's highlight that.

BY MR. BURKHOLZ:

Q. Is this a demonstrative that you prepared?

A. Yes.

Q. Can you explain it to the jury?

A. Yeah.

Again, this is very important because, as I indicated earlier, you can't really analyze a stock price in the abstract. You have to know how it compares to how the market did and how the industry that it's a part of did.

And what I did was I looked at Household's disclosures to see what benchmark Household itself identified as the market index and the industry index that its performance should be compared against.

And Household identified the Standard & Poor's Financial Index and the Standard & Poor's 500 Index, a much broader index of the overall market.

So during this period when Household declined by $32.70, I wanted to compare how Household performed versus the indexes that Household itself said it should be compared against, and this is what this graph indicates.

First of all, the full red bar is Household's performance during this period. The $32.70 decline translate into a decline of 53 percent in Household's stock price during this period.

But, again, I wanted to see how that compared with the market and the industry to be consistent with my overall analysis that you can't ever analyze stock prices in isolation, you have to compare them to the market in the industry.

So if you look at the two lines going across, they represent the performance of the S&P Financials Index and the S&P 500 Index, which, again, I did not choose those. Household itself chose them as the relevant benchmarks to assess its performance against.

And you can see that the Household -- the S&P

Financials Index declined by approximately 20 percent. The S&P 500 Index declined by approximately 25 percent, but Household declined by more than twice that amount. It declined by 53 percent during this period, which, again, gave
04:05:19 me confidence that Household's decline was not just attributable to normal market and industry fluctuations, but was attributable to new negative information coming out about Household that is easily understandable in light of the cascade of negative information that was coming out during
04:05:40 this period.

Q. And was the $7.97 inflation that you found -- what was the relationship between that and what you were finding in this analysis?

A. The $7.97 number is smaller than the amount of the -- of
04:05:59 Household's decline that exceeded the decline of the indexes that Household itself compared itself to. So my analysis was conservative again in that respect.

Q. And I want to show you the proxy that Household filed, 14A proxy. It's Exhibit 1275 dated May 14, 2002.
04:06:23 Is this a document that you used in preparing this demonstrative?

A. Yes. Again, I didn't want to perform any comparisons of Household to indexes that Household itself didn't compare itself to, so under the governing regulations of the
04:06:45 Securities and Exchange Commission, companies have to identify

which stocks and which stock indexes their performance should be compared against so investors can assess whether their performance is good or bad, not just in isolation, but relative to the companies or the indexes that they themselves compare themselves to.

04:07:06

MR. BURKHOLZ: Okay. Let's look at 1275. Before we bring it up, your Honor, can we move this in. It's Household SEC filing, 1275.

THE COURT: No objection, it will be admitted.

(Plaintiffs' Exhibit 1275 received in evidence.)

MR. BURKHOLZ: Thank you.

BY MR. BURKHOLZ:

Q. Let's turn -- it's on page 31 of the proxy filing, and we can highlight that paragraph that starts "The above chart."

04:07:39

A. Yeah, actually if you highlight the panel right above that.

Q. Okay.

A. And this is -- Household is reporting its performance relative to the S&P Financials Index and the S&P 500 Index, exactly the indexes that my exhibit just compared Household's performance to. And, in fact, the reason why I chose those indexes is because Household itself identified those indexes as what its performance should be compared against.

04:08:02

And then after the panel, Household's disclosure states that "The above chart compares total returns (assuming

04:08:21

all dividends are reinvested) of Household to Standard & Poor's Composite Financial Stock Price Index and Standard & Poor's 500 Composite Stock Price Index. Our common stock is included in both of these indices. The chart assumes $100 was
04:08:44 invested in Household common stock on December 31, 1996 and that all dividends are reinvested. We are required to publish the five-year return chart so you could compare our performance to other stocks."

So Household demonstrated in this document what they
04:09:03 considered the relevant comparison was. I used the exact same comparison that Household itself stated was the right comparison to use.

Q. And did you prepare an exhibit that shows the amount of artificial inflation, taking into account the leakage that
04:09:17 you've discussed?

A. I did.

Q. Before we get to that, did you prepare a demonstrative that shows the inflation taking into account the leakage?

A. Yes, I -- yes, I did.

04:09:55 MR. BURKHOLZ: Okay. Let's bring up 154, the next demonstrative, 154.

BY MR. BURKHOLZ:

Q. And what does this show?

A. This is analogous to the document that we've already
04:10:07 looked at, the graph focusing on the 14 specific disclosures.

But here instead of 14 specific disclosures, this method again uses an event study, uses a regression analysis and attempts to calculate the amount of inflation on every day during the relevant period, again, taking into account the effect of the
04:10:34 market and the industry on Household's stock prices on every day.

You can see that the difference between the red line, the price, and the blue line is wider. The blue line, the true value line, the uninflated price, that's wider than in my
04:10:54 first method focusing on 14 disclosures, and the reason is obvious, that you have so many more negative disclosures that are leaking out that are not captured in my 14 specific disclosures.

The result of that is that a greater percentage, a
04:11:11 greater proportion of Household's decline in price is attributable to fraud-related disclosures and the correction of fraud-related information in this exhibit than the previous exhibit; but you can see again at the very end, the blue line goes above the red line.

04:11:29 So even in this exhibit, I want to be careful that investors who suffered no loss because they purchased at particularly low prices are not entitled to recover because they haven't suffered any harm.

Q. And that's the investors in the last 30, approximately
04:11:48 30 days of the relevant period?

04:12:04 A. Correct. When the leakage resulted in a much lower stock price than what ultimately occurred on October 10th and 11th.
Q. And you prepared an exhibit that shows the amount of inflation on every day during the relevant period for your leakage model, right?
A. Correct.
Q. Let me show you Exhibit 1395.
A. Thank you.
04:12:15 Q. And is that your quantification of the inflation under your leakage model?
A. Yes. If you can put it on the screen maybe.
Q. Did you prepare this document?
A. I did.
04:12:24 MR. BURKHOLZ: Your Honor, I don't believe there's an objection to 1395 if we can move it into evidence.
THE COURT: It will be admitted.
(Plaintiffs' Exhibit 1395 received in evidence.)
BY MR. BURKHOLZ:
Q. Can you explain what this exhibit is?
04:12:35 A. This exhibit, again, is analogous to the previous exhibit which focused on the 14 specific disclosures; but this exhibit takes leakage into account and, once again, has a calculation of the stock price on every day, what the true value is, which is what my calculation is of the uninflated price, what the
04:13:00 price should have been had there been no fraudulent

disclosures or omissions in the various Household statements and disclosures during the relevant period. That's the second column, true value.

And the artificial inflation is the number in the

04:13:20 last column. And, again, you'll see that it's different from 7.97 at the beginning because this calculation doesn't just focus on 14 disclosures. It focuses on all the negative disclosures that came out, particularly after November 15th when the market started to, in a much more systematic way,

04:13:44 disbelieve Household's denials that it was engaging in predatory lending and that it was engaging in improperly aggressive accounting.

Q. Like your specific disclosure model, does this quantification use statistical methods to account for the

04:14:00 market and industry influences on Household's stock prices?

A. Yes, it does.

Q. And did you also analyze whether company-specific factors unrelated to the alleged fraud can explain Household's stock price decline during this latter part of the relevant period?

04:14:16 A. Yes, I did. I looked at that carefully.

I noticed that there were a lot of disclosures that had some fraud-related information in it and some other disclose -- and part of the disclosure did not have -- dealt with something other that was fraud related.

04:14:37 There were some -- some of those disclosures that had

a positive effect, some had a negative effect; but overall it was impossible to conclude that the difference between the true value line and the actual price would have been any different had there been no disclosures about
04:15:02 non-fraud-related information during this particular period. Some positive, some negative. They cancel each other out.
Q. Okay. Now, reaching your opinion about inflation, did you consider whether investors during the relevant period were fully informed about Household's accounting and lending
04:15:17 practices?
A. I did.
Q. And what did you find?
A. I found that they were not fully informed for a number of different reasons.
04:15:25 Q. And what were the reasons?
A. Well, first, the disclosures coming out criticizing Household's practices didn't come from Household; and if a company is disclosing information about itself, it's one thing for third parties to comment, but it's another thing for the
04:15:46 information to come directly from the company itself.
Since the company was not disclosing what the analysts and the critics were saying, market participants did not have full information.
Q. Okay. So you had your analysts' reaction or commentary,
04:16:03 some of -- the Barron's article and the analysts' reports, the

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
) April 17, 2009
Defendants.) 1:25 o'clock p.m.

VOLUME 13
TRANSCRIPT OF TRIAL PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

who are making the statement --

THE COURT: Well, I mean, I haven't researched that. Haven't researched that. So if you have a case -- either of you have a case that says one way or the other --

04:32:11 MR. BURKHOLZ: I think the Tellabs case is the case that we cited, the Seventh Circuit case, in our authority for -- and it has a good discussion of how to keep -- what the corporate liability is and scienter for the corporation.

THE COURT: Okay. That speaks -- actually speaks to

04:32:26 it?

MR. BURKHOLZ: It does. It's 513 F.3d 702.

THE COURT: I see what you've got here. Does it say something other than a corporation may be held liable for statements by employees who have apparent authority to make

04:32:49 them? Because if that's all it says, that's not going to do it for me.

What you're talking about is what constitutes making a statement, is it the end person who says it to the public or does it include all the little whispering in his ear from

04:33:08 employees within the corporation?

MR. BURKHOLZ: I think it includes the other senior executives.

THE COURT: Okay. I'll read it. If you have -- whatever you have on it, I will read.

04:33:24 I think that's as far as we get today, folks.

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.

HOUSEHOLD INTERNATIONAL, INC., et al.,

Defendants.

No. 02 C 5893

Chicago, Illinois
April 20, 2009
9:00 a.m.

VOLUME 14
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

Q. What is Exhibit 1446?
A. This is an American Banker article dated May 31, 2002.
Q. And is this a denial by Household management that relates to your opinion?
11:19:19 A. Yes, very much so. And, again, it's an indication by the analysts that they're not quite sure whether the denial is credible or there aren't going to be a lot more bad things to come.
Q. Okay. Let's turn to the second page of the document. If
11:19:35 we can highlight the part that begins with, Ms. Hayden said Household took full and prompt responsibility.
What is the significance of that statement and the statement underneath it?
A. Well, this was a statement by a Household representative
11:20:02 that Household acknowledged there was a complaint that customers -- some customers were confused about the rates that they were paying on their loan. But then she said that Household was satisfied that this was basically a localized situation, an isolated situation in one particular branch, but
11:20:24 again consistent with the pattern that I just described a minute ago because this is very late in the period, very late in the relevant period.
The author of the article then says, But Wall Street analysts wonder if this is the tip of an expensive iceberg,
11:20:44 meaning that they didn't believe it was localized. They

didn't believe it was isolated. They believed this was just the beginning of a lot more bad information coming out about Household's predatory lending practices and its aggressive accounting which again is, in fact, exactly what happened.
11:21:00 Q. And does this article relate to your leakage opinion?
A. Yes, very much, that -- as I said, I have two methods for quantifying the amount of inflation. The first method focused on 14 specific disclosures, but I also explained that the 14 specific disclosures don't fully capture the negative
11:21:27 information that was increasingly coming out about Household that wasn't present at the beginning of the relevant period but became increasingly present towards the end of the period.
And this statement about Wall Street analysts speculating about how big and bad this problem was going to be
11:21:46 and increasingly so as Household's denials became less and less credible, that's precisely what underlies the leakage theory.
Q. And did you review an analyst's report by CFRA issued in the summer of 2002 that was critical of Household's re-aging
11:22:03 practices?
A. I did.
Q. And did that relate to your leakage model?
A. Yes. Really the same thing, that Household had defended its treatment of its re-aging practices. There are a series
11:22:18 of disclosures by Household on that issue. But then when this

11:22:40 CFRA report comes out -- it's an independent organization as I understand it, and it concludes that basically all of Household's disclosures on re-aging that it had defended were, in fact, highly misleading.

And, again, that's another situation where Household defended its practices, denied that there was a problem, and then a third-party commentator comes along and says we've now looked at this, we don't believe the denials, we think the re-aging practices and the treatment of the re-aging practices

11:22:58 in Household's financial statements were misleading and did not provide an accurate picture for investors.

Q. Let me show you what we've marked as Plaintiffs' Exhibit 515.

(Tendered.)

11:23:14 MR. BURKHOLZ: A copy for counsel.

BY MR. BURKHOLZ:

Q. Is Exhibit 515 an e-mail from Mr. Aldinger to Mr. Streem attaching the CFRA report that you reviewed?

A. Yes.

11:23:29 MR. BURKHOLZ: Your Honor, we move Exhibit 515 into evidence. I don't believe there's any objection.

MR. KAVALER: Just the limiting instruction.

MR. BURKHOLZ: Subject to the limiting instruction.

THE COURT: It will be admitted subject to the

11:23:41 limiting instruction.

we close our case. We can do it with, Mr. Aldinger.

THE COURT: What's it being offered for, is what I want to know. What are you trying to prove with this thing?

MR. BURKHOLZ: We're going to talk about one of the statements in there. I don't need to use the document with him.

THE COURT: Then don't use it for now.

(Proceedings heard in open court:)

BY MR. BURKHOLZ:

Q. You testified Thursday that, I formed the opinion that Household's disclosure defects, its inaccurate disclosures caused there to be significant inflation in Household stock price for much of the relevant period.

That is your opinion?

A. Correct.

Q. When you refer to disclosure defects causing inflation in Household's stock, does that refer to statements plaintiffs allege were false or misleading that were Household's public statements to the media, press releases, 10-Qs and 10-Ks?

A. Yes, both misleading statements and things that were left out that would have been necessary to provide a more correct picture of Household's financial situation.

Q. Okay. Let's look at two of the statements Household issued that plaintiffs allege were false or misleading. Let's focus on your leakage model.

Can we bring up Exhibit 1395 that's been admitted into evidence, and if we can highlight August 16, 1999.

Do you have Exhibit 1395?

A. I can see it -- I do have it, but I can see it on the
11:34:38 screen.

Q. I think it's tab 28 of your binder.

A. Okay. I have it now.

Q. Okay. And this is your daily quantification of inflation under your leakage model?

11:34:49 A. Correct.

Q. Okay. Now, you assume, do you not, that plaintiffs can prove that Household's statement on August 16, 1999, was false or misleading?

A. Correct. All of my opinions are based on that assumption.
11:35:04 The issue of falsity is really one for the Court and the jury to decide. It's not for me to decide.

Q. And that's a common assumption in your field in estimating damages?

A. A necessary assumption because economists don't decide
11:35:19 truth or falsity. That's for the Court and the jury.

Q. Can you explain how you determined the inflation of $16.48 on August 16, 1999, as it relates to Household's 10-Q that was issued on that day?

A. Yes. What -- the way the methodology works is that there
11:35:44 is an ending date on October 10 and 11 of 2002; and based on

11:36:17 11:36:42 that ending date, what the model -- what the methodology attempts to do is attempts to predict what Household's price would have been on any given day, which is the true value line -- the true value column rather, relative to the stock price, which is the first column, based on a statistical model of how Household's stock should behave in light of its statistical relationship between the overall market and the -- the industry, the S&P Financials Index.

Remember, those are the two indexes that Household itself said its performance should be judged against. There's a slightly different treatment before and after November 15, 2001, because remember that's the first date that I identified that the market really started to become skeptical of Household's denials.

11:37:04 But the basic idea is this statistical model trying to adjust the actual stock price for how the stock price would have behaved had there been no false and misleading statements, had there been no continual leakage of negative information, particularly after November 15, 2001.

11:37:24 Q. And if there is no false or misleading statement before August 16, 1999, does that mean that there's zero inflation in the stock?

A. No. So long as there is a false and misleading statement on this particular date, inflation would begin on this date going forward. But, again, I want to be careful because if 11:37:40

there's no false and misleading statement before this date, then any purchasers before this date wouldn't suffer any harm and wouldn't be entitled to any recovery.

There would be no difference between the stock price 11:37:58 and the true value the way there is on my exhibit because I assumed the false and misleading statements began on July 30, 1999. But if it's more accurate, as I said in my report, actually to start on August 16, then anybody who purchased between July 30 and August 16, those columns in the exhibit, 11:38:22 would basically disappear and inflation would begin on August 16.

Q. Okay. Let's assume the Court and the jury doesn't find the August 16, 1999, statement to be false or misleading. And then let's look at the next public statement on the next page 11:38:37 of October 19, 1999.

If we can highlight that.

Is Household's stock now inflated by the next statement, October 19, 1999, assuming the prior statement is not false or misleading?

11:38:54 A. It's really the exact same point. Under what my analysis does is it provides a method of quantifying the amount of inflation on any given day and subsequent days, provided that the jury finds that as of that date a false and misleading statement has been made.

11:39:14 So if the jury were to conclude that there were no statements that were made before October 19, 1999, that were false and misleading, then for all practical purpose, my exhibit should be read as beginning on that date. And there would be, again, for all dates before that no difference between the stock price and the true value line, no artificial inflation; any purchasers in any period before October 19, 1999, would not suffer any harm.

Q. And do each subsequent statement -- public statement by Household cause inflation to remain in a stock?

A. Yes, absolutely. And any increases or decreases depending on misrepresentations, which occurred at the time of December 5 when there was the response to the Barron's article, another misrepresentation with the best practices initiative in February, those would be misrepresentations which affect the amount of inflation.

There would be more inflation coming in to the stock on those days. But basically, as of the first false and misleading statement, there would be inflation on every single day after that until the false and misleading information was corrected.

Q. And does the -- as the truth comes out in late 2001 into 2002, what happens to the inflation in the stock until the end of the relevant period?

A. For the most part, it declines. Because what's happening is as more and more -- there are more and more criticisms of

Household's practices, which become believable -- more and more believable by investors, causing the stock price to decline.

The effect of that is, in effect, to partially cure the false information that's existed from the beginning so the amount of inflation over time declines so that it's zero at the end when the truth is revealed.

11:41:09

Q. And does a company like Household need to admit its prior statements were false in order for the truth to come out as relates to those statements?

11:41:25

A. Well, in an ideal world, yes. But as a practical matter, frequently what happens, as in this case, is that the denials become less and less credible to the point that investors learn the truth simply because the denials are not matched by what occurs in reality in the real world.

11:41:46

And investors and analysts can see what happens in the real world, and that can ultimately, in effect, constitute the truth, although obviously it's better if the company itself tells the truth.

11:42:00

Q. And let's take a look at your demonstrative, Plaintiffs' Demonstrative 136. I think it's tab 24 of your binder.

A. I have it.

Q. And this is a demonstrative that you prepared, correct?

A. It is.

11:42:20

Q. And Household's stock declined from about $60 to $28 as

the truth leaked out from November 2001 to October 2002?
A. Correct, from November 15, 2001, to October 11 of 2002. I should also say of these -- I think there's almost 70 firms in the S&P Financials Index. These are indexes which is a composite of firms.
But if you look at the firms individually, Household was the fourth worst-performing firm out of 70 firms during this particular period. So they dramatically underperformed relative to the indexes that Household itself deemed to be comparable. But if you look at the individual firms that compose the index, Household is the fourth worst as compared to the full 70 firm set.
Q. Now, your specific disclosure model estimates inflation of only about $7.97 during this period, correct?
11:43:23 A. As the maximum amount, correct.
Q. And your opinion is that that understates the inflation in Household's stock due to Household's public statements?
A. Yes, because it doesn't take into account the leakage that we've been discussing and I've been describing.
11:43:36 Q. And your leakage model estimates daily inflation ranging from $13 to approximately $23 for each day of the relevant period?
A. Yes. And actually, let me just explain why there's a cap of $23. Because what I did was I calculated the total
11:43:53 underperformance of Household on -- relative to these indexes

based on my statistical model and that number was, I think, $23.94 or something like that.

So I made that the maximum possible inflation on any given day. So even when my model would predict or would indicate inflation of more than $23.94, I made $23.94 the cap because that's the amount that Household underperformed the S&P Financials Index and the S&P 500 Index.

Q. So compared to the stock price decline of $32, you attribute anywhere from 13 to $23 due to disclosures related to the fraud?

A. 13 to $23 based on leakage and $7.97 as the maximum under the specific disclosure models.

Q. And it's your opinion that the leakage model is a better estimate of the inflation in Household's stock price during the relevant period due to the alleged false statements and omissions?

A. Correct, because it takes into account the economic reality in this case where negative information came out slowly over time precisely because Household did not admit the predatory lending practices that it was involved in or the improper accounting as a result of re-aging, and the restatement of the truth only became known gradually as a result of real world events and commentary by third parties.

MR. BURKHOLZ: Nothing further at this time, your Honor.

THE COURT: Cross-examine.

MR. KAVALER: Thank you, your Honor.

CROSS-EXAMINATION

BY MR KAVALER:

11:46:39 Q. Good morning, Professor Fischel.

A. Good morning.

Q. My name is Tom Kavaler. I represent the defendants.

A. We met before actually.

Q. Briefly, I think.

11:46:48 And I'm going to ask you some questions today. I'm going to try to -- try to understand what you said on direct and explore how it applies to some other aspects of the case that I'm interested in. I would appreciate it if you would answer the questions I ask you and just those questions.

11:47:04 Can you do that?

A. I will do my best, sir.

Q. Excellent.

Now, you have an extensive background in this area in connection with disclosures and their impact on stock price,

11:47:16 don't you?

A. I do.

Q. You are widely regarded as if not the preeminent, one of the preeminent experts in this field; are you not?

A. That's very kind of you to say. I hope that's the case,

11:47:28 but I accept your gracious compliment.

Q. And your work has been cited by the Supreme Court, correct?
A. It has.
Q. And, in fact, when we were looking for an expert, we
11:47:39 contacted you to see if you were available, but you had already been hired by these folks, correct?
A. You were nice enough to contact me to try and hire me in this case, but I was already retained, yes.
Q. And you've conducted a substantial number of event studies
11:47:55 in connection with various cases over the years?
A. I have.
Q. An event study is a well-established methodology for analyzing loss causation in securities fraud cases?
A. Correct.
11:48:05 Q. In fact, an event study is widely regarded as the gold standard by both courts and economists for evaluating the economic aspects of a case like this?
A. In connection with -- in combination with other economic evidence, I would say that's correct.
11:48:22 Q. And you conducted an event study in this case?
A. We did.
Q. And, in fact, the results are one of the documents marked in evidence?
A. Correct.
11:48:29 Q. And you used your event study to analyze and detail the

that I didn't understand that. Let me be sure we're precisely on the same page.

12:00:22 In that time period starting November 15, 2001, basically the inflation is coming out, but there are a couple of days where new inflation comes in and the amount of inflation increases; but over the time period net/net, it's decreasing, correct?

A. Net/net, that's correct; but on a daily basis, you need to look at the particular --

12:00:35 Q. And we're going to do that in a minute, sir. I just wanted to be sure I understood.

So by November 15, 2001, the inflation was in there. And then subject to the couple of days where it goes up, from there to October 21, it's essentially coming out?

12:00:53 A. Again, I don't want to accept essentially coming out. But under my analysis, inflation exists from the first time the jury concludes that there is a false or misleading statement either as a result of a misrepresentation or as a result of a failure to disclose something about Household's lending

12:01:14 practices or accounting that should have been disclosed, and then it continues throughout the relevant period.

The first under -- particularly under my first method focusing on specific disclosures, the first time where inflation decreases is on November 15, 2001, because of the

12:01:37 CDC lawsuit. And after that, it fluctuates on a day-by-day

THE CLERK: 02 C 5893, Jaffe vs. Household International, Incorporated.

THE COURT: Ready to resume?

MR. KAVALER: Ready, your Honor.

01:05:47 THE COURT: Bring out the jury, please.

(Jury in.)

THE COURT: Welcome back, ladies and gentlemen.

Ready to resume?

MR. KAVALER: Thank you.

01:07:00 DANIEL FISCHEL, PLAINTIFF'S WITNESS, PREVIOUSLY SWORN

CROSS-EXAMINATION - Resumed

BY MR. KAVALER:

Q. All right, Professor Fischel. Where I think we were was we had talked about what you told us about last week. Today 01:07:07 I'd like to spend a little time -- hopefully, very little -- trying to understand how the inflation came into the price of the stock.

In other words, I want to see if we can observe together where it came from, when it got there and what it was 01:07:26 the effect of, to use the word -- the reason, why I'm trying to avoid the "caused" word?

I take it your sophisticated analysis can do that, as well?

A. Well, when the inflation comes into the stock, as I've 01:07:38 explained numerous times, is a function of what the jury concludes as to when the first leading -- first misleading statement is.

Q. That's the first time. I'm going to talk about a later period of time. In the post- -- I should have been clear. In
01:07:54 the post-November 15 period.

You told us this morning there are days when it comes in, days when it goes out?

A. Correct.

Q. That's what I want to talk about.

01:08:01 And I'm talking now specifically about your quantification using specific disclosures. In other words, your first method.

A. Okay.

Q. Okay?

01:08:07 A. Got it.

Q. I'll tell you when we switch to the second method.

A. All right. That's fine.

Q. Okay.

So, until I tell you that, we're talking about the
01:08:12 first method, all right?

A. I understand.

Q. Okay.

And in the quantification-using-specific-disclosures model, what you attempted to do is based on the assumptions
01:08:22 you were asked to make by the plaintiffs about a false

Q. Okay.
And the first day you put on here is July 30, 1999.
A. Correct.
Q. And you performed your various analytical processes and
02:16:25 came up with artificial inflation of 7.97?
A. That's right.
Q. Okay.
So, according to your analysis, it was there on July 30th?
02:16:36 A. Well, I think I've explained this numerous times, sir. It was there at the time that the jury concludes the first false and misleading statement was made; the first time the jury concludes that when Household was describing how it was going -- it was committed to a growth strategy, it would
02:16:57 continued to grow; its lending and its accounting were proper.
The first time that they conclude that a statement of that nature was false; the inflation, based on my calculation of the effect of specific disclosures after November 15th, based on this particular methodology; my calculation suggests
02:17:18 that the price would have fallen by $7.97, which is why the inflation is listed at $7.97.
But the first date -- I want to emphasize, again -- is a function of what the jury concludes when the first false statement occurred, if they conclude a false statement
02:17:41 occurred.

And I put "July 30th" on my exhibit because it's the first possible date.

But if the jury concludes it's not July 30th, it's August 16th or October 19th -- or whatever date the jury 02:17:55 picks -- the exhibit can be used. It's just that every date prior to the first date that the jury picks as the first false and misleading disclosure, there is no artificial inflation. And artificial inflation begins on whatever the jury decides the first date is of a false and misleading disclosure.

02:18:14 Q. I don't disagree with you, sir, that you've given that answer before. I'm trying to find out if there's any other answer I can get.

Let me try this: You said it was the first possible date. There couldn't have been inflation before then?

02:18:25 A. Not as I understand the relevant period in this case, correct.

Q. Okay.

But what causes inflation is a false statement by the company?

02:18:35 A. Not just a false statement. A false statement that investors have a right to recover on; and, as I understand the allegations in this case currently, the first possible date where that might be the case is July 30th, 1999.

Q. Well, was there any inflation on July 29th?

02:18:58 A. If there's no claim of any right to recover on July 29th, significant effect on Household's stock price, those 14 disclosures, netting out the positives and the negatives, had a cumulative effect of $7.97.

And what that means is that the best estimate of what
02:28:11 the effect on Household's stock price would have been the first time there was a false and misleading statement, instead of talking about its growth strategy; how its growth strategy was going to continue in the future; how its lending practices were appropriate at all points in time; how it wasn't going to
02:28:30 get into trouble with consumers and regulators; how its accounting was proper; didn't disguise its re-aging practices; how its credit card accounting was proper and didn't result ultimately in a restatement, all those corrected disclosures are sum to $7.97.

02:28:49 So, the best estimate of what Household's price would have been on the first date when they made a false and misleading statement, according to the jury -- if the jury were to so conclude -- the price of Household stock would fall by $7.97 relative to what it was in the real world when
02:29:13 investors bought and sold. And that's why the inflation number is $7.97.

Q. So, it's all hindsight. Until something happens on December 5, 2001, you can't go back to July 30, '99, and tell us what's going on; is that right?

02:29:26 A. Correct. Precisely because Household did not disclose accurate information.

The only way that you can judge the value of the information is look at what the market reaction was when the markets learned that the growth model wasn't going to be able 02:29:41 to be sustained; that lending practices were attacked as predatory in lawsuits; consumer groups; regulators, et cetera; that the accounting was deemed to be inaccurate; and, Household had to restate its disclosures about its accounting; independent groups, like CFRA, as well as many analysts 02:30:02 concluded that Household's accounting was false and misleading.

When there was a restatement of its credit card accounting on August 14th, only at that time did the market -- at those times did the market -- learn about what the value 02:30:16 was of the new information -- the corrective information -- that came out at the end of the period, that investors in Household stock at the beginning of the relevant period did not know.

So, in that sense, it's corrected in hindsight; but, 02:30:31 the only reason it's in hindsight is because Household didn't disclose what ultimately came out later. In fact, they kept denying it. And it was only when analysts and other market participants didn't believe the denials any more that the value of that information became known to market participants. 02:30:48 And the value of that information, based on my calculation

under my first method, is $7.97.
Q. So, notwithstanding you said twice in that long answer that it's all by hindsight, you put $7.97 on the line for July 30, correct?
02:31:04 A. Correct, for the reasons that I stated.
Q. I understand that. Okay.
And everything you said in that last lengthy answer about what Household did and didn't say, and it was true and false, those are assumptions because you've already told us
02:31:21 several times you're not here to pass upon the truth or falsity of anything, right?
A. Well, I'm not here to pass on the truth or falsity. Many analysts and commentators passed on the truth or falsity.
The ultimate determiner in this case is, obviously,
02:31:32 as I've indicated numerous times, up to the jury. But the quantification is not an assumption. That's --
Q. Correct.
A. -- a product of my own analysis.
Q. Let's look at two other documents.
02:31:44 Plaintiffs' Demonstrative 151, this (indicating) is a chart you showed us yesterday.
A. Yes, sir.
Q. And this relates to your quantification, using specific disclosures?
02:32:00 A. Correct.

hypothetical. And there's sort of a contradiction in terms in the question.

Q. All right. I take your point. Let me try it this way: What we know for a fact is the stock price went down, correct?

03:33:34 A. Correct.

Q. What you've done here yesterday and today is give us your opinion as to why?

A. Based on the assumption that I've explained numerous times, correct.

03:33:44 Q. Exactly. And the assumption was -- the assumption -- you assumed because these gentlemen here asked you to -- that there was fraud?

A. Correct, because if there's no misstatements, then there's no case, so there's nothing to quantify.

03:34:00 Q. Thank you, Professor Fischel. I couldn't have said it better myself.

MR. KAVALER: No further questions, your Honor.

THE COURT: You may redirect.

REDIRECT EXAMINATION

03:34:12 BY MR. BURKHOLZ:

Q. Let me ask you a simple question. Counsel showed you all these public statements that Household made. Do you need to find a statistically significant price increase on the dates of these public statements in order for there to be inflation

03:34:38 in Household's stock under your specific disclosure model?

A. No. That's really the whole point, that the reason why there's no statistically significant price increase in response to all those disclosures where there's big red Xs is because in each one of those disclosures, Household was
03:34:57 reaffirming its growth strategy. It was denying any wrongdoing. It was defending its accounting.

When it started later to say that there were problems, it was either because of a computer glitch or localized to a particular employee or a group of employees.
03:35:18 Because Household made all those statements and reiterated the same statements from the beginning until later in the class period, of course, the market didn't react because Household is saying the same thing over and over and over again.

It was only when the truth began to come out when
03:35:40 market participants began to disbelieve the denials, when the complaints from regulators started to pile up, the lawsuits started to pile up, the complaints from customers started to pile up, Household had to restate its accounting, had to restate and provide a correct disclosure of its re-aging
03:35:59 practices and the effect of those re-aging practices, when there was leakage of the very damaging Washington department of financial insurance report, rumors of the effect of the settlement and the combined effect of what that would mean for Household's growth strategy, it was only then when you started
03:36:21 to see statistically significant price reactions because the

03:36:43 market was learning the truth.

In fact, the market became so negative, as I indicated, that the price went below what my true value line indicated, demonstrating that investors who bought at the end basically bought at a bargain price and, at least under both of my quantifications, are not entitled to any compensation.

Q. Is it a common method to focus on the disclosures later in the relevant period to quantify the inflation due to the statements Household made earlier in the relevant period?

03:37:01 A. It's completely standard because if what you're trying to do is measure the value of the truth and the truth is not provided early in the period, the only way to analyze the effect of the truth is to see what the effect on investors and market prices is when the truth comes out. And by doing that,

03:37:23 you're able to make a judgment, as I did, about what the, quote, true value of the stock would have been at the beginning had the truth been told the entire time.

Q. Now, counsel showed you the beginning of the relevant period, July 30, 1999, and then the first statement on August

03:37:43 16, 1999, the 10-Q.

Do you remember that?

A. I do.

Q. And do you have an understanding that the beginning of the relevant period, July 30, 1999, is due to a Court decision in

03:37:54 this case?

MR. BURKHOLZ: I have a copy.

MR. KAVALER: We can put it up on the board. Can we have the switch, your Honor?

THE COURT: Sure.

03:44:05 BY MR. KAVALER:

Q. Let's look at the date Mr. Burkholz directed you to, November 12, 1999. And the artificial inflation there is 7.97, correct?

A. Correct.

03:44:18 Q. Just like it is in every other entry on that page?

A. Correct.

Q. And every entry on the page before?

A. Correct.

Q. And every entry right up until November 15, 2001?

03:44:27 A. That's right.

Q. Okay. Now, if I understood what you just said, you're saying the jury should take this chart, 1397, and in the column where you, the expert, the person quoted by the Supreme Court, the person who wrote the book in this area literally -- 03:44:49 you did write a book in this area, didn't you?

A. I did. And you're just too kind with your compliments.

Q. You're the man, Professor.

What you wrote in this column was 7.97 on July 30, 7.97 on August 2, 7.97 on August 3, 7.97 on August 4, 7.97 on 03:45:12 August 5, 7.97 on August 6, 7.97 on August 9, et cetera, all

Q. It was issued by Household International, correct?
A. That's correct.
Q. And this was reporting the third quarter 1999 results for Household International, correct?
04:29:56 A. That's correct.
MR. DROSMAN: Plaintiffs offer Exhibit 506 into evidence.
THE COURT: Admitted.
BY MR. DROSMAN:
04:30:05 Q. And in your press release, you report the earnings result for Household International, correct?
A. Yes.
Q. And you report that because that's an important number to investors, correct?
04:30:14 A. Yes.
Q. You report the EPS results to investors for your third quarter 1999, right?
A. Yes.
Q. You reported EPS -- EPS, by the way, is earnings per
04:30:24 share, right?
A. That's right.
Q. You reported EPS results because that was an important number for investors, correct?
A. Yes.
04:30:30 Q. And you reported the two-plus delinquency statistic or

ratio to investors as well in this press release, didn't you?
A. I don't know that. I would have to read that.
Q. Take a look at the second page of the press release, page ending 430. Do you see the heading Credit Quality and Loss Reserves?
04:30:48
A. I do.
Q. Okay. Look at the last sentence there. It says, The managed delinquency ratio, paren, 60-plus days, was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago.
04:31:06
Do you see that?
A. I do.
Q. So you were reporting the two-plus delinquency ratio to investors in this press release, weren't you, sir?
04:31:19
A. Yes.
Q. And you did that because it was an important metric to investors, didn't you, sir?
A. Yes. I would also add, loss reserves, which are --
MR. DROSMAN: Your Honor, move to strike.
04:31:29
THE COURT: It will be stricken. Just answer the question, sir.
It's 4:30, so we are duty-bound to call it a day.
MR. DROSMAN: Thank you.
THE COURT: Ladies and gentlemen, we're done for the day. As always, we thank you for your attendance and your
04:31:44

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
	)	April 21, 2009
Defendants.	)	9:00 a.m.

VOLUME 15
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

Household International, correct?
A. That's right.
Q. And we also talked about how the press release contains Household International's two-plus delinquency statistics, correct?
09:57:12 A. That's correct.
Q. And you told me that the reason that the two-plus statistics are in the press release is because that was an important metric or number for investors, correct?
09:57:21 A. That's correct.
Q. And if you turn to -- do you have a document we looked at, as well, it's Exhibit 461? It's a memo to you from Mr. Gilmer dated January 18th, 1999.
Do you have that in front of you?
09:57:36 A. Yes, I do.
Q. Okay.
And this was a memo that Mr. Gilmer wrote to you regarding the operating results at HFC, correct?
A. That's correct.
09:57:45 Q. A results memo, right?
A. Yes. A monthly memo.
Q. And this wasn't the only monthly memo that you received from Mr. Gilmer, was it?
A. No, he would routinely send me monthly memos.
09:57:57 Q. In fact, you received them in 2000, correct?

A. Yes.
Q. 2001, as well, right?
A. Yes.
Q. And if you'd turn to the page of that monthly memo that
09:58:04 Mr. Gilmer sent you ending 333.
And the heading on the top of that page -- are you there yet?
A. I'm not there yet.
Q. Just let me know when you get there.
09:58:25 A. I will.
(Brief pause.)
BY THE WITNESS:
A. I'm there.
BY MR. DROSMAN:
09:58:34 Q. And you see the heading? It's underlined in a larger font at the top of the page?
A. I do.
Q. And it's entitled, "Key Performance Measures HFC Consumer Credit Quality."
09:58:45 Do you see that?
A. Yes, I do.
Q. And, then, if you look, there's a box below that; and, at the top of the box, there's a heading "Two-Plus Delinquencies."
09:58:52 Do you see that?

A. Yes, I see that.
Q. And you understood the two-plus delinquency was a key performance measure, don't you?
A. It was a measure, yeah.
09:58:59 Q. You don't understand it was a key performance measure?
A. Well, it's important, but I don't know that I'd call it one of the key. The key for me would be reserves and revenues and expenses and things that hit the bottom line.
Q. You understood that Mr. Gilmer entitled it a key
09:59:13 performance measure, right?
A. Well, yes, he did, you're right.
Q. Okay.
And this was a memo that you received, right?
A. Absolutely.
09:59:19 Q. You read, correct?
A. Yeah.
Q. And you saw the two-plus delinquency, at least according to Mr. Gilmer, was a key performance measure, right, sir?
A. Yes.
09:59:27 Q. And Mr. Gilmer performed -- reported this key performance measure, the two-plus delinquency number, in the other growth memos that you received, right?
A. I don't know. I'd have to see that.
Q. Okay.
09:59:38 Why don't we take a look at some other memos that

A. You mean on other pages now, we're talking about?
Q. Right.
The memo is four or five pages long?
A. Yes.
10:02:33 Q. Probably eight or nine headings, right?
A. Yeah.
Q. One of them's two-plus delinquency, right, sir?
A. Yes.
Q. Is there a loss reserves heading on this page -- in this memo?
10:02:40
A. No, I don't think there is.
Q. So, we've established that the two-plus delinquency number was a key performance measure that Mr. Gilmer reported to you, right, sir?
10:02:55 A. It's a key performance member -- number -- yeah.
Q. Let's take a look back at the press release that we were discussing, the one dated October 19th, 1999.
A. I'm sorry, the first one?
Q. It's Plaintiffs' Exhibit 506.
10:03:17 Do you have it in front of you?
A. I've got three now. I'm reconciling.
I've got it.
Q. Okay.
And we talked about the two-plus delinquency statistic that's reported in there, correct?
10:03:27

GAAP?
A. I just don't like the word "violate." There's a difference of opinion here that was totally -- different opinion from two major accounting firms, two of the largest accounting firms in the world, who -- and we adopted the view of the firm that was our auditor at the current time and --
Q. I didn't ask you about a difference of opinion, right?
A. Well --
Q. Did I ask you about a difference of opinion?
10:28:37 A. I don't know where this is going. The GAAP treatment before was different from the GAAP treatment after, and I guess that's where I'd end.
Q. Okay.
And you understood that the reason Household restated its financials is because it had violated GAAP?
I'm not asking you whether it intended to. Just --
A. I don't know that I'd use that term, "violated." We had a different GAAP treatment.
Q. And you understand that in order to restate the financials, the error must be material, correct?
A. Yes.
Q. You couldn't restate the financials if the error was immaterial, correct?
A. That's correct.
Q. I'll show you what's been marked as Plaintiffs' Exhibit

this article had come out and it was not -- it was very unflattering and we needed to respond to it.
Q. Did you read the Barron's article?
A. I did.
11:11:53 Q. What was your takeaway? What did you understand the main thrust of the Barron's article about your company to be?
A. Well, again, I'm going back a bit, but, you know, the main thrust was that we had made accounting changes back in 1996 that were not disclosed to investors, according to the
11:12:11 article, so investors didn't understand.
There was some suggestions that Household was aggressive in its growth in accounting and some other things that we thought were not accurate.
And --
11:12:21 Q. What did you -- I'm sorry.
A. No, that's okay.
Q. What did you do after Mr. Streem -- you said he called you.
Where were you Saturday night when he called you?
11:12:29 A. I was actually at a dinner party and he called me on my cell and we -- it wasn't much fun after that, at the dinner party. I can tell you that.
Q. What did you do the following day?
A. The next day we met in the office. We brought in Dave
11:12:43 Schoenholz and myself and Craig Streem and sat down, and some

of the Investor Relations people, and -- because, fortunately, we were scheduled to speak at the Barron's conference on Monday.
Q. I'm sorry, the Barron's conference?
11:12:58 A. I'm sorry, at the Goldman Sachs conference on Monday.
Q. Monday or Tuesday?
A. I thought it was Monday night. It could have been Tuesday.
Q. You were there?
11:13:05 A. It could have been Tuesday. I don't remember now. It's been a lot of years.
But -- so, we came in; and, fortunately, we were able to specifically respond during my presentation to some of the issues that were raised in this -- in this -- article.
11:13:21 Q. And what was your purpose in going to -- I'm sorry, you said the Goldman Sachs conference had been previously scheduled?
A. Previously scheduled, yes.
Q. So, you were scheduled to speak at Goldman Sachs before
11:13:32 you found out about the Barron's article?
A. That's correct.
Q. Was this one of these conferences where lots of CEOs were going to speak?
A. Yes, dozens, dozens.
11:13:40 Q. Dozens.

THE COURT: I don't recall that.

I'll overrule that.

MR. DROSMAN: Okay.

MR. KAVALER: Your Honor, I think counsel may be
11:16:06 referring to Paragraph third of Limiting Instruction No. 1. But it's not an analyst report. It's exactly the opposite. It's a statement to analysts.

But if he wants Limiting Instruction third of No. 1, I have no problem with that.

11:16:21 MR. DROSMAN: I don't have the limiting instructions in front of me, your Honor. I apologize.

THE COURT: I don't believe it applies.

MR. KAVALER: Okay.

May I proceed, your Honor?

11:16:30 THE COURT: Yes.

MR. KAVALER: The document is received?

THE COURT: Yes.

MR. KAVALER: Thank you, your Honor.

(Defendants' Exhibit No. 46 received in evidence.)

11:16:37 MR. KAVALER: For the jury, this appears at Tab 15 of your binders.

BY MR. KAVALER:

Q. Now, Mr. Aldinger, who prepared Defendants' Exhibit 46?

A. It would have been a combination of our Investor Relations
11:16:56 group, combined with Dave Schoenholz and me.

Let's go to Page -- I'm sorry.
And is there any connection between the contents -- or some of the contents -- of this document and the Barron's article, which you learned about Saturday night when
11:19:47 Mr. Streem interrupted your dinner?
A. Yes, there is. We made, towards the end, some specific comments that I think refuted the comments in the article.
Q. Okay.
Let's turn, if we can, together to Page 5. I'm using
11:20:04 the numbers of the document, not the Bates numbers at the bottom.
And that's labeled "Quality Growth"?
A. Yes.
Q. And there's an entry in there called, "Earnings Per
11:20:14 Share"?
A. Yes.
Q. What did you tell the people at the Goldman Sachs conference was the significance of this slide?
A. Well, I think the significance is that we, obviously, have
11:20:23 grown earnings every year during the eight years that I was CEO there. And the growth rate here would have been higher than 90 percent of the large financial companies.
So, I think what we were saying is we had very good results. We had consistent results that grew over time. And
11:20:43 we, for the most part, would have been one of the higher

deliver superior stockholder earnings results. Performance is measured primarily by earnings per share, EPS, growth. We are a pay-for-performance company.

Do you see that?

02:04:49 A. Yes.

Q. You told that to the shareholders every year?

A. Yes, we did.

Q. And that's what you were referring to this morning when you said we are a pay-for-performance company?

02:04:58 A. That's correct.

Q. We will look back at the proxy statement in more detail in a few minutes, Mr. Aldinger. But does the proxy statement also disclose each year to the shareholders, when they're asked to vote for you or not, your compensation?

02:05:17 A. Yes, it does.

Q. All the things that counsel asked you about this morning, your salary is disclosed?

A. Yes, it is.

Q. Every year?

02:05:23 A. Every year.

Q. Your bonus?

A. Every year.

Q. Your stock options?

A. Every year.

02:05:27 Q. Any other compensation you get?

A. You bet.
Q. All of the compensation you get?
A. All our compensation.
Q. The same for Mr. Gilmer?
02:05:34 A. For the top five people in the company, including Mr. Gilmer.
Q. And Mr. Schoenholz?
A. And Mr. Schoenholz.
Q. Required by SEC regulations?
02:05:41 A. Yes, it is.
Q. Every public company in America?
A. Every public company in America, yes.
Q. Every year?
A. Every year.
02:05:46 Q. In writing?
A. Yes.
Q. To the shareholders?
A. To the shareholders.
Q. All right. Let's look back in Exhibit -- Defendants' 17,
02:05:56 which is the minutes of the annual meeting that we were looking at a minute ago, the same paragraph we were looking at. So the shareholders voted to reelect directors or elect directors including you, sir?
A. Yes.
02:06:12 Q. And they voted against Ms. Goodrich's proposal?

Q. And was that in connection with something called the FRC?
A. Yes.
Q. What is the FRC?
A. It's an annual Financial Relations Conference that we did for investors as well as bankers, investment banks as well.
Q. And who did Household -- withdrawn.
Did Household sponsor this?
A. Yes, we did.
Q. So this is not like the Goldman Sachs event.
A. No. This was really -- only one company was in focus here, and that was Household.
Q. And Household paid for this?
A. Yes, we did.
Q. You rented a room in a hotel or something?
A. Yes. We rented a room in a hotel.
Q. And you invited people.
A. Yes.
Q. And who came?
A. Well, bankers, investors, analysts, and some of the rating agencies may have come as well.
Q. And when was this held?
A. I believe it was in April of '02. It was an annual event, and the last one was April of '02, I believe.
Q. And were disclosures made by Household at this FRC, Financial Relations Conference, in April '02 about its re-age

practices?
A. That's my understanding, yes.
Q. Were you there?
A. I was there for part of it.
04:16:50 Q. And who presented on these subjects primarily?
A. I believe that Dave Schoenholz led that discussion, and there may have been others as well. I wasn't in the conference all day. I'd go in and out.
Q. You introduced Dave?
04:17:06 A. Probably introduced him. Actually, I believe Edgar Ancona introduced him. I'd go in and out and then sum up at the end and do question and answer.
Q. Okay. And there was a question-and-answer period?
A. There was.
04:17:18 Q. And you answered questions and Dave answered questions?
A. That's correct.
Q. Anyone else answer questions?
A. I believe Gary Gilmer and some of our other senior management team did as well.
04:17:27 Q. Okay. And did the market price respond to the disclosures made by Household about its re-aging practices at the Financial Relations Conference on April 9, 2002?
A. I believe it did.
Q. Do we have a demonstrative that shows what the market did?
04:17:49 What's your recollection before we put up the

about that. We'll come back to it.

Let's go to Auto Finance. What was that?

A. We had an auto finance business that would finance your buying a car, and it was a pretty large business for us, headquartered in San Diego.

Q. And what about Mortgage Services, what was that?

A. And Mortgage Services was a business that involved buying mortgages at one point and consolidating those and servicing them.

04:26:14 Q. And what about International? What was that?

A. And International, we had two large businesses, one in Canada that effectively replicated all of these businesses, and one in the U.K., United Kingdom, England, and that replicated all of these businesses there, too, or most of them.

Q. Finally, in the middle here we have Consumer Lending, and that's Gary Gilmer's business, correct?

A. That's correct.

Q. And what did Consumer Lending do?

04:26:39 A. Consumer Lending was our branch-based business, which was HFC and Beneficial and all those other little companies we bought and consolidated in there, about 1,500 branches, I'm trying to remember 15,000 people or so, and our largest business and the one that went back literally since 1878.

04:27:00 Q. Now, when you say 15,000 people in Consumer Lending, how

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 April 22, 2009
Defendants.	)	9:10 a.m.

VOLUME 16
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

definition of predatory lending that you used?
A. What I used was predatory lending is something that's illegal or knowingly unfair to your customers.
Q. And did you send a letter to the board of directors in
09:50:03 September 2000 telling them what your position was and what the company's position was with regard to this subject, predatory lending?
A. I believe I did.
Q. Let's have Defendants' 263.
09:50:15 I'm showing a copy of Defendants' 263 to counsel and to you, Mr. Aldinger.
(Tendered.)
BY MR. KAVALER:
Q. Is this that letter you sent to the board of directors?
09:50:25 A. Yes, it is.
MR. KAVALER: Your Honor, I move the admission of Defendants' 263.
MR. DROSMAN: No objection, your Honor.
THE COURT: Admitted.
09:50:35 BY MR. KAVALER:
Q. All right. It's dated September 20, 2000. It says, Dear members of the board of directors. In the first paragraph, it says, In recent months, the community activist group ACORN has sporadically protested at the offices of subprime lenders
09:50:52 across the country.

Do you see that?
A. I do.
Q. And then it talks about other things about ACORN. In the second paragraph, you wrote, As you know, Household's position
09:51:02 against predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and, most importantly, our customers.
Do you see that?
A. I do.
09:51:14 Q. And then you said on the second page, Attached to this memo is our media holding statement for your reference.
Do you see that?
A. Yes, I do.
Q. And then you sent this to a bunch of people, including
09:51:30 Mr. Gilmer.
Do you see that?
A. I do.
Q. Okay. And then attached to it is a document called "Statement on Predatory Lending," September 20, 2000. Was
09:51:43 that the media holding statement that you referred to?
A. Yes, it is.
Q. And this reads, Household's position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and, most
09:51:57 importantly, our customers. These practices undermine the

integrity of the marketplace in which we compete and limit our ability to provide the financial service needs of this country's diverse consumer market.

Did you approve of that statement, Mr. Aldinger?

09:52:12 A. Yes, I did.

Q. The next paragraph reads, Frankly, we are surprised and dismayed that ACORN chose to disrupt the place of business of one of our board members in Chicago today. Attempting to frighten or intimidate people accomplishes nothing. We are

09:52:29 proud of our business and of the customers we have served for more than 122 years. Today's disruptive behavior will not impede our efforts to serving the lending needs of millions of working Americans.

Did you approve that statement, Mr. Aldinger?

09:52:42 A. Yes, I did.

Q. Do you remember what the incident you're referring to is where ACORN disrupted the place of business of one of Household's board members in Chicago?

A. Yes. They went to the offices of Cyrus Friedheim, one of

09:52:53 our directors, and who is vice chairman of a consulting firm in Chicago.

Q. And what did you understand they did there?

MR. DROSMAN: Objection, lack of foundation, relevance.

09:53:12 THE COURT: What's the relevance?

lender outside of the prime consumer segment and has had a, quote, bull's-eye, close quote, on its back since the merger of Citigroup and Associates First Capital in 2000. Also unfortunate is once it became the only player, the economy
10:09:17 sank into a recession and the natural cycle of borrowers, lawyers and politicians looking for a culprit all had their sights set on HI. A group, Association of Community Organizations for Reform Now, parenthesis, ACORN, close parenthesis, has filed suit against HI in multiple states.
10:09:38 And while in our opinion the net sum of the likely losses is not material, the effect the negative press has on the shares could be very material.

The most high profile of the legal battles in the State of Washington is currently in recess. The headline risk
10:09:56 will likely return as we near the fall elections. Again, we do not believe that any of these political/legal issues are material by themselves; however, we do believe that the aggregate issues facing HI in the near term warrants a hold rating.

10:10:12 Did you understand this to be a discussion of headline risk?

A. Yes, I did.

Q. Did you agree with his analysis or the analyst's analysis of the headline risk?

10:10:22 A. I thought he was spot on perfect. He covered it well.

Q. What did Household do to respond to this increased headline risk?
A. Well, we tried to be active with regulators. We tried to be active with investors to tell them our story. But it was a
10:10:42 challenging time.
Q. Did you add any employees? Did you beef up any of your departments?
A. Well, we obviously -- after adding Jim Kauffman and his team, we added a significant number of people to the
10:10:54 compliance effort. We basically gave him an open budget.
Q. What does an open budget mean?
A. That means he could hire as many people as he wanted to, no questions asked. We said to him we want you to absolutely have control of whatever you need.
10:11:09 Q. Is that a normal thing in the company?
A. No. That's rare.
Q. Why did you do that?
A. Because I thought compliance was the really important issue of the day.
10:11:17 Q. Did you give any other departments any -- an open budget?
A. Not that I recall.
Q. Now, Mr. Aldinger, you've heard some testimony in this case from various people about a settlement with the attorneys general?
10:11:36 A. Yes, I have.

Q. Let's see if we can put that in context. What led up to that scenario? Who were the attorneys general? Let's start with that.
A. Well, each state has an attorneys general in it; and I
10:11:50 think as you've heard in earlier discussions, at some point the State of Washington was very active in discussing their issues with Household. And there were two or three states, Minnesota being one, which eventually grew to be a group of 12 to 15 attorneys general that began discussing with Household
10:12:12 the idea of trying to make some kind of a compromise or a settlement with that group.
Q. And did there come a time where you got involved in directing Household's efforts in connection with that subject?
A. Yes.
10:12:25 Q. Why?
A. Well, I thought it was the most important issue in front of us. Clearly, the concerns about regulatory issues were dragging our stock price down, were hurting the morale of the company, were distracting the executives, and so I thought at
10:12:41 some point it made sense, if we could, to reach a settlement potentially with the AGs even though we may not have agreed that we had done anything wrong.
Q. When you first got involved, how many attorneys general were gathered together opposing Household?
10:12:57 A. I think it was between 12 and 15. And at that point, I

10:30:38
10:30:51
10:31:01
10:31:13
10:31:31

A. Well, we had 500 million shares, so basically it was north of $3 billion.
Q. It's the basically part that I'm not getting. Do the math for me.
A. Well, if you've got 500 million shares and your stock goes up by about $7, I was understating it. It's about 3.5 billion incremental value.
Q. To all the shareholders?
A. To all the shareholders.
Q. Including you?
A. Absolutely.
Q. Including the plaintiffs?
A. Yes.
Q. And how much did Household -- withdrawn.
Is that the result you were anticipating and hoping for?
A. It is.
Q. Is that the result you were working to achieve?
A. Yes.
Q. How much did Household pay the attorneys general to achieve this increase in value for all the shareholders, including yourself, and the plaintiffs of $3-1/2 billion?
A. $484 million.
Q. Were you satisfied that that was a good deal, Mr. Aldinger?

REDIRECT EXAMINATION

BY MR. DROSMAN:

Q. Mr. Aldinger, let's start with the Barron's article that you spoke about, both today and yesterday.

11:45:28 Do you recall that discussion?

A. I do.

Q. Okay.

And this was an article that you received on December 1st, 2001, correct, sir?

11:45:35 A. That's my recollection.

Q. Okay.

And the Barron's article, essentially, said that some of Household's re-aging was either deferring or masking chargeoffs, right?

11:45:44 A. I recall -- I don't recall that specifically. I'd like to see it, if I could.

Q. You don't recall that it said that some of Household's re-aging was either deferring or masking chargeoffs?

A. I don't remember the specifics of the article without
11:45:58 seeing them; and, after yesterday's experience, I'd like to see it before I -- I -- agree to anything.

Q. You were worried about investors' reaction to the Barron's article, weren't you?

A. Yes, I was.

11:46:09 Q. You understood that from the investors' point of view,

investors were nervous about re-aging; didn't you, sir?
A. Investors never raised anything about re-aging before that article.
Q. Fair enough.
11:46:18 I just want to understand that your testimony under oath today is that you did not understand that, from the investors' point of view, investors were nervous about re-aging after you read the Barron's article?
Is that your testimony, sir?
11:46:29 A. That's not my testimony.
Q. Okay.
Is your testimony, sir, that you understood that, from the investors' point of view, investors were nervous about re-aging?
11:46:37 A. My testimony is that until the Barron's article, nobody had ever raised a question about re-aging to me in the entire seven years I had been CEO of the company.
Post-Barron's, people were nervous about it and that's why we responded the way we did.
11:46:54 Q. Okay. Fair enough.
So, post-Barron's article -- after you read the Barron's article -- you understood that, from the investors' point of view, investors were nervous about re-aging, right?
A. Absolutely.
11:47:04 Q. Okay.

Answer: "I'm referring to investors."
Did I read that correctly, sir?
A. I think you did.
MR. KAVALER: Your Honor, objection. Improper impeachment. No inconsistency between his testimony today and his testimony then. It's the exact same testimony.
THE WITNESS: That's the way I read it.
MR. DROSMAN: Your Honor, I asked the question --
THE COURT: Wait just a second.
If you don't mind, I'll rule on the objections.
THE WITNESS: Sorry about that.
THE COURT: I agree. I don't think that was impeaching.
The jury will disregard it.
Ask your next question.
BY MR. DROSMAN:
Q. After you read the Barron's article, sir, you understood that investors wanted to see less re-aging, correct?
A. They would feel better with less re-aging.
Q. Okay.
In fact, it's fair to say, isn't it, that the re-aging issue raised in the Barron's article was an important issue to you, isn't it?
A. Well, it became an important issue. It wasn't before.
Q. Right.

After you read the Barron's article, the re-aging issue that was raised in the Barron's article was an important issue to you, correct?
A. Yes, it was, because investors were asking about it and I wanted to give them whatever they needed to know.
Q. Right.
More information, right?
A. Correct.
Q. More data, right?
A. That's right.
Q. All about re-aging, correct?
A. About everything they wanted to know.
Q. Right.
In this case, they wanted to know about re-aging, right?
A. Yes.
Q. And you thought you needed to respond to the Barron's article right away, right?
A. That's right.
Q. So, you went to the Goldman Sachs conference. You talked about that yesterday.
Do you recall that discussion?
A. I did.
Q. And you went there a couple days after the Barron's article, right?

the question.

BY THE WITNESS:

A. Whatever I was paid, I was paid.

BY MR. DROSMAN:

01:21:21 Q. Okay. And you didn't read this, is that right?

A. No, I don't believe I did.

Q. And you didn't read this despite the fact that you knew that investors were nervous about re-aging, right?

A. That's right.

01:21:30 Q. And you didn't read it despite the fact that you wanted to get more information out to investors, right?

A. Well, I did want to get more information out to investors; but, you know, if I looked at the nits and gnats of every one of five major businesses and went five levels below, I'd never 01:21:47 get my job done.

My job is to look at things that impact the bottom line of the company in a big way; but you need to put in perspective that each of these businesses has its own CEO, a CFO, Chief Financial Officer, a chief credit officer, a head 01:22:03 of collections, and all of those people, including the controllers and accounting support, work on putting our packages together.

Now, for me to know the specifics of what Auto does versus what Credit Card does, it would be a very bad use of my 01:22:17 time, a very bad use of my time.

A. I did.
Q. You looked at every page, didn't you, sir?
A. Well, I looked at every -- mostly, yes.
Q. Were there some pages you skipped, sir?
01:31:03 A. No, I looked at every page.
Q. Okay. Why don't I show you what's been marked as -- in evidence as Defendants' Exhibit 852.
A. Are we done with the other one?
Q. For the time being. You can put it aside.
01:31:38 You understand that this was the 10-K that Household filed on March 12th, 2002, is that right?
A. I do.
Q. Okay. And you signed it, you said?
A. Yes, I did.
01:31:51 Q. And if you'd turn with me, would you, to page ending 798.
Are you on page 798?
A. I'm almost there.
Q. Okay.
A. I'm at 798.
01:32:25 Q. You see the second paragraph of text, do you see that?
A. I do.
Q. And it reads, "Our policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a
01:32:43 predetermined number of consecutive payments has been received

and there is evidence that the reason for the delinquency has been cured."

Do you see that?

A. I do.

01:32:53 Q. And there Household was setting forth its re-aging policies, right?

A. That's one of them.

Q. I'm sorry?

A. Yeah, that's one of them, I assume.

01:33:02 Q. What do you mean that's one of them?

A. One of the statements in there. I assume there are more than one statement in the whole document.

Q. That was the policy that Household told investors that you used to re-age loans, right?

01:33:12 A. That's what it says.

Q. Okay. You needed two things, correct?

A. That's what it says.

Q. You needed consecutive payments, right?

A. That's what it says.

01:33:20 Q. And consecutive, you understand that means more than one, don't you, sir?

A. I think I do.

Q. Okay. So at least two, right?

A. Right.

01:33:26 Q. Okay. And then you told investors that the reason for the delinquency has been cured. You wouldn't re-age a loan unless that happened, right?

A. That's what it says.

Q. Well, that's what you told investors, right?

01:33:36 A. Well, I signed the document, so I'm accountable for what's in it; but I have to say that in reading that, I didn't micromanage what those little pieces said.

I relied on the input from the people who do this every day and the process we put in place; but I'm accountable

01:33:54 because I signed it, but I can assure you that I didn't, you know, I didn't focus on the detail of this.

Q. You didn't focus on the detail -- you didn't focus on the detail of this re-aging, is that your testimony, sir?

A. That's correct, like I read -- what I focused on are the

01:34:13 large financial issues the most and the C and D we do to the investment community, and I look at the rest and I read the rest; but I certainly don't, you know, look at that in detail and try to contrast it with something to see if it's right.

Q. Okay. So you weren't focused on the re-aging policies

01:34:30 when you put together the 10-K, right?

A. I wasn't focused on the details of that. I relied on our team to do it. We have a full financial team. We have a full back-up of people who do this, and it's looked at by our outside auditors as well before I sign it. And so I relied on

01:34:47 the expertise of people who do this for a living, but I'm

accountable because I signed it.
Q. This was the nitty-gritty, right, sir? Is that right?
A. Look at the size of the report. Do you expect me to know every word of the report and memorize it?
01:35:01 Q. Well, for $24 million, sir, aren't you expected to know what's in the report?
A. I know what's in the report generally, but I'm not -- I'm not knowledgeable about these kinds of details to the nth degree. I'm just not knowledgeable to this level.
01:35:13 Q. Right, because you just went out and commissioned a big benchmarking study through KPMG, right?
A. And I got a response that was helpful to me and the board, yes.
Q. Right, and you didn't read, according to your testimony,
01:35:24 some of the report that you received from KPMG?
A. That's correct, that's correct. I went with the high-level view.
Q. Right. Some of the report that would have been directly relevant to this particular 10-K, right, sir?
01:35:33 A. Yes.
Q. Okay. So you also said that you had to have evidence that the reason for the delinquency had been cured, right?
A. That's what it says.
Q. And you didn't tell investors that you actually re-aged
01:35:46 with one payment, did you?

A. Not there.
Q. You didn't tell investors that you actually re-aged automatically, did you?
A. It doesn't say that.
01:35:55 Q. Okay. You know that this was materially false and misleading, don't you?
A. I understand it was incorrect at the time.
Q. My question is, sir, you understand that this is materially false and misleading, correct?
01:36:09 A. You could say that.
Q. No, sir. I'm asking you a question.
Do you understand that this is materially false and misleading?
A. I'll accept that characterization.
01:36:21 Q. Is that a yes, sir?
A. Yes.
Q. Let's take a look at a document that's Exhibit 1267 for identification, Plaintiffs'.
You know what this is, right, sir?
01:36:54 A. Yes, I do.
MR. DROSMAN: This is Plaintiffs' Exhibit 1267. We move it into evidence if it's not already in.
It's in evidence, your Honor. I apologize.
BY MR. DROSMAN:
01:37:09 Q. This is your 10-K/A, right?

we didn't agree with.
Q. That wasn't my question, sir, whether you agreed or disagreed. Apparently, you paid them 484 million, right?
A. We did.
02:23:51 Q. Okay. My question wasn't whether you agreed or disagreed. I asked you whether the attorneys general were -- was telling Household that they engaged -- that they used the effective rate presentation to mislead consumers?
A. That's what that says.
02:24:04 Q. And then it continues, "Household deceptively asserts that the effective interest rate is lower under the biweekly program because the loan is paid off sooner."
Do you see that?
A. I see that.
02:24:16 Q. No. 4. Engaging in equity-based lending.
Do you see that?
A. Yes.
Q. You know what loan flipping is, right, sir?
A. Yes, I do.
02:24:25 Q. And you understand that the attorneys general was telling Household that they engaged in systematic and widespread loan flipping?
A. I see what that says.
Q. That wasn't my question, sir.
02:24:37 A. Yes.

Q. There's a date there July 15th, 2002, right?
A. That's right.
Q. And you understand that that was the date that this document was printed, correct?
02:30:42 A. I would assume so.
Q. Then you see the Bates number at the bottom, HHS 03070933. Do you see that?
A. I do.
Q. And you understand that this came from Household's files,
02:30:52 correct?
A. Yes, I do.
Q. Okay. And then if you look -- plaintiffs move 681 into evidence.
MR. KAVALER: Objection, your Honor, MIL, and no
02:31:02 foundation.
THE COURT: I'll sustain the objection. There's no testimony as to what this document is.
BY MR. DROSMAN:
Q. Okay. Sir, you mentioned that you dealt with a team of
02:31:31 people who were in charge of negotiating with the attorneys general, right?
A. I said I had a team of people that were negotiating with the attorneys general, that's right.
Q. Right. And you communicated with them, right?
02:31:41 A. I communicated particularly with one person.

Q. You gave them instructions, correct?
A. I did.
Q. And then they communicated information back to you, right?
A. That's correct.
02:31:48 Q. And you knew one of the issues that the attorneys general was dealing with was a calculation of how much Household needed to redress all of the harm that it had caused to consumers, right?
A. I don't recall that. I recall they had their own views on
02:32:04 what it would be valued at, but I don't recall us giving them an estimate.
Q. Well, you do understand that you paid $484 million.
A. Oh, absolutely, I do.
Q. And you understand what that $484 million went to, right?
02:32:17 A. To our customers.
Q. Right. You understand that that was restitution, right?
A. I'm not sure I'd characterize it as purely restitution because, as I understand it under the terms of the agreement, it was paid out to every customer in the state whether they
02:32:32 had an issue or not based upon how the attorneys general elected to do it.
So all we knew is it was going to go to our customers, which we were happy about, with no cost along the way because the attorneys general don't take a cut. So we
02:32:46 were -- that's what I understood, but I didn't believe --

Q. Right, you didn't understand --

MR. KAVALER: Excuse me, your Honor. He interrupted the witness.

THE COURT: I think he's answered the question. I'll

02:32:55 overrule that objection.

BY MR. DROSMAN:

Q. The reason you understood it was going to go to all your customers instead of the ones who had filed complaints is because the ones that filed complaints weren't the only ones

02:33:04 harmed, right, sir?

A. I don't think that's correct. The reason it was going to go to everybody was just because they were going to give everybody something. They didn't have to file a claim, they didn't have to have a specific product, as I understood it, or

02:33:16 they had their own allocation to do it.

So from our perspective, it was going to customers, that was good; but it was not related to any complaint levels, no.

Q. You know who Carin Rodemoyer is, right, sir?

02:33:27 A. No, I don't.

Q. You never heard the name before?

A. Never heard the name.

Q. Okay. You understood that people were negotiating with the attorneys general, right?

02:33:33 A. Yes, I did.

Q. Okay. And Household was telling the attorneys general we'll pay X, and the attorneys general was saying we'll accept Y, right? You understood that those were the basic --
A. Well, that's the way negotiations go.
02:33:44 Q. Okay. And so in the context of that negotiation, Household derived some figures as to what it owed people, right?
MR. KAVALER: Objection to the form, your Honor.
THE WITNESS: I'm not sure that's true at all.
02:33:54 THE COURT: Excuse me?
MR. KAVALER: Objection to the form, your Honor.
THE COURT: What particular objection?
MR. KAVALER: Owed.
THE COURT: Overruled.
02:34:02 The witness can answer.
BY THE WITNESS:
A. I don't think any -- any payment that we put together, including the 484 million, tied to any number that I could relate to damages or number of customers harmed or anything.
02:34:15 It was a number we agreed to to get this behind us in a global settlement.
So I certainly had no view that it meant X for something and Y for something else.
BY MR. DROSMAN:
02:34:28 Q. Take a look at the first page of the document, upper

Q. Okay. And so you never left Household, right?
A. Well, I left -- I was no longer CEO after that. It became a division of another company, so --
Q. Okay. Let's just walk through your tenure as CEO from
02:42:14 1998 on, okay?
A. Fine.
Q. Sir, you brought Mr. Gilmer back from England in 1998 to run HFC, right?
A. That's correct.
02:42:25 Q. And then you and Mr. Schoenholz hired Andrew Kahr at the end of 1999 to work with Mr. Gilmer to accelerate growth, right? No dispute there.
A. No dispute there.
Q. Okay. And then in July 1999, when our clients began
02:42:39 buying Household stock, it was selling for about 42 bucks a share, right, sir?
A. I don't remember the price at the given point; but if you show me something, I'll confirm it.
Q. Well, sir, you told me you had a ticker going on in -- all
02:42:54 around you, you were surrounded by the stock price, right?
A. Absolutely.
Q. So 42 bucks a share in the summer of 1999 sounds about right?
A. Well, let's see, that's nine-and-a-half years ago, and to
02:43:03 know what it was the summer of '99 or in a given month or a

A. We sold the company.

MR. KAVALER: Objection, your Honor. Beyond the relevant period.

MR. DROSMAN: Your Honor, there was discussion
02:45:15 yesterday about 2003, so I'm not sure what he's talking about.

MR. KAVALER: What I'm talking about is the question seeks events that occurred after the end of the period we're talking about in this lawsuit.

THE COURT: I'll overrule the objection to that
02:45:28 question.

BY MR. DROSMAN:

Q. You sold the company for HSBC, right?

A. Yes, we did.

Q. And you sold the company for about $28 a share, is that
02:45:40 right?

A. I believe it was over 30, actually.

Q. You believe it was over 30?

A. I thought it was $30 and something, yes.

Q. Okay. So somewhere in that range, right?
02:45:49 So you testified yesterday that you lost it all. You did really poorly, right, with that stock drop?

A. I lost a lot of money with the stock drop, that's correct.

Q. Okay. But you had something called a golden parachute, didn't you?

02:46:01 A. I did.

Q. And that golden parachute, it helped to cushion your landing, didn't it, sir?
A. I'm not sure I'd characterize it that way. It was paid out pursuant to my contract.
02:46:12 Q. Okay. You understand that the investors in this case, they didn't have a golden parachute. You understand that, right?
A. No. Morgan Stanley and Merrill Lynch and all those people didn't. They didn't work at the company.
02:46:21 Q. Okay. And Mr. Smith and Ms. Smith who bought the stock as well, they didn't have a golden parachute either, did they?
A. They didn't work at the company either.
Q. They didn't have a golden parachute, right, sir?
A. Hard to get one if you don't work at the company.
02:46:49 Q. Okay. You had one, though, didn't you?
A. I did.
Q. And your golden parachute entitled you to about $20 million in cash when HSBC purchased Household, didn't it?
A. It was three times salary and bonus. About that number,
02:46:49 that's right.
Q. About 20 million in cash, right?
A. That's about right.
Q. And then you got an additional 10 million more in HSBC stock grants, didn't you, sir?
02:46:55 A. I'm not sure I understand that. That was not part of any

contract.

Q. So you didn't get the 10 million in stock grants from HSBC? Is that your testimony?

A. Well, you're talking about a different point. You're 02:47:05 talking about when HSBC asked me to stay on as CEO of both the North American operations. And in that capacity, they put in a compensation plan that would be consistent with somebody running two businesses with 55,000 people and multiple locations around North America.

02:47:24 So that's -- that's accurate if you put it in that context.

Q. Sir, you talked yesterday about the proud 128-year history of Household, right?

A. That's right.

02:47:36 Q. Okay. You understand there's not going to be a proud 135-year history.

MR. KAVALER: Objection, your Honor. This is way beyond the scope of anything on the direct, cross, of the class period or anything else.

02:47:47 THE COURT: I don't know if it's beyond the scope, but it's argumentative. The objection will be sustained.

BY MR. DROSMAN:

Q. Okay. Sir, is there going to be a proud 135-year history for Household International?

02:47:57 MR. KAVALER: Objection, your Honor.

THE COURT: I'll sustain the objection.

BY MR. DROSMAN:

Q. Okay. Sir, you understand that HSBC recently said --

MR. KAVALER: Objection, your Honor.

02:48:07 THE COURT: Sustained.

BY MR. DROSMAN:

Q. Sir, you took this company, and you drove it into the ground, didn't you?

A. No, I didn't drive it into the ground.

02:48:17 Q. You destroyed this company, didn't you, sir?

A. I did not.

MR. DROSMAN: No further questions, your Honor.

MR. KAVALER: Just about two or three, your Honor.

RECROSS EXAMINATION

02:48:30 BY MR. KAVALER:

Q. This parachute that Mr. Drosman is so interested in, that was a result of your employment contract?

A. That's correct.

Q. Which was fully disclosed to the investors every year in

02:48:45 the proxy statement when they voted every year to reelect you to the board.

A. That's right.

Q. Now, Mr. Drosman asked you about the attorney generals -- the attorneys general, and he gave you a document which you'd

02:49:03 never seen before, correct?

A. That's correct.
Q. And you read it for the first time sitting right over there on the witness stand.
A. Absolutely.
02:49:11 MR. DROSMAN: Objection, leading.
THE COURT: Overrule it.
BY THE WITNESS:
A. Absolutely.
BY MR. KAVALER:
02:49:15 Q. Do you understand those to be accusations by the attorneys general?
A. I did.
Q. Did you agree with them?
A. No, I did not.
02:49:23 Q. Nevertheless, there came a time when you and the attorney generals -- attorneys general settled.
A. Absolutely.
Q. Mr. Drosman showed you some other document that he says adds up to $3 billion.
02:49:35 Did you settle with the attorneys general for $3 billion?
A. No, I did not.
Q. Did you settle for $2 billion?
A. No, I did not.
02:49:41 Q. $1 billion?

A. No.
Q. So the attorneys general turned out after all those accusations to be satisfied with 484 million, correct?
MR. DROSMAN: Objection, leading.
02:49:53 THE COURT: It is leading. Don't lead. I'll allow that question.
You may answer.
BY THE WITNESS:
A. We settled for 484 million, and I would point out that
02:50:01 that also reflected a significant increase because Household brought in 35 additional attorneys general.
So the number would have been less based on the original discussions we were reading about but for the fact that we brought in virtually all 50 states.
02:50:17 MR. KAVALER: No further questions, your Honor.
THE COURT: Anything else?
MR. DROSMAN: Nothing further, your Honor.
THE COURT: You may step down, sir.
MR. DROSMAN: You know, before he steps down, I just
02:50:29 realized there's an exhibit that I needed to move in, Exhibit 706 that I used with him.
THE COURT: The witness may step down.
Is there an objection?
MR. KAVALER: If I knew which one it was, I'd know,
02:50:40 your Honor. Give me a second, please?

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
	)	April 23, 2009
Defendants.	)	9:00 a.m.

VOLUME 17
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

paragraph there, Ms. Madura talks about seven of the 27 complaints relate to this effective rate; is that right?

(Brief pause.)

BY THE WITNESS:

A. It talks about the -- we -- seven of the 27 complaints mentioned refer to the fact that the borrower was quoted or promised a 7 or 7-1/2 percent.

BY MR. DOWD:

Q. Right. Then it goes on to use the phrase effective rate and give an example of it; is that right?

A. She talks about the offices computing an effective rate.

Q. Okay. And so you heard about this effective rate complaint; and you knew about seven of them in May of 2001, right?

A. Yes.

Q. Okay. Did you engage -- or you showed us a report from the summer of 2002 that you did with Mr. Kavaler, Defendants' 465. Do you have a report like this from, say, May or June of 2001?

A. No.

Q. Ma'am, one thing that did happen in May or June of 2001 was the branch purge; is that right?

A. I know that we conducted a purge, if you call it that, but I don't remember exactly what the date was. But, yes.

Q. Okay. I didn't --

A. We went through --
Q. I didn't call it a purge. You called it a branch purge, didn't you?
A. I don't think I called it that, but --
Q. Okay.
A. That's fine.
Q. I'll show you what's been marked as Plaintiffs' 573. I'd ask you to take a look at that if you would, ma'am.
A. Okay.
(Tendered.)
BY MR. DOWD:
Q. And, Ms. Sodeika, that's a copy of an e-mail exchange between yourself and Tom Detelich, dated March 14 and March 15, 2002; is that right?
A. Yes.
Q. Okay.
MR. DOWD: I'd offer Plaintiffs' 573, your Honor.
THE COURT: It will be admitted.
BY MR. DOWD:
Q. And in your e-mail, you talk about effective rate; is that correct? That's the subject of your e-mail?
A. Yes.
Q. Okay. And don't you use the phrase there, "Was that with the branch purge sometime last summer?"
A. Yes, I did.

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
	)	April 24, 2009
Defendants.	)	11:00 o'clock a.m.

VOLUME 18
TRANSCRIPT OF TRIAL PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

MR. BURKHOLZ: That goes to the scienter issue of the company.

THE COURT: It goes to the making of the statement issue, as well.

11:36:30 MR. BURKHOLZ: Well, that's the company's statement; and, the scienter of the company, you look at the --

THE COURT: So, you are not going to argue that when Mr. Gilmer said to Ms. Hayden-Hakes, "Go out there and make this statement," but when they got together and discussed it

11:36:49 and when they put together the statements that she was going to issue to the press, that the statements she subsequently made were statements also made by Mr. Gilmer, that he can be held accountable for those?

You're not going to argue that? You're just going to

11:37:06 argue that the corporation can be held liable?

MR. BURKHOLZ: Right. The individual defendants are liable for the company's statements.

THE COURT: Gee, there you go. Okay.

So, you're going to argue just the company's liable;

11:37:23 and, then, you're going to, because the company is liable for that statement, say that you're going to impute the company's intent to Mr. Gilmer and to Mr. -- well, the other defendants?

MR. BURKHOLZ: Aldinger and Schoenholz.

THE COURT: Yes.

11:37:40 Is that your theory?

shifted to something quite different.

THE COURT: Well, we're talking about two things. Along the way, it struck me -- as I was looking at the scienter materials, based upon the conversation we had last time -- that the language that the Seventh Circuit used in its scienter discussion also applied to the making of a statement.

I mean, they talked about not only uttering the statement, but providing information for it, and so on.

And, so, it appeared to me that it would be necessary or appropriate to go back to our instruction on making a false or misleading statement and include that language in it.

Ultimately, we're back at where we started out, which is imputing the scienter to the corporation and how we should instruct there. And it shouldn't surprise anyone that some of the same language applies to both questions.

So, it's not as if I started out saying one thing or doing another. It's that the language led me to consider something else and I brought it up here.

MS. BEER: I think it may be that a part of the difficulty comes from attempting to break the cause of action down into the elements. Because the act that provides a basis for liability includes both the making of a statement and the wrongful state of mind; and, by atomizing those into separate elements to be analyzed, we're separating -- we're maybe separating -- them too far.

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
	)	April 28, 2009
Defendants.	)	9:10 a.m.

VOLUME 20
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
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MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

technological breakthrough it was counting on is not going to happen. So now the company knows that this engine ain't going to work.

And let's say on that day, the company has a legal 09:38:19 obligation to disclose that information to the market, but it keeps quiet about it, fails to tell the market the truth. In this example, that omission has created an inflation, and the amount of inflation is how much the stock price would have dropped had the company truthfully made the announcement that 09:38:46 it was legally required to do.

So you can have a stock price becoming inflated because of an affirmative misrepresentation or a lie that makes it go up after adjusting for market and industry; or you can have inflation when the company fails to tell the truth, 09:39:08 thereby preventing a decline in stock price, assuming it had a duty to tell that truth.

Q. So in both cases, Professor, there's an identifiable event that causes the stock to be overpriced?

A. Yes. There has to be, for proper loss causation analysis, 09:39:30 an identifiable event which maps into a quantified quantum of inflation, whether it is an omission or it is a misrepresentation.

Q. From an economist's perspective, Doctor, is there an important difference between telling a lie that causes 09:39:48 inflation and omitting to make a statement that causes

inflation?
A. There's no fundamental difference as we just explained.
Q. So would a proper expert analysis identify either the misstatement or the omission that gives rise to inflation in either event?
09:40:03 A. A proper economic analysis, whether it is about omission or misrepresentation, will tie the amount of inflation determined by the economic analysis to what was it that caused the inflation, what specific lie, what specific omission caused how much inflation.
09:40:24 Q. So in that case, why can't the jurors just do what Professor Fischel suggested they do, pick the first statement that they believe to have been false and make that the date on which the stock price became inflated?
09:40:41 A. Well, assuming jurors don't believe my analysis, which would be the easy way out, they'd have to do a lot of work themselves to actually do all the statistical analysis to determine how much a particular misstatement or omission affected the stock price to create inflation.
09:40:59 Q. Professor Fischel has not provided them with those -- that data?
A. Well, the only way Professor Fischel's analysis is relevant is if the jurors believe 100 percent of the plaintiffs' claim is correct and there are no methodological
09:41:18 flaws in Professor Fischel's analysis and he hit it right on

In fact, Professor Fischel's own analysis, when corrected, leads to the conclusion that Household's stock price was weighed down by headline risk. And as that headline risk became worse, stock kept on getting punished more and more. And in the end when Household alleviated this headline risk by buying peace with attorneys general, the stock price went up over two days by 33 percent, which is the largest history -- largest increase in history of the stock ever since it was a public company.

And all the economic evidence is consistent with Household's stock price never being inflated for a single day during the relevant period. And Professor Fischel's own analysis, when reasonably corrected, supports that conclusion.

Q. Now, can anything other than a lie cause inflation?

A. Inflation is a term of art in a proceeding such as this where overpricing that results from a lie is called inflation. So as I said, you can have a stock being overpriced or underpriced with the benefit of the hindsight.

If you look at all the stocks that lost a lot of money yesterday and there was no news, well, with the benefit of hindsight we can say, yeah, the day before yesterday, they were overpriced. But inflation comes into consideration when it is a misrepresentation or omission, namely, a lie that creates overpricing.

Q. So if I understand correctly, inflation is different than has to determine in this particular case. As long as the market did not learn the truth about the original lie, that inflation remains constant even though stock price may go up or down.

09:56:16 So what we have to do in economic analysis is to separate changes in stock price that result from any factor other than a lie or a correction of the lie. We have to focus on change in inflation, not change in stock price.

Q. What happens next after this second stage?

09:56:41 A. So in this hypothetical, when the market learns the truth that the company had lied, there was no such engine, and stock price drops, that's when inflation has come out of the stock.

And the measure of economic harm that is at issue in this case is the loss investors suffered if they held the 09:57:11 stock when it was inflated and suffered the consequences of that inflation coming out of the stock. The rest of their gains and losses have nothing to do with this case or a similar case.

Q. Professor, I noticed that your chart both begins and ends 09:57:30 at zero. Is that a coincidence?

A. No. Because before there is first actionable misstatement, there must be zero inflation. And I apologize for the jargon. Before there is a lie that the Court has ruled can be considered for purposes of this case, by 09:57:56 definition, the stock is not inflated. And after the market has learned the truth, which is at the end of the relevant period, all the truth is out and inflation is zero.

So in a proper analysis, you begin with zero inflation and you end with zero inflation. So an investor who had purchased before there was any inflation and held the stock until after all the inflation was out has not been harmed. Only investors who have been harmed are those investors who purchased while the stock maintained an inflation and they held until after the inflation came out.

09:58:16

09:58:38 Q. Let's look at one of Professor Fischel's inflation charts. Can we see Plaintiffs' Demonstrative 151, please.

Does Professor Fischel show inflation starting at zero?

A. Not in the range of his chart. So on the first day of the relevant period, Professor Fischel shows $7.97 of inflation.

09:58:59

Q. In other words, Professor Bajaj, over here on the left side, I think you called it the left axis. Let's put your chart and this chart next to each other. Can we do that?

Okay. Do you see here on the left side of your chart, your up leg starts at zero and goes up?

09:59:21

A. Correct.

Q. Where is Professor Fischel's analogous up leg showing the first time a false statement put inflation into the price of Household's stock?

09:59:36 A. There is nothing in Professor Fischel's analysis that competitor, First Associates.

So consumer activists started to get very focused on Household. One of Professor Fischel's exhibits quotes a consumer activist as saying, We will not rest until Household's subprime customers are treated the same way as conforming loan customers.

Well, you can't lend to subprime customers on same terms that banks give to conforming loan customers so you can stay in business.

10:22:57

10:23:13 Q. Professor, what's a conforming loan and what is a conforming loan customer?

A. These are people with very good credit, very good income, good savings that are usually very rate sensitive and are very creditworthy with major banks and other depository institutions.

10:23:29

Q. Sometimes called prime customers?

A. Those are prime customers.

Q. Okay.

A. So headline risk became a big factor. And as you see us talk about various analyst reports and what the market was learning, you will see evidence of headline risk affecting Household's stock price.

10:23:38

There were other non-fraud related firm specific factors, and then there were days when nothing happened and stock price moved a lot. If I remember correctly, in

10:23:57

about the market's awareness of headline risk?
A. Yes.
Q. And the date on this document is December 3, 2001?
I'm sorry. Wrong document.
10:51:31 The date of this document is June 23, 2000?
A. That's correct.
Q. Let's look at another one. This is Defendants' 289.
A copy for counsel. A copy for you, Dr. Bajaj.
(Tendered.)
BY MR. KAVALER:
Q. Is this another document that you looked at in formulating your opinion that you're testifying about here today?
A. Yes, I did.
MR. KAVALER: Offer Defendants' 289, your Honor.
10:52:14 THE COURT: Admitted.
BY MR. KAVALER:
Q. This is a UBS Warburg report from November 16, 2001?
A. Yes, it is.
Q. Another analyst report?
10:52:22 A. Correct.
Q. And if you'll turn to the second page, third bullet, it says, We believe the more immediate danger to Household's stock price stems from the headline risk and association, justified or not, with predatory lending.
10:52:53 Do you see that?

A. Yes, I do.
Q. Is that one of the things you were referring to?
A. Indeed.
Q. And is this one of the things that supports your view that it was headline risk and not fraud that caused Household's stock price to decline in 2002?
A. Yes.
Q. Let me show you another document, Defendants' 357.
A copy for counsel. A copy for you, Professor Bajaj.
10:53:25 (Tendered.)
BY MR. KAVALER:
Q. Is this another analyst report that you relied on in formulating your opinions that you're giving here today?
A. Yes, I did, counsel.
10:53:34 MR. KAVALER: Your Honor, I offer Defendants' 357.
MR. BURKHOLZ: Same limiting instruction, your Honor.
MR. KAVALER: Agreed.
THE COURT: Admitted with the same limiting instruction.
10:53:42 BY MR. KAVALER:
Q. This is a Bear Stearns report dated December 3, 2001?
A. Yes.
Q. And the heading is, Is the biggest risk in subprime lending headline risk.
10:53:54 Do you see that?

A. I do.
Q. And turn to the second page, first full paragraph there. It says, The real risk of subprime lending appears to be headline risk.
10:54:14 Do you see that?
A. Yes.
Q. Is that another piece of information that you relied on in coming to your conclusion that what was affecting Household during the relevant period was headline risk and not fraud?
10:54:27 A. Yes.
Q. Are there others as well?
A. There are many, many, many more.
Q. Let's talk briefly about an event study.
To do this -- an event study is a method of analysis?
10:54:43 A. Yes. It's a widely recognized and accepted method of analysis.
Q. And to do this kind of an analysis -- withdrawn.
For what does one use an event study in connection with what we're talking about here today?
10:55:01 A. Well, as the name implies, event study is a statistical technique to study the impact of an event on stock price of a company after adjusting for market and industry or other unrelated factors.
Q. And what is your goal -- withdrawn.
10:55:24 Did you do an event study to come to your conclusions

in this case?
A. Yes, I did.
Q. And what is the goal of the event study that you performed in this case?
10:55:34 A. Well, the goal in an event study was to see if there is any relationship between plaintiffs' allegations and investors' losses.
Q. And do you use a tool called a regression analysis in conducting an event study?
10:55:54 A. Yes. Regression analysis is a tool that is used to conduct an event study.
Q. And in order to conduct an event study, do you need to perform a careful review of all of the economic evidence available?
10:56:07 A. That is correct.
Q. Now, did Professor Fischel conduct an event study in this case?
A. He did.
Q. And have you had an opportunity to review and study his
10:56:16 event study?
A. Yes, I did.
Q. In your opinion, is the event study that Professor Fischel conducted a proper event study?
A. In my opinion, his event study is subject to very serious
10:56:31 methodological flaws.

Q. Right. Okay.
Now, you will agree with me, won't you, sir, that you don't need a stock price increase on the day a company makes a false statement in order for inflation to come into that
03:14:59 company's stock price? Do you agree with that?
A. Yes, I do.
Q. Thank you.
In fact, in the Computer Associates case, another case in which you were an expert, you gave the opinion that
03:15:11 you don't have to measure a stock price increase in order to estimate inflation, right?
You did that in that case, right?
A. Well, what I did in that case was estimate inflation on the way in by looking at other companies --
03:15:30 Q. Sir, that wasn't my question, sir.
My question was, in that case you didn't measure the stock price increase in order to estimate inflation, right? You didn't do that, right?
A. Counsel, if I may answer?
03:15:42 Q. It's a "yes" or "no," sir. Did you do it?
I asked you the question at your deposition and you answered it.
A. Well, I think a "yes" or "no" answer would be misleading, so --
03:15:51 Q. I don't want you to mislead anybody here.

MR. BURKHOLZ: I will withdraw the question, your Honor.

BY MR. BURKHOLZ:

Q. Now, you will agree with me, sir, that a company does not
03:16:00 need to admit it committed fraud for inflation to come out of the stock price?

A. As a general proposition that could be true, yes.

Q. Okay.

In fact, there are a number of ways in which
03:16:12 inflation can come out of a company's stock price. It can come out through a company admission. It can come out from information from third parties, such as analysts or the media. Isn't that correct, sir?

A. Not necessarily.

03:16:24 Q. Okay. Sir, your deposition was taken in this case, right?

A. Yes.

Q. And you gave an oath to tell the truth in the deposition, right?

A. Of course I did.

03:16:32 Q. Okay. Let's look at your deposition at Page 43, Lines 5 through 21.

(Said videotape was played in open court.)

BY MR. BURKHOLZ:

Q. That was your testimony that day, right, sir?

03:17:46 MR. KAVALER: I'm going to move to strike. That's not proper. He said the same thing on the stand that he said in his deposition.

THE COURT: I will allow it.

MR. BURKHOLZ: Thank you, your Honor.

03:17:52 BY MR. BURKHOLZ:

Q. Now, it's your opinion in this case that even if this jury finds that Household made false statements, there is still zero inflation, right, sir? That is your opinion, right?

A. That mischaracterizes my opinion.

03:18:08 MR. BURKHOLZ: Can we see the deposition at Page 142, Lines 18 to 25, please.

(Said videotape was played in open court.)

BY MR. BURKHOLZ:

Q. That was your testimony on that day, right, sir?

03:18:49 A. That is correct.

Q. Thank you.

Now, did you read Mr. Aldinger's testimony in this case where he admitted that Household's 2001 10-K was materially false and misleading? Did you read that testimony?

03:19:06 A. I read through his testimony, and I do recall that interchange even though I did not carefully study his testimony.

Q. Well, let me give you that page so you can refresh your recollection.

03:19:19 (Document tendered.)

BY MR. BURKHOLZ:
Q. Let me read from the transcript of April 22nd, 2009, Page 3441.
"Q. Okay. You know that this was materially false and misleading, don't you?"
03:19:40
And this is a discussion of the 10-K, 2001 10-K.
"A. I understand that it was incorrect at the time.
"Q. My question is, sir, you understand that this is materially false and misleading, correct?
03:19:54 "A. You could say that.
"Q. No, sir. I am asking you a question.
"Do you understand that this is materially false and misleading?
"A. I will accept that characterization.
03:20:04 "Q. Is that a 'yes,' sir?
"A. Yes."
Did I read that correctly?
A. Yes, you did read the transcript correctly.
Q. And it's still your opinion that there is no inflation in
03:20:15 this case, correct?
A. I am not aware of any economic evidence --
Q. It's a simple question.
There is no inflation in this case, right? That's your opinion, right?
03:20:24 Even after Mr. Aldinger admitted that the 2001 10-K

was false, it's still your opinion that there is zero inflation in this case, right, sir?

You can answer that "yes" or "no," can't you?

A. It is my opinion that there is no economic evidence in
03:20:40 this case that shows that there was any inflation in Household's stock price at any time during the relevant period.

Q. And isn't it the jury's determination -- isn't it their role to decide whether or not any of Household's statements
03:20:55 were false and misleading in this case?

You agree with me on that, don't you?

A. Yes, I do.

Q. Thank you.

Let's talk about the index that you created, the six
03:21:07 companies that you put together.

Household was a Fortune 500 company during the time period that we were discussing here, right, 1999 to 2002?

A. Yes.

And I did not put those companies together. I
03:21:19 selected those companies, yes.

Q. Right. Okay. You selected them.

So Household is a Fortune 500 company.

Let's look at one of the companies that you selected. It's called CashAmerica. This is how you described it in your
03:21:34 expert report.

analyst who's afraid to talk because his company has an investment banking relationship with Household and they want to get fees from Household for doing the banking.

Here we have the same situation with Mr. Posner.

03:50:04 And you considered that in forming your opinion, didn't you, sir?

A. And you didn't want me to explain.

Q. No. You considered that in forming your opinion, didn't you?

03:50:11 A. Yes, I did.

Q. Okay. Thank you.

Now, you reject Professor Fischel's leakage model in this case, don't you?

A. Yes, I do.

03:50:40 Q. Okay. And Professor Fischel's opinion is that his leakage model is the most appropriate way to estimate damages in this case, right? That's your understanding of his opinion, right?

A. I heard him say that he preferred his leakage model, yes.

Q. Now, you, sir, in fact, in your expert report, Page 58,

03:51:00 referred to the fact that the Washington DFI report had leaked out at four various times during the summer of 2002, right, sir?

A. Where are you referring to in my expert report?

Q. Page 58.

03:51:39 A. I see that, yes.

Q. So there was evidence of leakage in this case on this Washington DFI report which basically said Household was committing predatory lending practices in Washington and around the country. And you saw evidence of that leakage, didn't you, sir? You put it in your report?
03:51:56
A. And as I testified this morning, there is a proper way to analyze that leakage.
Q. Okay. So your quarrel with Professor Fischel is over the way that he quantified the leakage, right? That's really your qualm, right?
03:52:09
A. I have no quarrel with Professor Fischel. I like the man. I am simply saying I have a difference of opinion with him on how to analyze this evidence of leakage.
Q. Okay. Now let's talk about the October 10th and 11th dates, okay?
03:52:25
Household gained about 3 billion in value on that day because the stock went from $22 to about $28, right, sir? About $6 a share, right?
A. I think it's about $7 a share, and it's about 3.3 billion, but give or take, you are about right.
03:52:43
Q. Now, Household stock had lost somewhere between 16 and $18 billion from November 15th, 2001, to October 10th, 2002, right, sir? Somewhere in that area?
A. I didn't do the calculation, but I can take your representation for it.
03:53:02

Q. And you used an event study in this case for both your specific disclosures and your leakage model, didn't you?
A. Correct.
I believe Professor Bajaj stated that my leakage
03:59:00 model was not based on an event study. That's simply incorrect.
Q. And did you follow, in your leakage model, the approach that's been accepted in your field that's laid out in the Cornell and Morgan article?
03:59:12 A. Yes, exactly.
Q. Now, your specific disclosure model, did you consider and reject any nonfraud reasons that Household stock price dropped on those dates?
A. Yes.
03:59:23 Q. And did you find that new information was disclosed on each of those dates?
A. Yes. What I noticed, listening to Dr. Bajaj's testimony where he continually stated that information that I said was part of a corrective disclosure was disclosed previously, he
03:59:46 was very selective in what he pointed to in terms of what was disclosed previously, and he left out critical information in my disclosure dates in connection with his statement that each and every -- all 14 happen to be stale or whatever the reason was that was given for the red lines, like the red Xs that we
04:00:14 had last time.

04:12:42 04:13:01 04:13:15 04:13:36 04:14:00

the companies that Household itself compared itself to but Dr. Bajaj's set of companies for purposes of this case, there was still dramatic underperformance of Household during the period from the first corrective disclosure until the end of the period, even taking into account the stock price increase on the last two days of the period.

So there is no difference in terms of underperformance in the relevant period between any of the set of companies, including Dr. Bajaj's set of six, what he calls consumer finance companies.

Q. What is your view of this issue or reason of headline risk causing Household stock decline?

A. Well, I have a couple of views.

My first view is, I don't think there is a meaningful difference between headline risk and the fraud that creates the headlines. It's not a separate factor. The headlines are appearing for a reason. They are not appearing out of nowhere because somebody feels like creating headlines.

The headlines are existing or appearing because there is a perception in the marketplace that there is sustained abusive practices which are victimizing consumers and ultimately to the detriment of investors as well. So that's one opinion.

I also have a second opinion that if you look at the pattern of, even as the defendants calculated, the appearances of disclosures of headline risk, it has nothing to do with Household stock prices during the relevant period. One of their exhibits, which they didn't show, which I think maybe we can show, which demonstrates that point very powerfully.

04:14:24 And third, another thing that Dr. Bajaj failed to mention -- my friend, Dr. Bajaj -- is that a number of analysts thought Household was benefiting by headline risk, not harmed but benefited. And we can go through that. I have some evidence of that. And the reason is that Household was a 04:14:47 strong, well-capitalized company.

A number of analysts thought that if there was going to be a regulatory crackdown because of abuses, the regulatory crackdown would affect the smaller fringe firms so that firms like Household would be in a better position competitively, 04:15:11 because a lot of their rivals -- the smaller, less well-financed firms -- would be driven out of business.

So I guess I have those three different opinions.

Q. Okay. Let me show you what we have marked as Plaintiffs' 140.

04:15:24 (Document tendered.)

BY MR. BURKHOLZ:

Q. This is an April 10th, 2002, Legg Mason report.

MR. BURKHOLZ: I would move this into evidence, your Honor, subject to the limiting instruction.

04:15:42 THE COURT: Number again, please?

MR. BURKHOLZ: It is 140.

THE COURT: It's admitted subject to the limiting instruction.

(Said exhibit was received in evidence.)

04:15:55 BY MR. BURKHOLZ:

Q. If we can, turn to the third page at the bottom. If we can highlight the paragraph, "Lastly."

I think it's Tab 5 in your binder.

A. This is an important --

04:16:21 Q. Let's get the context of this report.

So this is a Legg Mason report coming out April 10th, 2002, the day after the FRC conference in which Mr. Schoenholz and Mr. Aldinger spoke, right?

A. Correct.

04:16:37 Q. And Legg Mason -- this is the same analyst who was commenting -- had all the questions about the securitization and 10-K documents December 11th, right?

A. Correct.

Q. And what's the significance of the paragraph that we have 04:16:50 highlighted, to your opinion?

A. Well, this really goes to the issue of how market participants became increasingly skeptical of Household's denials and its defenses of its accounting and lending practices.

04:17:14 In fact, again to put this in context, I believe the last thing that Dr. Bajaj said was that the disclosure on April 9th that Household made, when the stock price went up, that proved, in his opinion, that there was some fundamental inconsistency between that stock price increase and plaintiffs' theory of the case.

In fact, in my opinion, it's precisely the reverse because what happened was, market participants looked at what Household said on April 9th; they thought it was false and misleading -- as I will get to this quote in a minute -- and, in fact, Household ultimately had to correct, had to restate, its disclosures about the reaging issue because they were found to be false and misleading.

So with respect to this particular paragraph, which really supports the point that I just made, the analyst states, "Lastly, and perhaps most importantly, we also believe that these policies" -- these are the reaging policies that were just described the day before by Household -- "overstate reported earnings per share and support a relatively lower price-earnings multiple for Household. While Household reported solid earnings per share and asset quality in 2001, we now know that the asset quality was artificially improved by the significant increase in the reaged portfolio.

"To put it another way, Household appeared to significantly outperform its fellow subprime lenders which struggled with rising losses and delinquencies last year. It now appears this was more accounting-related rather than driven by fundamentals, and we think Household should trade at a discount as a result."

04:19:25 So when Dr. Bajaj said the market learned the truth for the first time about Household's reaging policies the day before, again, if you want to use the word the "truth," the truth is precisely the reverse. What market participants concluded, and Household ultimately had to admit, that the very statement which Dr. Bajaj said gave investors the truth

04:19:48 was itself false and misleading and ultimately had to be corrected when Household had to correct its 2001 10-K.

MR. KAVALER: Your Honor, sidebar?

THE COURT: Sure.

(The following proceedings were had at sidebar:)

04:20:25 MR. KAVALER: Your Honor, this is sounding to me suspiciously like another instance where an expert is going to try and sneak up on a document you specifically prohibited, and that's the SEC consent decree.

MR. BURKHOLZ: That's not going to happen. I can

04:20:39 guarantee it.

MR. KAVALER: He said Household was required to say it was untrue. It sounded to me like that's where he is going.

I want to be absolutely certain that this time we

04:20:48 have a clear record.

I am objecting in advance. I am asking that counsel be instructed to make sure the witness --

THE COURT: Wait a minute. Let me find out what's going on first.

04:20:55 MR. BURKHOLZ: All he talked about was the 2001 10-K that was restated. That's all he said.

THE COURT: So when he said they had to restate it, he was talking about the 10-K?

MR. BURKHOLZ: Yes. That's already been testified.

04:21:05 He is not going to talk about any SEC consent.

THE COURT: That's already in evidence?

MR. KAVALER: I have no problem with that. I thought he was heading to the C and D. I want to be absolutely crystal clear. If that happens, I have a major problem,

04:21:15 because that's a document you ruled out.

We made specific tactical decisions in our case because of your rulings. We did not call witnesses we might have called. There is no way they can open their own door here, your Honor.

04:21:27 And if that is attempted or effected, it's going to have serious consequences.

MR. BURKHOLZ: It's not going to happen, your Honor.

THE COURT: Okay.

(End of sidebar proceedings.)

BY MR. BURKHOLZ:

Q. Professor Fischel, did you find analysts in these articles attributing Household stock price decline in late 2001 to October 2002 to predatory lending, reaging, and restatement?

A. Yes. Again, I heard Dr. Bajaj testify over and over and 04:22:26 over again that there was no relationship between Household stock price movements and inflation or the plaintiffs' allegations.

Again, to me, it's not a matter of a battle of statistics. It's a matter of which opinion more closely 04:22:46 approximates reality.

Q. Let me show you Plaintiffs' Exhibit 1450.

(Document tendered.)

MR. BURKHOLZ: Plaintiffs' Exhibit 1450 is an analyst report issued by Deutsche Bank on September 12th, 2002, 04:23:09 offered into evidence subject to the limiting instruction, your Honor.

THE COURT: It will be admitted.

(Said exhibit was received in evidence.)

BY MR. BURKHOLZ:

04:23:17 Q. If we can, turn to the second page of the document, the top part of the document.

What is the significance of this analyst report to your opinion regarding news coming out about predatory lending, reaging, restatement issues in 2002?

04:23:39 A. Well, again, Dr. Bajaj testified that Household's stock price had nothing to do with the allegations of predatory lending, the regulatory investigations and complaints, the lawsuits, consumer complaints. It was all a function of what happened with finance companies.

And I think I have shown, or certainly tried to show, that if you look at the economic evidence with respect to finance companies, there was dramatic underperformance of Household.

But, again, it's not just an opinion of an expert. It's supported by what observers were saying at the time.

Again, this first paragraph demonstrates that. The particular analyst talks about how "Household's stock has been under pressure due to concern about accusations of unfair and predatory lending practices, primarily consumer groups (ACORN and AARP) and the State of Washington Department of Financial Institutions." And then talks about the possibility of further developments along the same lines in the future.

Q. I want to go back to your S&P financial group.

During the time period of your disclosure period, November to October of '02 -- November of '01 to October of '02, how did Household perform within that group?

A. Much worse.

Q. Did you look to see how they performed?

A. Yes. They were the fourth worst out of 70 firms.

By the way, that's also true if you take a look at

04:25:39
04:25:56
04:26:21
04:26:44
04:27:10

the period that Dr. Bajaj selected -- again, not the correct period, in my view, because it didn't start with November 15th. But even looking at his period, Household was the fourth worst performing firm out of 70 firms -- approximately 70 firms in the S&P financials index, which was the index that Household itself, as required by law, told investors that it should be -- its performance should be judged against.

Q. Before we finish up today, I just want to go back to one more topic, and that's the up-leg, as the defendants refer to it, inflation coming into Household stock.

How does the false statements in this case cause inflation to be in Household stock?

A. The plaintiffs have alleged in this case that Household failed to disclose that its growth strategy was based on an unsustainable business model; that it was based on predatory lending practices that would ultimately be the subject of regulatory investigations, customer complaints, lawsuits, proceedings by states' Attorney General, et cetera. It also alleged that Household's accounting was incorrect; that its reaging policies masked delinquencies and defaults; and that its accounting for its credit card revenues was incorrect as demonstrated by the ultimate restatements.

When Dr. Bajaj gives his opinion over and over and over again that there is no economic evidence that there is any relationship between those allegations and inflation in Household stock, what he is saying is that had Household disclosed from the beginning of the relevant period everything that the plaintiffs allege that Household should have disclosed, its stock price would have been identical on every day during the class period.

04:27:37

In other words, if Household had disclosed, our growth model is based on predatory lending practices, which can't be sustained; if it disclosed that our accounting is overly aggressive and masked delinquencies; if it had disclosed that our accounting is ultimately going to be the subject of a restatement, that would have had no effect on investors at any point in time during the relevant period, even though we know when that information came out after November 15th, when Household's denials became less and less credible, the stock price fell dramatically.

04:27:56

04:28:16

So the premise of, really, both of my analyses -- the specific disclosure model and the leakage model -- is that stock price decreased, that dramatic underperformance from November 15th forward.

04:28:37

If the information that came out after November 15th, if that information had been properly disclosed at the beginning of the relevant period, Household's stock price would have fallen the same way that Household's stock price in fact fell when the correct, or truthful, information came out

04:28:58

when Household's denials became less and less credible after November 15th.

So the way inflation entered Household's stock prices is very simple.

04:29:15 Dr. Bajaj had all kinds of complicated exhibits, but the point is very, very simple.

If instead of the disclosures that Household in fact made before they had to change their disclosures, admit that some of their disclosures were false and misleading, if they 04:29:37 had said those things at the beginning, would the stock price have been the same, or would it have fallen?

And what I tried to do was attempt to quantify, using two different methods, how much Household's stock price would have fallen had there been correct disclosures at all points 04:29:57 in time.

In other words, if the information that came out gradually beginning on November 15th, 2001, if instead of coming out at that time and with Household continually denying the allegations, if Household had made truthful and accurate 04:30:16 disclosure at the beginning, its stock price wouldn't have been in the 40s. It would have been lower because investors would have realized the growth strategy is not sustainable, the accounting is not reliable, there is questions about the integrity of management and financial reporting. All those 04:30:34 things would have caused the stock price to be lower. That's what constitutes the inflation. That's what I tried to quantify under my two different methods.

MR. BURKHOLZ: Is this a good time to break, your Honor?

04:30:46 I can keep going.

THE COURT: No. It is. Very well.

Ladies and gentlemen, we will break for today. We will -- as you can no doubt perceive, we are nearing the close of the evidence in this case. So your patience and your 04:31:13 attention is, as always, appreciated. But know that we are almost at the end.

We will resume tomorrow at the usual time.

Please don't discuss the case with anyone or allow anyone to discuss it with you.

04:31:26 Have a good evening. We will see you tomorrow.

(Jury out at 4:31 p.m.)

THE COURT: You may step down.

THE WITNESS: Thank you, your Honor.

THE COURT: Tell me what our schedule is.

04:32:10 MR. BURKHOLZ: We have the 50(a) motion with respect to --

THE COURT: Tell me what the schedule is with the evidence. That's what I need to know.

MR. BURKHOLZ: Probably another 20 to 30 minutes.

04:32:22 THE COURT: With this witness?

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
	)	April 29, 2009
Defendants.	)	9:12 a.m.

VOLUME 21
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

A. That is my understanding.

BY MR. BURKHOLZ:

Q. And what is your opinion about the -- if the plaintiffs prove that there is a false statement on August 16, 1999, as to what the inflation is on that day?

09:19:30

A. It would depend on which of my two models the -- was used. Under my specific disclosure model, it's $7.97. And under my leakage model, it's whatever the number is on the table that I testified about and was handed to the jury as an exhibit.

09:20:00

Q. Okay. And is it your opinion that the inflation stays in the stock price until the truth comes out later?

A. Yes. Again, the definition of inflation is whether there's a difference between the actual trading price of the stock and what the price of the stock would have been had there been full and accurate disclosure. So by definition, inflation doesn't come out of the stock until the truth is revealed so that the actual trading price of the stock equals the price that the stock would be if there had been full and accurate disclosure.

09:20:23

09:20:43

Once the truth comes out, there's no difference between the two. Before the truth comes out, there's inflation in the stock.

Q. And does each subsequent statement made, assuming it doesn't disclose the truth, keep the stock inflated?

09:20:57

A. Yes. If there is a -- if there's inflation in the stock

09:21:23
on the first day and nothing happens that changes that inflation, that brings truth into the marketplace, then the inflation remains in the stock, which is the reason, if we're talking about my specific disclosure model, the amount of inflation stays the same until November 15, 2001, because that's the first date, based on my analysis, that investors began to learn the truth about Household's lending practices.
Q. Can we bring up Plaintiffs' Demonstrative 136.
This is the demonstrative that you prepared to show
09:21:51
the decline of Household compared to the S&P Financials Index that it compared itself to on its proxy?
A. Correct.
Q. Okay. And it shows -- and during this time period, this November 15, 2001, to October 11, 2002, Household's stock
09:22:07
price went from about 60 to $28; is that the 53 percent drop?
A. Correct.
Q. Okay. And its peers went down about half, a little more than half, 20 percent, 22 percent?
A. Well, actually, it looks like about half or a little bit
09:22:29
less than half.
Q. Okay. And so -- just to understand this, Household went down about $32, from 60 to $28, and its peers went down about half of that, so there's about 16 -- 15, $16 that Household went down more than its peers during this disclosure period?
09:22:47
A. Correct. And I also want to emphasize that in both of my

specific disclosure model and my leakage model, I controlled for the decline in the market and the industry in calculating the amount of inflation. I netted that out to make sure that Household was not penalized for general market or industry conditions.

09:23:10
Q. So this extra 15 or $16 that Household went down during this period, Professor Bajaj says it's due to something not related to the fraud. Your opinion is it's due to something -- information coming out about the fraud?

09:23:25 MR. KAVALER: Objection, your Honor, leading.

BY MR. BURKHOLZ:

Q. What is your opinion as to what the extra drop refers to?

A. Well, again, I have two different models. In my specific disclosure model, because I tried to be careful in calculating 09:23:42 the amount of the stock price decline that was attributable to inflation coming out of the stock, I calculated that $7.97 of that 15 or $16 was attributable to the truth coming out about Household's false and misleading statements.

And with the leakage model, because it's not based on 09:24:07 false and mis- -- corrective information on specific days, but it takes into account that there was leakage of negative information about Household, about the consumer complaints, about the lawsuits, about the Washington investigation and report, about the complaints by the attorneys general, 09:24:30 consumer groups, there's a focus not just on the 14 days but

on all days after November 15, so the amount of inflation is larger under that model.
Q. And the inflation under your leakage model varies between 13 and $23 a day during the relevant period?
09:24:50 A. Correct.
Q. Okay. Now, I want to show you three Household investor relations reports. They're for the year-end 2000, year-end 2001, and then for -- covering October of 2002, January to October 2002.
09:25:08 A. Okay.
Q. And the 2000 one is marked as Exhibit 411, 2001 is marked as Exhibit 820, and the 2002, October 2002, is 199. You can keep those in front of you.
(Tendered.)
09:25:26 MR. BURKHOLZ: A copy for counsel.
BY MR. BURKHOLZ:
Q. Now, if you can look at Exhibit 411, that's the 2000 investor relations report.
MR. BURKHOLZ: Your Honor, can we move 411 into
09:25:45 evidence, please, subject to the limiting instruction?
THE COURT: It will be admitted.
MR. BURKHOLZ: If we can bring up the third page -- or the fourth page of the document.
BY MR. BURKHOLZ:
09:25:59 Q. Do you see there's a comparison performance versus

Household peers in the S&P 500 and the S&P Financials?
A. I do.
Q. And if you could just highlight that.
Do you see where it shows that for Household for the year 2000, it went up 47.7 percent. The peer group that Household used went up 18.9 percent. And the peer group that it used in its proxy, the S&P Financial, those 80 or 90 companies went up 23.8 percent?
A. Yes. This is the period when Household was promoting its growth strategy and denying that it was engaging in any wrongdoing.
Q. Now, let's turn to the year-end 2001 investor relations report, and that's Exhibit 820.
MR. BURKHOLZ: Your Honor, could we move 820 into evidence, subject to the limiting instruction?
THE COURT: Admitted.
BY MR. BURKHOLZ:
Q. If we can turn to the third page of the document, the similar performance measures for the year-end 2001. If we can highlight that.
Do you see where it shows Household was up 5.3 percent for the year 2001; the peer group, the group of nine that we discussed yesterday that it compared itself to, was down 21.9 percent during 2001; and the S&P Financials were down 10.5 percent?

Do you see that?
A. I do. Again, this is right until the end of the year, November 15, when, as I've indicated in my opinion, the truth began to come out about Household's practices.
09:27:41 Q. Okay. Now, let's turn to the investor relations report that Household prepared for October 2002. And look at how they did for -- up until that time. This is Exhibit 199.
MR. BURKHOLZ: If we can move this into evidence, your Honor, subject to the limiting instruction.
09:28:01 THE COURT: Admitted.
BY MR. BURKHOLZ:
Q. If we can turn to the third page of the document, highlight the same information.
I'm sorry. Third page, 740. There we go.
09:28:16 And this shows for year to date January to October 2002, Household was down 59 percent; its peer group, 10.9 percent; and the S&P Financials, 11.2 percent.
Do you see that?
A. Yes.
09:28:35 Q. This -- just to be clear, this is the month-end October 2002, so it covers about three weeks after the relevant period. And did you look at that period, the three weeks after the relevant period?
A. I did.
09:28:49 Q. And what happened to Household's stock in those three

weeks?
A. It declined because market participants did not believe --
MR. KAVALER: Your Honor, objection, beyond the relevant period.
09:29:01 MR. BURKHOLZ: That's fine. I'll withdraw the question.
BY MR. BURKHOLZ:
Q. So this shows that Household -- Household's decline compared to its peer group that it compared itself to and the
09:29:09 S&P Financial, right?
A. Yes. This is the period of my -- after November 15, 2001, going into 2002 when I identified the market learning the truth about Household's practices, both in my specific disclosure model and in my leakage model.
09:29:31 Q. Is the declines that Household compared itself to, its peer group and the S&P Financials, consistent with what you observed in your analysis?
A. Yes. It's exactly what I testified to, that during the period Household was touting its growth model and denying any
09:29:45 wrongdoing, it vastly outperformed the peer groups that Household itself identified that it should be compared against.
Once Household's denials began to be more suspect, less believed by the market, as the complaints, the
09:30:03 investigations, the lawsuits, et cetera, analysts' criticisms

began to pile up after November 15, 2001, Household vastly underperformed the peers that it itself said it should be judged against.

Q. Okay. I want to go back to yesterday's discussion about
09:30:22 this dispute over stale information and new information.

And it was in the context of your 14 specific disclosure dates, I believe, that Professor Bajaj was criticizing them as being stale.

Do you remember that?
09:30:35 A. I do.

Q. Okay. Now, is there any relevance to your leakage model of the staleness or newness of these dates at all?

A. Yes. Well, first of all, I don't agree that any of them were stale. But beyond that, the leakage model includes every
09:30:55 single date after November 15, 2001. So when Dr. Bajaj said I should have focused on the day before or a different day than the day that I actually focused on, the leakage model includes all of those days.

And, therefore, whether or not Dr. Bajaj is correct
09:31:20 that the information is stale, which I don't believe, but even if I were to assume that he were to correct -- he were correct, it would not -- it would still not follow that I ignored those days because every one of those days is included in the leakage model.

09:31:36 Q. Now, in your leakage model, did you take out the decline

for Household that was due to the market and its peers?
A. I did.
Q. Okay. I meant the market and the industry.
A. Correct, I did.
09:31:46 Q. Okay. Now, did you find that there was new information that the market learned on each of those 14 dates?
A. Yes.
Q. Okay.
A. Yes, I did.
09:31:56 Q. And you heard some testimony about that December 3, 2001, Barron's article?
A. Correct.
Q. And I pointed out to Professor Bajaj that there was some information regarding another analyst separate from the
09:32:13 analyst Ryan who had written the reports before?
A. Yes, you did. I heard that.
Q. Is that new information that the market would have learned on that day?
A. Yes, absolutely. And particularly in the context of that
09:32:26 particular report by -- or the particular article by Barron's. This was a quote from an investment banking firm that was affiliated with Household that was getting fees from Household and, therefore, you would think ordinarily that such a firm that was being, in effect, paid by Household would be
09:32:56 favorably inclined towards Household.

simply because of the findings as to defendant Household is dependent upon the findings as to the individual defendants?

MR. BROOKS: That's not the case, your Honor -- sorry.

THE COURT: Excuse me?

MR. BROOKS: It's not the case, Judge. I think in the jury instruction discussions we've discussed Household can be liable even if the individual defendants aren't.

THE COURT: I don't think it makes any great difference, rather than -- I don't think it makes any great difference.

Then after the last defendant, the instruction form -- the verdict form -- reads, "If you answered 'No' for all of the statements in Questions 1, 4, 7, 10 and 13, you have finished with the verdict form."

I think you just need to add in there that they should turn to the last page, sign and date the form and let the Court know that they have finished.

MR. DROSMAN: Your Honor, I should probably add a date entry on the last form. I think there's just signature.

THE COURT: On the verdict form? Yeah.

MR. DROSMAN: I'll add a date.

THE COURT: Okay.

"If you answered 'Yes' for any statement, please proceed to Question No. 16."

Question No. 16 starts out, "Write the amount of loss per share, if any, that any defendant or former defendant's conduct -- " I guess we can leave out "or former defendants" -- " -- any defendant's conduct caused plaintiffs to suffer on each of the dates set forth in Table B.

"If no loss was caused on any date, write 'None'."

I suppose we could put in there, "Write 'None' or 'Zero.'"

We'll get this back with a bunch of zeros, then there's a problem. So, write "None" or "Zero."

Is there any objection to that portion of the verdict form?

MS. BEER: Yes, your Honor.

THE COURT: Proceed.

MS. BEER: There are two points here. One is that we believe before the jury is directed to Table B, they should record their decision as to which of the two models they are using.

THE COURT: How about that?

MR. DROSMAN: Well, your Honor, I think the jury is free to put something that's -- any damage amount that's -- reasonable in the Table B.

THE COURT: Yeah, but they only have two ways to figure out what's a reasonable damage amount: Either of the two theories Professor Fischel gave them. Anything else is outside the evidence presented in the case. It would be creating their own theory of liability.

MR. DROSMAN: Well, if that's the case, then what we're doing, again, is we're posing Question No. 17 and asking them the same question twice. Because we're going to know immediately what model they chose because it's either going to conform to the artificial inflation numbers in the leakage model or in the specific disclosures model.

THE COURT: You know what my fear is with the way this is -- and it's something I was going to bring up when we got to the next two questions, but I think it comes in logically with the issue counsel has raised -- that the way this is stated here, you'll have two tables come back all filled out. You'll have amounts from both the specific disclosure model and the leakage model.

MR. BROOKS: The only reason these questions are parsed out like this, Judge, is because Question 17 was going to go to the specific disclosures. I think that we can modify the questions and --

THE COURT: I think it would be best starting with what counsel has suggested, to ask them to make a specific finding as to which model they find most accurately reflects the damages, if any; and, then, specifically instruct them that they're to use one model and one model only.

MR. BROOKS: And we would suggest, Judge, that we

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
	)	April 30, 2009
Defendants.	)	8:41 a.m.

VOLUME 22
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

you've got a one-week period.

What Professor Fischel is telling you is other than that one week, he has ruled out any possible claim by this bunch of plaintiffs because of the lack of loss causation for the entire case. All those 40 statements that are in your verdict form, he's ruled them all out except for this one.

So let's look at this one. That's the day that plaintiffs claim that Bill made a false statement at the Goldman Sachs conference. Now, if that's what they want to say, that's what they've got to prove.

Who came here and testified about the Goldman Sachs conference? It wasn't Mr. Goldman. It wasn't Mr. Sachs. It wasn't any plaintiff. It wasn't anybody from Wall Street. It wasn't any reporter, any financial analyst. One person testified about that conference, one person who was there: Bill Aldinger. That's the evidence. There isn't any other.

Here's what he told you. Saturday night, he's at dinner, this phone rings, his cell phone, he answers it. It's Craig Streem. You met Craig. He's the director of corporate communications. He tells Bill a story is coming out in Barron's unflattering to the company.

Bill says, okay, get all my senior guys together in the office Sunday. So they get together Sunday. They know that Bill has long since been scheduled to speak at this Goldman Sachs conference on Tuesday, along with other corporate CEOs. It's one of the things Bill said he does, other CEOs do.

So they decide at the conference Bill is going to respond to the Barron's article. They spend Sunday preparing 02:41:34 some extra slides for Bill's PowerPoint that he's already prepared.

What do plaintiffs say that Bill said at the conference that was false? Well, what Bill found offensive to Household about the Barron's article he told you is it was 02:41:51 repeating stale information that Bill Ryan -- he's the analyst from Ventana Capital who Professor Bajaj explained to you yesterday is a bear analyst. He wants the price of stocks to go down. He's a short seller. A short seller boutique, I think he said. Whatever.

02:42:09 He has a longstanding dislike for Household Bill told you. He's always writing bad things about Household. It's part of Bill's life. He deals with it. He'd written some bad stuff about Household previously, and Barron's is now repeating Ryan's negative views of Household.

02:42:27 Barron's makes two points basically, as Bill understood it. One is that Household has adopted a new method of accounting, and the other is that Household is concealing that method of accounting.

Sound familiar? That's what these guys say. Bad 02:42:47 accounting, concealed accounting. Bill heard that a lot back causation. So he might get one or more of these nine boxes up here. It doesn't matter. These are the elements. He's got to prove all of them. I said this to you a number of times today. And the best he can do -- I don't think he can do that. But the best he can get is threes, a three, a three and a three. No good.

The way you're going to be asked to reflect that and judge this verdict form, the same one Mr. Dowd showed you, is this: Loss causation is an element of a 10b-5 claim. It's part of the claim. It's not damages. It's part of the claim. No loss causation, no claim.

Now, the activity that's being claimed didn't cause it. So what you do is you go up here to question number one, first of 40 pages because there are 40 statements, you go in the first column. Statement number one. Go to the box next to Household and check no. They haven't proven loss causation, therefore, they haven't proven an element of the claim. Then you go to the box for Gilmer and check no. Then you go to the box for Schoenholz, you check no. And then you go to the box for Aldinger, you check no. You've now finished -- if you agree with me -- with this page. Turn to the next page, do it again. 39 more times.

You don't have to go to question number two or question number three if you're checking no. If you're not checking no, then you have to work your way through the boxes.

My point is: Since he's got to get all four, loss causation turns out to be the simplest one, doesn't it? After all that talk, it turns out to be pretty easy because Fischel already did it for you with the red Xs. Check no. All right. That's the box chart and the verdict form.

One final note on Professor Fischel's charts. You know, ladies and gentlemen, and your common sense tells you, all these lawyers haven't been sitting around this room all these weeks taking up your valuable time for $7.97. I suspect we all know there's some larger number involved. Maybe none of us are quite sure what it is. But you know in this case every number winds up being a gigantic number.

For example, what Bill was telling you, how he came up with the 3 and a half billion dollar increase in the stock price, which compared to the $484 million for the attorney generals' settlement, he said there were 500 million shares outstanding. The stock went up about seven bucks. He multiplied 500 million by $7 and he came up with 3 and a half billion dollars. And that puts the settlement in perspective for you.

Every number in this case is very large because the company is very large. I don't want you to think -- first of all, I think you'll never think this because I don't believe you'll ever get to the point of picking a number off this chart. And, secondly, if you are picking a number, you can't

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
	)	May 1, 2009
Defendants.	)	1:20 p.m.

VOLUME 23
TRANSCRIPT OF PROCEEDINGS - JURY INSTRUCTIONS CONFERENCE
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiff:

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

then becomes meaningless.

THE COURT: Well, I think what you're attacking --

MS. BEER: It's a fundamental flaw with the form. It's a fundamental failure of proof on the plaintiffs' part.

01:36:08 THE COURT: That's what you're arguing. You're arguing Dr. Fischel's theory is insufficient to support the plaintiffs' claim. I understand that. You've argued that. To the extent that we disagree with that and we've ruled against that, any form we prepare is going to reflect that

01:36:20 ruling. And that's what you're pointing out here. I understand that.

MS. BEER: I'm trying to be very, very specific in this objection to this particular question asking the jury that if no loss was caused on any date, write none. Once they

01:36:40 have reached that conclusion, that on any given date the inflation was none, there's really -- they have no guidance for how to determine the figure to use on any day following that that doesn't just rely on speculation.

THE COURT: Okay. Well, that statement has been

01:36:57 there since this form was first proposed. And to the extent that you've made your objection, it stands on the record.

MR. KAVALER: Your Honor, just because I'm aware of your devotion to accuracy, I just want to point out you've fallen to Mr. Dowd's erroneous method of speech. It's

01:37:17 Professor Fischel and Dr. Bajaj.

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
) May 4, 2009
Defendants.) 9:00 a.m.

VOLUME 24
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

To prevail on their 10b-5 claim against any defendant, plaintiffs must prove each of the following elements by a preponderance of the evidence as to that defendant:

One, the defendant made, approved or furnished information to be included in a false statement of fact or omitted a fact that was necessary, in light of the circumstances, to prevent a statement that was made from being false or misleading during the relevant time period between July 30, 1999, and October 11, 2002;

Two, the false statement or omission was material;

Three, the defendant acted with a particular state of mind; and

Four, the defendant's statement or omission was a substantial factor in causing plaintiffs' economic loss.

If you find that the plaintiffs have proved each of the above elements as to any defendant, your verdict should be for the plaintiffs and against that defendant. If you find that the plaintiffs have not proved each of the above elements as to any defendant, your verdict should be for that defendant and against the plaintiffs.

To meet the first element of their 10b-5 claim against any defendant, plaintiffs must prove that during the relevant time period, the defendant made a false or misleading statement of fact or omitted a fact that was necessary to prevent a statement that was being made from being misleading.

Table A to the verdict form that you will be given sets forth the statements that plaintiffs claim are false and misleading.

In determining whether a statement of fact is false or misleading, you must consider the statement in light of the circumstances that existed at the time it was made.

An omission violates 10b-5 only if the defendant has a duty to disclose the omitted fact. The defendants do not have a duty to disclose every fact they possess about Household or any fact that is in the public domain. But each defendant has a duty to disclose a fact if a prior or contemporaneous statement he or it made about the same subject would be misleading if the fact is not disclosed. If a defendant does not have a duty to disclose a fact but chooses to make a statement about it, the statement must be truthful and not misleading.

Defendant Household is required to file with the SEC an annual report, called a 10-K, and quarterly reports, called 10-Qs, for the first three quarters of each year. These reports include financial statements and other disclosures. Financial statements present a company's financial position at one point in time, or its operating results and cash flows for a specified period. Household has no duty to update its 10-Q reports on any cycle other than quarterly.

Household is required to prepare its financial statements regarding the delinquency status of loans and the accounting for its credit card agreements in accordance with Generally Accepted Accounting Principles or G-A-A-P, GAAP. GAAP are the accepted rules and procedures used by accountants in preparing financial statements. If you find that any of Household's financial statements regarding the delinquency status of loans and the accounting for its credit card agreements was not prepared in accordance with GAAP, you may presume that that portion of the financial statement is false or misleading.

To meet the second element of their 10b-5 claim against any defendant, plaintiffs must prove that the false or misleading statement of fact that the defendant made, or failed to make, was material.

A statement of fact or omission is material if there is a substantial likelihood that a reasonable investor would have considered it important in deciding whether to buy or sell Household stock. An important statement or omission is one that a reasonable investor would view as significantly altering the total mix of information to be considered in deciding whether to buy or sell Household stock.

A reasonable investor is presumed to have ordinary intelligence and is presumed to have information available in the public domain.

In determining whether a statement or omission is material, you must consider it in light of the circumstances that existed at the time the statement was made or the fact was omitted.

09:41:00 To meet the third element of their 10b-5 claim against any defendant, plaintiffs must prove that the defendant acted with a specific state of mind. Defendants William Aldinger, David Schoenholz, Gary Gilmer acted with the required state of mind in making a statement of material fact

09:41:25 if he made the statement knowing that it was false or misleading or with reckless disregard for a substantial risk that it was false or misleading.

Defendants William Aldinger, David Schoenholz or Gary Gilmer acted with the required state of mind in failing to

09:41:46 disclose a material fact if he knew that the omission would make another statement he made on the same subject misleading or he recklessly disregarded a substantial risk that the omission would make another statement he made on the same subject misleading.

09:42:05 A defendant's conduct is reckless if it is an extreme departure from the standards of ordinary care and he knows that it presents a risk of misleading investors or the risk is so obvious that he had to have been aware of it.

A finding that any defendant acted with the required

09:42:29 state of mind depends on what he knew or should have known when he made a particular statement or omission.

Defendant Household, which can only act through its employees, had the required state of mind with respect to a false statement or omission if defendants William Aldinger, 09:42:51 David Schoenholz, Gary Gilmer or any other Household employee made the statement or omission with the required state of mind while acting within the scope of his or her employment.

The fact that Household restated certain financial statements does not, by itself, prove that any defendant acted 09:43:14 knowingly or recklessly with respect to the information in the original financial statements. However, you may consider it along with any other evidence to determine whether any defendant acted knowingly or recklessly.

The intent of a person or the knowledge that a person 09:43:39 possesses at any given time may not ordinarily be proved directly because there is no way of directly scrutinizing the workings of the human mind. In determining the issue of what a person knew or what a person intended at a particular time, you may consider any statements made or acts done by that 09:44:02 person and all other facts and circumstances received in evidence which may aid in your determination of that person's knowledge or intent.

You may infer, but you are certainly not required to infer, that a person intends the natural and probable 09:44:20 consequences of acts knowingly done or knowingly omitted. It omission of material fact.

Both of these elements must be established as to each individual defendant. The parties have stipulated that both William Aldinger and David Schoenholz actually exercised general control over the operations of Household, so no proof is required on that element as to those two defendants, in their relation to Household.

Upon retiring to the jury room, you must select a presiding juror. The presiding juror will preside over your deliberations and will be your representative here in court.

A verdict form has been prepared for you, and we will go through that verdict form.

A copy of the very first page of the verdict form is on the screen now, ladies and gentlemen.

The verdict form you receive will include two tables, Tables A and B, and will require you to answer a series of questions about the issues in this case.

You are, of course, free to answer those questions in whatever order you prefer.

For example, as to statement number one, in the case of defendant Household, you might first look to Table A to identify what statement number one is. Table A, you recall, is a list of all of the false statements plaintiffs claim defendants made. You would then answer question number one.

If your answer to question number one is no, then the

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
) May 7, 2009
Defendants.) 10:30 a.m.

VOLUME 26
TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury

APPEARANCES:

For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MS. MAUREEN E. MUELLER
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
BY: MR. DAVID CAMERON BAKER
MR. LUKE O. BROOKS
MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
100 Pine Street
Suite 2600
San Francisco, California 94111
(415) 288-4545

JUROR STUBBS: Gail Stubbs.
THE COURT: Ma'am, did you hear the verdicts as published by the Court?
JUROR STUBBS: Yes.
03:00:45 THE COURT: And do these verdicts constitute your individual verdicts in all respects?
JUROR STUBBS: Yes.
JUROR BERARD: James Berard.
THE COURT: Sir, did you hear the verdicts as
03:00:55 published by the Court?
JUROR BERARD: Yes.
THE COURT: And do these verdicts constitute your individual verdicts in all respects?
JUROR BERARD: Yes.
03:01:03 JUROR HUNT: David Hunt.
THE COURT: Sir, did you hear the verdicts as published by the Court?
JUROR HUNT: Yes.
THE COURT: And do these verdicts constitute your
03:01:11 individual verdicts in all respects?
JUROR HUNT: Yes.
THE COURT: Very well.
Any other motions before I release the jury?
MR. DOWD: None from the plaintiffs, your Honor.
03:01:22 MR. KAVALER: Yes, your Honor. We believe the

verdict is fatally inconsistent in a number of ways, which we're prepared to detail to the Court. I'm not sure if you need the jury to be present. Obviously it's up to you.

03:01:36 Primarily it's the interspersal of the yeses and nos when juxtaposed again Professor Fischel's leakage model, whatever the -- whatever our position on the leakage model ab initio might have been, it certainly doesn't work that way. And certainly a verdict which contains both yeses and nos but nevertheless adopts Professor Fischel's leakage damage model

03:01:55 is fatally flawed and internally inconsistent.

THE COURT: Okay.

MR. KAVALER: We have other things we'll say at the appropriate time, but that is something which I thought should be mentioned before the jury retires.

03:02:07 THE COURT: All right. Does the plaintiff have anything to say?

MR. DOWD: No, your Honor. We think the verdicts are consistent.

THE COURT: Very well.

03:02:12 Ladies and gentlemen, that constitutes your jury service in this case. And I might add, quite a long, diligent and some might even say heroic service it has been. I want to personally thank you for your patience, your attentiveness and your persistence as jurors in this case. I don't need to tell

03:02:44 you, it has been a difficult case. It has been a long case.

It has been a complicated case. But it has been an important case. And as such, I thank you for having taken the time out of your lives at what I know is considerable cost both personal and pecuniary to many of you to do this.

03:03:09 I also tell you that you should consider yourselves to some -- in some respect fortunate to have had the opportunity to take part in what is a fundamental aspect of our democratic way of life. You have served your country today without having to join the military, pay anything extra

03:03:39 in taxes or volunteer for community service. And we very much appreciate it, and you should be proud of it.

We'll be back for any of you who wish to stick around to talk to you if you want to -- have any questions for me, if there's anything you want to ask, anything you want me to

03:03:57 explain. But you need not stick around.

Now, you are not required to and I would advise you not to speak to anyone about your jury service after you leave here today. It's done. You have done your duty. You have finished. You have done it well. Put it behind you and move

03:04:15 on.

Retire to the jury room.

(Jury out.)

THE COURT: Date for motions?

(Brief pause.)

03:05:06 THE COURT: Does anybody need a date for motions?

MR. KAVALER: Your Honor, I'm waiting to hear if Mr. Dowd has anything to say.

MR. DOWD: Not at this time, your Honor. Did you ask for a date for motions?

03:05:16 THE COURT: Motions, yes.

MR. KAVALER: Your Honor, we will be making formal motions. But at this time, I want to renew the 50(a) motion. And specifically I want to observe to the Court that -- there's a couple of points. Professor -- the jury has 03:05:35 selected Professor Fischel's more dubious by far, legally and economically, damage model to the exclusion of anything else. So we renew the motion on that ground since that model, in our view, is not legally permissible and cannot sustain a judgment.

03:05:48 Secondly --

THE COURT: Let me ask you to -- I mean, the record will reflect that you have reserved -- I'm ruling that you're reserving any issues you wish to raise in a written motion. So how much time do you want to file a motion? That's really 03:06:04 what we need to --

MR. KAVALER: Your Honor, let me say this: I won't repeat everything I've said previously. And I appreciate your Honor's comment.

To the extent the jury has found against the 03:06:14 defendant Gilmer on restatement, I believe the record contains

CERTIFICATE OF SERVICE

I hereby certify that on March 28, 2014, I authorized the electronic filing of the foregoing with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit by using the CM/ECF system. I further certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

s/ Michael J. Dowd
MICHAEL J. DOWD
Lead Counsel for Plaintiffs-Appellees

No. 13-3532

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

GLICKENHAUS INSTITUTIONAL GROUP,
Plaintiff-Appellee,
vs.
HOUSEHOLD INTERNATIONAL, INCORPORATED, et al.,
Defendants-Appellants.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Case No. 1:02-cv-5893
The Honorable Ronald A. Guzman, District Judge

PLAINTIFFS-APPELLEES' SUPPLEMENTAL APPENDIX
VOLUME 2 OF 3

ROBBINS GELLER RUDMAN
& DOWD LLP
MICHAEL J. DOWD
SPENCER A. BURKHOLZ
DANIEL S. DROSMAN
JOSEPH D. DALEY
MAUREEN E. MUELLER
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
LUKE O. BROOKS
JASON C. DAVIS
Post Montgomery Center
One Montgomery Street, Suite 1800
San Francisco, CA 94104
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs-Appellees

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ORDERS FROM THE DISTRICT COURT

TRANSCRIPTS

OTHER DOCUMENTS

HOUSEHOLD

To Daniel J. Pantelis/Household International@HFN
cc

Subject DAS request - OTS recidivists

Dan, based on what you said over the phone, I have put together what DAS wants. Pls review.

Recidivism Report by BUs OTS version 06-11-02.xls

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0079

PANTELIS
DEP. EXH. # 84
Date: 11/9/06

Case: 13-3532 Document: 74-2 Filed: 03/28/2014 Pages: 146

Recidivism after 12 months - Reporting 2+ and C/O $ (Aggreage Total for All Incident)

Recidivism ($)	12/31/2001			12/31/2000	
	% of total re-aged	2+ and C/O $	Re-aged $ Total	% of total re-aged	2+ and C/O $
Auto	36.9%	$113,940,858	$308,924,604	36.6%	$31,342,425
Card	41.5%	$86,677,599	$208,615,536	42.0%	$90,939,939
Retail Services	35.5%	$189,341,436	$533,426,722	32.7%	$100,770,295
RE Total	13.1%	$616,113,592	$4,719,164,042	13.1%	$345,499,998
Other Unsec	27.5%	$871,034,566	$3,167,453,546	25.8%	$730,477,588
RE - CL	11.5%	$368,658,426	$3,210,389,389	12.8%	$279,168,415
RE - MS	16.4%	$247,455,166	$1,508,774,653	14.3%	$66,331,583

Recidivism after 12 months - Reporting 2+ and C/O $ (Added back subsequently re-aged accounts to delinquency status)

Recidivism ($) - Restated	12/31/2001			12/31/2000	
	% of total re-aged	2+ and C/O $	Re-aged $ Total	% of total re-aged	2+ and C/O $
Auto	48.2%	$148,945,757	$308,924,604	41.3%	$35,303,284
Card	64.3%	$134,190,226	$208,615,536	59.1%	$128,003,647
Retail Services	69.5%	$370,971,163	$533,426,722	58.3%	$179,746,550
RE Total	53.9%	$2,542,356,769	$4,719,164,042	50.2%	$1,327,737,075
Other Unsec	77.5%	$2,454,874,179	$3,167,453,546	66.3%	$1,875,939,298
NRE	78.7%	$1,503,103,620	$1,910,333,444	66.5%	$1,235,267,992
PHL	75.2%	$701,099,343	$932,138,723	66.1%	$426,589,639
DM	77.1%	$250,671,216	$324,981,378	65.9%	$214,081,668
Total (Check)	77.5%	$2,454,874,179	$3,167,453,546	66.3%	$1,875,939,298
RE - CL	58.1%	$1,864,423,809	$3,210,389,389	49.9%	$1,088,710,778
RE - MS	44.9%	$677,932,960	$1,508,774,653	51.5%	$239,026,297
NRE + DM	78.5%	$1,753,774,836	$2,235,314,822	66.4%	$1,449,349,659
PHL	75.2%	$701,099,343	$932,138,723	66.1%	$426,589,639

Recidivism after 12 months - Cash collected or Principal Reduction

Recidivism (Principal Reduction)	12/31/2001				
	% of $ total	$ per acct	Princ Reduc.	Re-aged $ Total	Re-aged # Total
Auto	13.3%	$1,801	$41,092,122	$308,924,604	22,822
RE Total	17.8%	$11,394	$840,230,514	$4,719,164,042	73,745

Re-aged $ Total
$85,520,459
$216,426,734
$308,050,430
$2,645,163,429
$2,828,009,564
$2,181,196,023
$463,967,406

Re-aged $ Total
$85,520,459
$216,426,734
$308,050,430
$2,645,163,429
$2,828,009,564
$1,857,519,736
$645,495,708
$324,994,120
$2,828,009,564
$2,181,196,023
$463,967,406
$2,182,513,856
$645,495,708

12/31/2000				
% of $ total	$ per acct	Princ Reduc.	Re-aged $ Total	Re-aged # Total
13.4%	$1,725	$11,458,437	$85,520,459	6,642
19.8%	$11,252	$523,129,271	$2,645,163,429	46,494

Other Unsec	18.5%	$950	$585,776,900	$3,167,453,546	616,540
RE - CL	18.5%	$11,100	$593,655,444	$3,210,389,389	53,483
RE - MS	16.3%	$12,169	$246,575,070	$1,508,774,653	20,262

Recidivism (Cash Collected)	12/31/2001				
	% of $ total	$ per acct	Total $ Collected	Re-aged $ Total	Re-aged # Total
Card	26.8%	$1,308	$55,828,544	$208,615,536	42,684
Retail Services	29.5%	$630	$157,603,835	$533,426,722	250,063

25.4%	$1,111	$719,476,723	$2,828,009,564	647,796

20.2%	$10,804	$441,123,274	$2,181,196,023	40,830
17.7%	$14,478	$82,005,997	$463,967,406	5,664

12/31/2000				
% of $ total	$ per acct	Total $ Collected	Re-aged $ Total	Re-aged # Total
26.9%	$1,282	$58,265,641	$216,426,734	45,443
33.2%	$656	$102,406,088	$308,050,430	156,073

HOUSEHOLD

Dave Schoenholz

Vice Chairman – Chief Financial Officer

Financial Relations Conference • April 9, 2002

CURRENT INVESTOR TOPICS

- Transparency of financial statements
- Securitizations
- **Credit management policies**
  - **Charge-off policies**
  - **Reage activity**
- Reserve adequacy
- Liquidity management

HOUSEHOLD

CREDIT POLICIES

Overview

- Policies appropriate for each customer segment
- Finance company customer differs from "prime" bank customer; requires different approach
- In some cases, charge-off policy is longer than bank policy to optimize customer management
- Loss reserving policies consistent with charge-off periods

HOUSEHOLD

CHARGE-OFF POLICIES BY PRODUCT

Real Estate	Carrying values > NRV charged off at foreclosure or settlement with borrower
Auto Finance	Carrying values >NRV charged off at earlier of: - vehicle repossessed and sold - 90 days after repo if not sold, or Entire balance charged off at 150 days delinquent
MasterCard/Visa	6 months delinquent
Private Label	9 months delinquent
Personal Non-Credit Card	9 months contractually delinquent and no payment for 6 mos.; not to exceed 12 mos. contractually delinquent*

** $15 million of unsecured loans @ 12/31/01 were > 9 months contractually past due and not charged off.*

Bankruptcy charge-off policies, in general, are the same as above or within 60-90 days of notification

HOUSEHOLD

REAL ESTATE CHARGE-OFFS

$ Millions	1999	2000	2001
Managed Charge-offs	$141.5	$145.6	$210.5
Total REO Expenses	49.6	84.6	123.7
Total Charge-off + REO	**$191.1**	**$230.2**	**$334.2**
% of Average Managed Receivables	.74%	.71%	.84%

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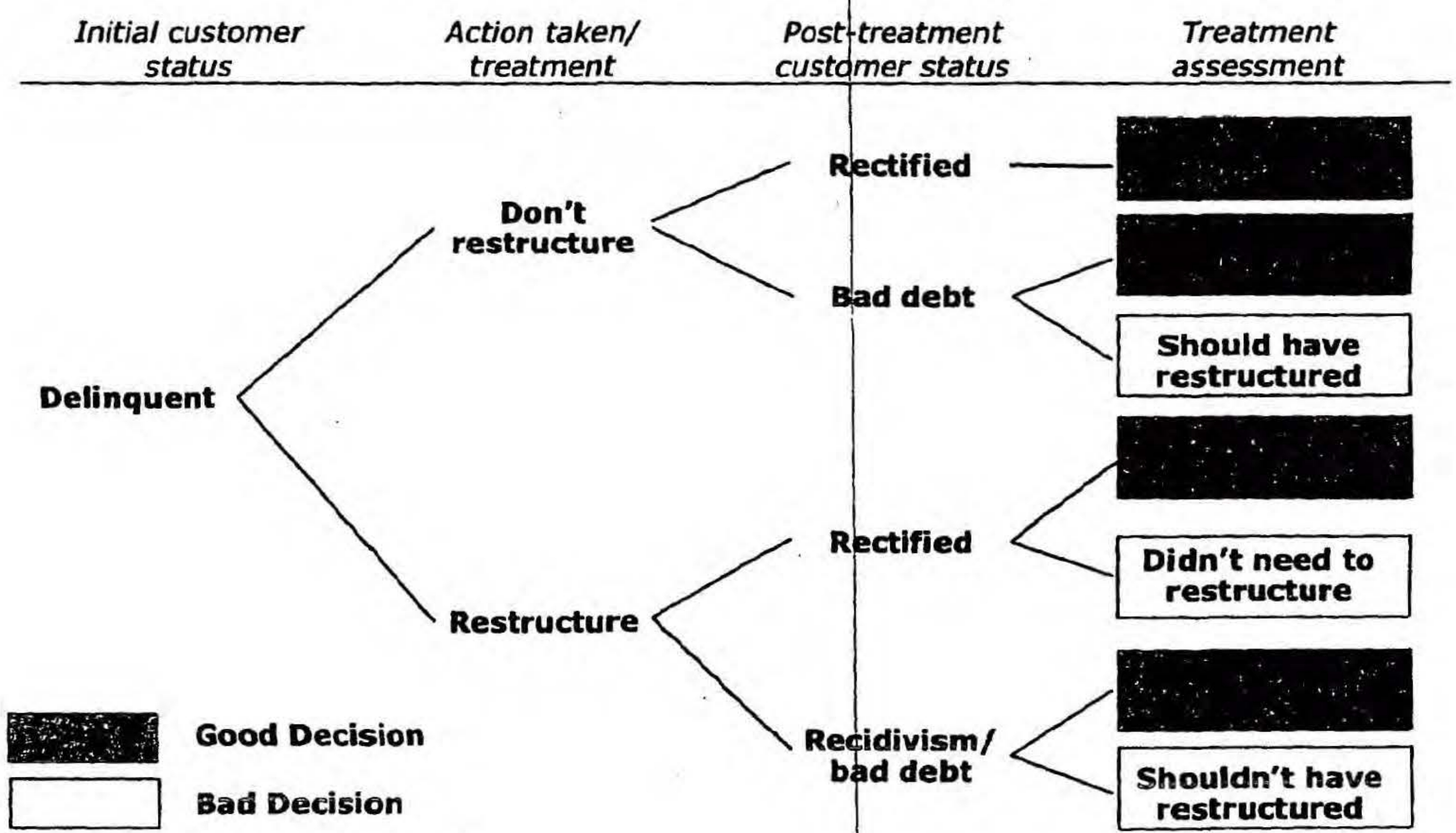
REAGE POLICIES

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
- Allows customers to recover from “bumps in the road” and to preserve credit bureau information
- Allows collectors to work on higher-risk accounts that have not indicated willingness and/or ability to pay
- Policies have been consistently applied and are appropriate for each product

HOUSEHOLD

THE RESTRUCTURING DECISION



RESTRUCTURING CONTROLS

- Accounts must meet performance criteria to be eligible for reaging/restructuring
- Statistical modeling employed in the restructuring decision process
- Collectors incented on “promises to pay” and dollars collected
- Only experienced collectors may provide reage as a collection option/strategy
- Customers cannot “game” the system
- Accrual of interest income is stopped and/or reserved upon restructuring

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TOTAL HOUSEHOLD

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
Reaged once				
- Last 12 months	9.4%	$8,804	8.5%	$6,780
- Before	3.2	2,997	2.8	2,233
Multiple reage	4.3	4,028	3.0	2,393
Total reaged	**16.9%**	**$15,829**	**14.3%**	**$11,406**

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REAL ESTATE SECURED

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
Reaged once				
- Last 12 months	12.0%	$5,200	11.3%	$3,998
- Before	4.1	1,777	3.1%	1,097
Multiple reage	3.9	1,690	2.6%	920
Total reaged	**20.0%**	**$8,667**	**17.0%**	**$6,015**

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AUTO FINANCE

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
Reaged once				
- Last 12 months	11.8%	$755	7.2%	$329
- Before	2.2	140	1.3%	59
Multiple reage	1.0	63	0.1	4
Total reaged	**15.0%**	**$958**	**8.6%**	**$392**

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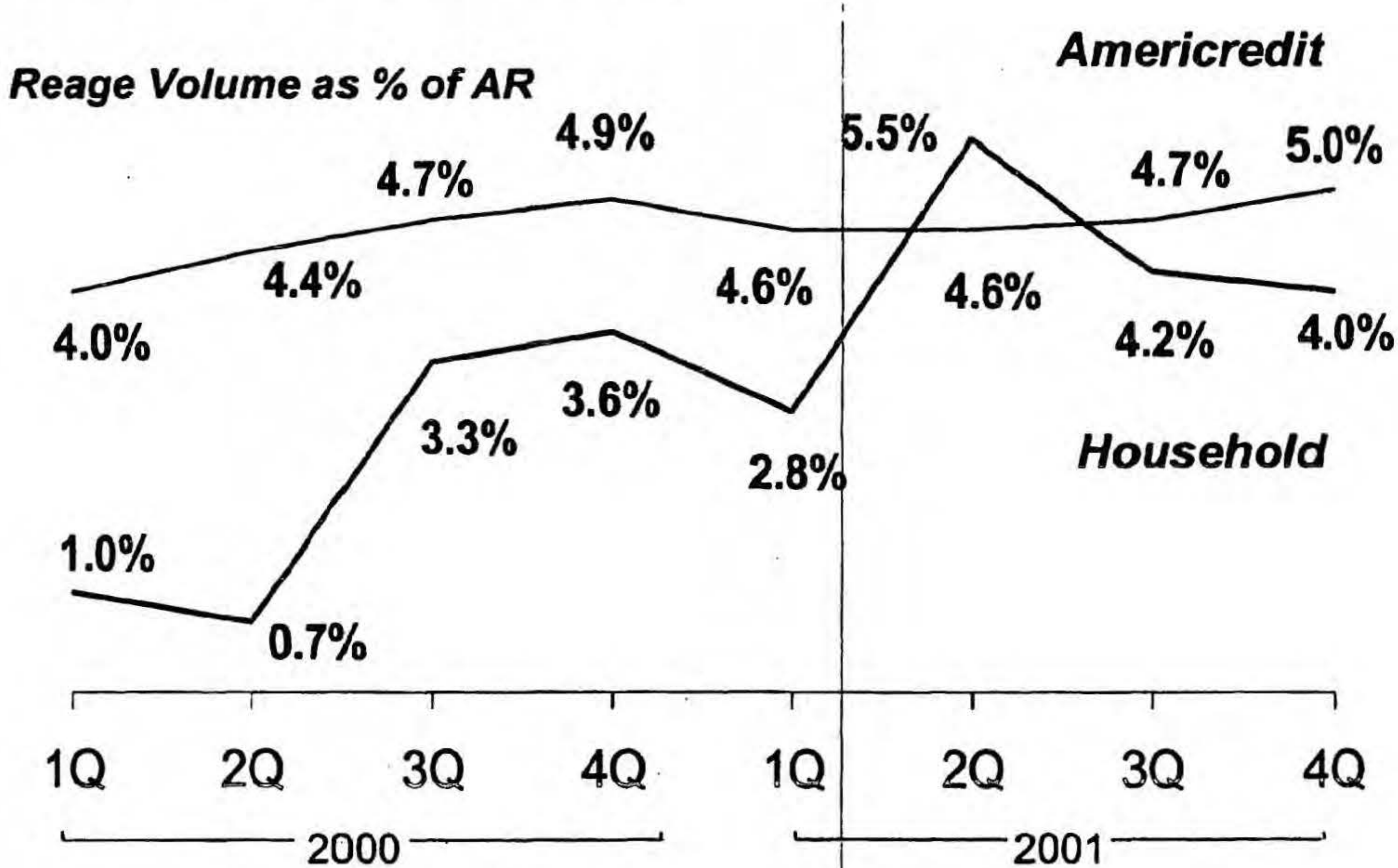
AUTO FINANCE

Quarterly Trends in Reaging



MASTERCARD/VISA

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
Reaged once				
- Last 12 months	2.2%	$352	2.4%	$364
- Before	.7	112	NA	NA
Multiple reage	.3	48	NA	NA
~~otal reaged~~	~~3.2%~~	~~$512~~	~~2.7%~~	~~$409~~

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HOUSEHOLD

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PRIVATE LABEL

Reaged Portfolio

	12/31/01		12/31/00	
$ Millions	**%**	**$**	**%**	**$**
Reaged once				
- Last 12 months	6.0%	$720	5.7%	$588
- Before	2.3	276	3.3	341
Multiple reage	2.8	336	2.7	279
Total reaged	**11.1%**	**$1,332**	**11.7%**	**$1,208**

HOUSEHOLD

PERSONAL NON-CREDIT CARD

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
Reaged once				
- Last 12 months	11.1%	$1,711	9.9%	$1,360
- Before	4.3	663	4.9	673
Multiple reage	11.8	1,818	7.3	1,003
Total reaged	**27.2%**	**$4,192**	**22.1%**	**$3,036**

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RECIDIVISM STATISTICS BY PRODUCT*

	Percentage to Amount Reaged	
	12/31/01	12/31/00
Real Estate Secured	13.1%	13.1%
Auto Finance	36.9	36.6
MasterCard/Visa	41.5	42.0
Private Label	35.5	32.7
Personal Non-Credit Card	41.9	33.2

* *Recidivism reflects accounts that are 2+ delinquent or charged off one year after reage*

back to del

HOUSEHOLD

CREDIT POLICIES - SUMMARY

- Credit policies are appropriate for business model and consistently applied
- Credit policies tightly controlled
- Loss reserves and income statement provisions properly set
- Goal is greater transparency

09:14am EDT 10-Apr-02 Legg Mason (Brendler, Chris(410)454-5505) HI COF KRB MXT
HI: Spring Cleaning But Risks Remain part 1

Legg Mason Wood Walker, Inc.
Household International, Inc.
NYSE:HI

Company Note
April 10, 2002
RATING: M/2

Chris Brendler, CFA
ccbrendler@leggmason.com
(410) 454-5505

Spring Cleaning But Risks Remain

FUNDAMENTALS

Price (04/9/02)	$59.25	FY End Dec	2001	2002	2003
S&P 500 Index (04/9/02)	1,118	Revenue(MM)	$10,847.	$12,594.	$13,933.4
52-Week Range	70-44				
Shares Out(MM)	457.7				
Float Outstanding(MM)	447.1	EPS			
Market Cap(MM)	$27,118.7	Q1	$0.91A	$1.04E	$1.17E
Enterprise Value(MM)	$27,118.	Q2	$0.93A	$1.06E	$1.20E
Avg Daily Vol(3mo)	3,791,80	Q3	$1.07A	$1.19E	$1.35E
Projected 3Yr. CAGR	15.4%	Q4	$1.17A	$1.31E	$1.48E
Debt/Total Cap.	NA	Fiscal Year	$4.08A	$4.60E	$5.20E
Net Cash/Share	NA				
Dividend	$0.88	P/E	14.5x	12.9x	11.4x
Yield	1.5%				
Book Value/Share	$19.47				
Target Price	NA				

Key Points

* At its annual debt and equity investor conference yesterday, HI provided some impressive disclosure on its reage policies (whereby delinquent loans can be brought current surprisingly easily and frequently).
* We have been neutral on HI shares since our detailed examination of HI's asset quality policies last December found considerable leeway in its policies with regard to charge-off recognition and delinquency reporting.
* Unfortunately, while we were quite impressed with and appreciated the new disclosure, we have a hard time becoming comfortable with the size and growth in the reaged portfolio.
* Specifically, we learned that last year, the reaged portfolio rose by $4.4 billion to 16.9% of the managed portfolio, up from 14.3% a year earlier. In addition, 4.3% of portfolio had been reaged more than once, up from 3.0% at year-end 2000.
* While the size of the reaged portfolio is in the range of our estimates, we remained concerned that (1) HI may be susceptible to worsening asset quality even as the economy recovers as the reaged portfolio seasons, (2) HI would take a sizable hit if HI were for some reason to need to change or stop using these policies (the reaged portfolio is nearly $16 billion), and (3) even if HI continues using these policies, earnings quality is lower relative to its

-- FIRST CALL --

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peers, at least while the reaged portfolio continues to grow.
* We could perhaps become more comfortable if the reaged portfolio were to begin to stabilize this year. However, at this point it is unclear if HI will continue to provide this information, particularly on a quarterly basis. We should learn more when HI reports 1Q02 results next week. Our EPS estimate is $1.04, in line with consensus.
* Until then, however, we are maintaining our Market Performance rating on the shares as we believe this issue will limit P/E multiple expansion. In addition, with the shares trading at 13x our 2002 EPS estimate, the valuation is not overly compelling, and we prefer to wait until either we can become more comfortable with earnings quality or the valuation becomes more attractive before raising our rating, all else being equal.

Discussion

HI held its annual debt and equity investor conference yesterday and, in addition to the usual business line presentations, HI provided some impressive new disclosure in an attempt to remove of the some issues that have been hanging over the stock since late last year. Most notable was the detailed disclosure of its reage policies, whereby delinquent loans can be brought current surprisingly easily and frequently. We have been neutral on the HI shares since our detailed examination of HI's asset quality policies last December found considerable leeway in its policies with regard to charge-off recognition and delinquency reporting. Our primary concern was that these policies materially understated the true asset quality ratios (NCOs and delinquencies), particularly as the consumer has weakened in the recession. Without at least some disclosure on the level of reages, we had very little confidence in HI's reported financial results.
To our surprise, HI provided this detailed disclosure yesterday. We were surprised not just at the disclosure (since the stock has largely recovered from these issues), but the level of detail. Not only did HI provide reages for 2000 and 2001, but it also provided detail by product line, as well as how many had been reaged once in the last year, once more than 1 year ago, and multiple times. In addition, HI provided some measure of post-reage performance. Rather than showing loss rates, HI disclosed recidivism rates by product -- defined as the percentage of reaged accounts that have either charged-off or gone 2+ payments delinquent one year.

Unfortunately, while we were quite impressed with and appreciated the disclosure, the data itself were quite troublesome. In 2001, the reaged portfolio rose by $4.4 billion to 16.9% of the managed portfolio, up from 14.3% a year earlier. Also, 4.3% of portfolio had been reaged more than once, up from 3.0% at year-end 2000. We are uncertain how to view these data. On one hand, the size of the reaged portfolio doesn't surprise us -- we had estimated that it was likely to be somewhere around 10%-20%. Yet, the growth is quite unsettling, and we wonder what HI's reported asset quality (and EPS) would have been if it the reaged portfolio had remained flat last year.
There was more reason for concern in certain business lines. The dominant home equity business (43% of managed receivables) has a relatively large reage portfolio (20.0%, up from 17.0% yoy) and the auto business has seen a rapid increase over the last year, up to 15.0% from 8.6%, not surprisingly given their credit trends. The biggest concern, however, is in the personal noncard (PNC) loans, which is a combination of unsecured personal loans (13% of mnaged loans) and personal homeowner loans (PHLs), roughly 5% of managed

-- FIRST CALL --

loans. The PNC reaged portfolio jumped from 22.1% to 27.2% in 2001 with a sizable increase in multiple reages, from 7.3% to 11.8%. While this is also not that surprising given the lenient charge-off and reage policies in PNC, we think the true loss rate on PNC is significantly higher than the reported 7%, especially if one looks just at the personal loan piece (backing out the relatively higher quality PHLs).

Certainly the recession has played a role in driving the reaged portfolio up in 2001, and we could perhaps get more comfortable if the reage portfolio were to begin to stabilizes this year. However, at this point it is unclear if HI will continue to provide this information, particularly on a quarterly basis. We should find out next week when HI reports 1Q02 results. If it discloses this level of detail again and we see some stabilization in the reage portfolio, it would be a positive.
However, at this point, we remain quite concerned, as it remains difficult to interpret these newly disclosed levels of reages. We suppose we could try to use the recidivism rates to quantify the impact, but these really don't help much as they include both charged-off accounts and delinquencies. It was good to see the low and stable recidivism rates in home equity (flat at 13.1% yoy), but the other business all had rates around 40%, with PNC showing the largest yoy increase, up from 33.2% to 41.9%. If 40% of customers go bad again after reaging, why is this a good policy?

The larger question is, does this all matter. From a cash flow standpoint, we do believe HI is collecting more cash from these customers - that is, it is a positive NPV practice. We were also somewhat comforted by the interest income accrual policies as it appears that in all products, HI either stops accruing income or has reserves set up for interest income on reaged loans. But this doesn't fully alleviate our concerns, for several reasons. For one, there could be a lagged effect whereby the reage policies simply delay charge-offs, causing additional income to be booked now but rising charge-offs in the future as these accounts eventually go bad.
Even more disconcerting is what would happen if, for some reason (SEC? new auditors?), HI were to suddenly need to stop using these policies or, even worse, take a restructuring charge to clean this up. These are large dollar amounts we're discussing - nearly $16 billion of the portfolio has been reaged and the aggregate recidivism rate is about 25% so roughly $4 billion of these loans will go bad again in 2002. Although we don't know how much will ultimately end up charged off (since recidivism is a combination of both charge-off and 2+ delinquent), 50% seems like a reasonable estimate, implying a $2 billion pretax clean-up,

Lastly, and perhaps most importantly, we also believe that these policies overstate reported EPS and support a relatively lower P/E multiple for HI. While HI reported solid EPS and asset quality in 2001, we now know that the asset quality was artificially improved by the significant increase in the reaged portfolio. To put it another way, HI appeared to significantly outperform its fellow subprime lenders MXT and PVN, which struggled with rising losses and delinquencies last year. It now appears this was more accounting related rather than driven by fundamentals, and we think HI should trade at a discount as a result.
As such, we are maintaining our Market Performance rating on the shares as we believe this issue will continue to limit P/E multiple expansion. In addition, with the shares trading at 13x our 2002 EPS estimate, the valuation is not overly compelling, and we prefer to wait until either we can become

more comfortable with earnings quality or the valuation becomes more attractive before raising our rating, all else being equal.

1Q02 Preview
We expect HI to earn $1.04 per share, equal to consensus, and up 14.3% yoy. Our estimate excludes the gain from the $0.9 billion whole loan sale disclosed at the conference yesterday. We don't expect an earnings miss, but we think it may be a weaker quarter than normal for HI. Loan growth could disappoint as home equity volumes may have weakened a bit this year. Our estimate is for 1% sequential loan growth. Asset quality could be an area of concern. We estimate the managed loss rate will rise 23 bps sequentially to 4.15%, and we will be most focused on the delinquency rate (our estimate is unchanged at 4.45%). Downside here would be an indication of continued increases in loss rates.

We believe other fundamentals should offset the above weakness and allow HI to make the quarter. Revenue margins should increase, driven by both NIM expansion and solid fee income. The tax refund business should add $0.18, up 20% yoy as H&R Block (92% of HI RAL business) has been reporting strong yoy loan origination growth. Operating efficiency should also improve on a yoy basis and securitization gains should be relatively small.
Finally, the results will be muddied by a change in reporting. HI is no longer providing a managed income statement (at the SEC's request), and this may cause some additional volatility as investors try to build their own financials.

Summary

Additional Information Available Upon Request.

(continued...)

-> End of Note <-

-- FIRST CALL --

HOUSEHOLD INTERNATIONAL

Moderator: Edgar Ancona
April 9, 2002
8:15 am CT

Operator: Good day everyone and welcome to this Household International Financial Relations Conference Call. Today's call is being recorded. At this time we will go live to the Marriott O'Hare where the presentation will begin shortly. Please stand by.

Man: Ladies and gentlemen, please take your seats. Our program will begin shortly.

Ladies and gentlemen, please welcome Edgar Ancona.

Edgar Ancona: Good morning and welcome to the 2002 Edition of Household Financial Relations Conference. Glad that you could all be here. It's no surprise to everybody that as you look around that this is the all time attendance record and I think we had people sit in the aisle and some people standing and all of that.

So, you know, thanks very much for attending. I assume that the number of people here indicates the interest that you have in a lot of the issues that we're going to talk about today so I'll be very, very brief and go through a few things, reminders.

One is for those of you who stayed overnight in the hotel and have not checked out, please do that. Second is there's cards like this located at your place. If you could please fill in questions

Case # 02-C-5893
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P0183

as they come up, we have an hour dedicated to Q&A at the end of the presentation and during the coffee breaks somebody will be around picking them up. If you just past them down to the end of the aisle, that will help things.

So one again -- and also please write legibly as I have to read these things and it's hard sometimes to read people's writing. In addition, there is a conference survey in front of you. To make this conference better every year, we rely on your input so please fill that in.

Finally, for those of you who have questions, there's an information center that can take messages, do faxes and that sort of thing out in the hall behind you.

And with that, let me introduce Dave Schoenholz who's going to lead today's presentations off.

Dave Schoenholz: Well I always like to just add my welcome to today's presentations. Thank you for your interest in Household. We have a very full day today so we'll just kind of get into it.

I was planning on covering three things -- talk about an overview of 2001, talk briefly about what the outlook is for 2002 and then to talk about some current investor topics that seems to be on everybody's mind and really want to just kind of get those on the table and make sure all of your questions are addressed.

So if we start with 2001 and today you're going to hear a lot about the various businesses that we have and what I'd like to do is to briefly set the stage talking about some of the key attributes that are common to all of those businesses.

And the first key theme is obviously that we are "only a consumer lender." We don't do commercial products, we don't do investment or saving products but we are a consumer lender whose core customer is the middle income market.

We have 50 million customers, which is a lot. The average income of those customers is 45,000 to $60,000 a year so these are very solid folks. We would consider ourselves to be a full spectrum lender across all consumers. Some of them we would consider to be prime; some we would consider to be near prime; some we would consider to be sub prime.

I think as we go through the day today to hopefully give you a sense that we are not, just "a sub prime lender." Now it's important to recognize though that many of our customers do vary from a traditional bank type customer, primarily in their behavior patterns and their propensity to use credit

Now just like we have a lot of customers, we have a lot of products. We offer secured loans and unsecured loans and we can offer those on a closed in basis or a revolving basis. We can offer those in terms of a fixed interest rate or a revolving interest rate. We offer auto loans, credit cards and credit card products, retail finance products, insurance and then our tax refund lending business.

Now just like we have a lot of products we have a lot of channels. We have 1,700 branches across the country, in the UK and Canada. We have a lot of merchant and partner locations through which we can offer our products, we have about 4,000 auto dealerships who've been very active in terms of direct response channels whether it's direct mail, telesales or the Internet.

Now although we are "only a consumer lender" there's a lot of diversity in this business model and that gives us the opportunity to focus on different products, different channels depending on what the economic conditions might be, depending on what the competitive conditions might be or depending on how consumer demand might change.

And I think that diversity and that flexibility is very important in distinguishing us from other lenders in "the specialty finance space." And hopefully today you'll get an appreciation for that diversity because I think in many ways that's what drives the consistency of earnings and the sustainability of earnings.

Now just like there's a lot of diversity in the business model though there are some things that are common across the board. One, we get strong market share in all of the businesses where we compete. That's a prerequisite.

Two, we have strong brands and partnerships, partnership skills. What many people don't realize is that about 40% of our portfolio is originated through third party distribution sources, whether that's co-branding arrangements, merchant arrangements or through car dealers, correspondents or the like.

We are a low cost producer and that efficiency gives us flexibility in good times and in bad times, strong, strong brand sales focus and a very strong customer service focus.

Very good in terms of technology -- I think some of you were to see that last night and then also superior analytics whether that's in the account acquisition portfolio management side or in the risk side.

If I may focus now specifically on some 2001 accomplishments and metrics and quite simply I think 2001 was probably the best year in Household's history. We met the high end of our earnings target, which was 13 to 15% EPS. We exceeded our receivables growth target, which was 11 to 14%, we built up our credit loss reserves to all time highs, we managed our share buyback program but at the same time managed it in such a way that we actually increased capital levels and we also continued investment for the future.

You can see here that in terms of net income, $1.9 billion. That was up 13% from 1.7 billion in the prior year. That translates into EPS of 408. That was up 15%. Receivables growth, 15% – now that is all organic growth in 2001, a bit lower than in 2000 when we acquired about $4 billion of portfolios.

Very strong return on assets, very strong return on equity, stable efficiency ratios -- we continued to spend for future growth beyond 2001. Our (CATLER) ratio which is tangible equity, tangible managed assets, increased. Charge off pretty stable and reserve ratios up.

Now the good income growth and EPS growth in 2001 was really just a continuation of what we've seen over the last several years and what this chart shows is the compound annual growth rate and net income, which would be on your left, and comparing that to the compound growth rate in the EPS.

You see there that they're roughly comparable at 21, 22%. Very good growth and I think it's important that the EPS growth and the net income growth rates were about the same because that tells you that you're not growing EPS solely through share buybacks but you're growing EPS through actually growing the business.

The other point I'd make off this chart that we're pretty proud of is if you look at the absolute amount of net income, about 1.9 billion, that's over three times what it was six years ago. So we've done a good job at increasing the absolute size, scale of this business and today you have a business that throws off a lot of aggregate profitability and a lot of capital.

We've not sacrificed though returns in order to get that growth. And this chart shows you return on managed assets. And the first point I'd make, starting in 1995 we've doubled it up to the 99 timeframe.

Now that doubling did not come from taking on more risk or dealing in higher risk, more risky businesses. It really came by getting rid of low return businesses where we were subscale and really just weren't a player and by really focusing on a few key businesses and executing against those businesses.

You can see that it's come down a little bit over the last couple years. That's largely as we continue to spend for the future and have focused more on real estate secured products that have a slightly lower return. Going forward, I would say that kind of the sweet spot for return on managed assets is right around that 1.9% range.

Now this -- that translates, that return on managed assets translates into these types of return on equities. You can see over the last three years, very consistent -- right around 23%. The big increase in 99 versus 98 was the first full year after the Beneficial acquisition.

Talk a bit about receivables growth -- very good growth in 2001. We ended the year over $100 billion in receivables. You can see that was about a 15% year over year. The most significant growth, the 22%, is in the real estate secured portfolio, 22% on a big portfolio.

Now the auto portfolio grew very rapidly in percentage terms but coming off of a smaller base. I would comment on the Visa MasterCard portfolio that that reflects the sell of our Goldfish branded portfolio in the UK. For those of you who are not familiar with that, we had a relationship with (Centrica), the old British gas, to market co-branded credit cards under the Goldfish brand. We terminated that partnership in 2001, sold those accounts and if you were to exclude that the Visa MasterCard portfolio grew at about 4-1/2%.

Over the last six years we've grown receivables at a compound annual growth rate of 12%. I think that's a very good tradeoff between good solid top line growth driving earnings and very prudent growth though with respect to managing credit quality and making sure that it doesn't get away from you.

Let me switch to credit quality trends. And like everybody else, we had some increases in delinquency and charge offs in 2001. The top line is delinquency. You can see an increase each quarter. The 4.46 is a little misleading because that includes seasonal benefits from ramping up the Visa MasterCard portfolio, so if you factor that out, that on a seasonally adjusted basis it probably would have been about 4.55.

Still very manageable and you can see that charge offs ticked up each quarter. We'll talk more about credit extensively.

You see here the full year statistics by product compared 01 to 2000 in terms of delinquency in charge offs and generally pretty consistent across all products.

A couple comments in terms of charge offs -- if we look at auto charge offs you see it's up pretty much and that was really what drove on the prior chart the increase in the overall HI portfolio in the fourth quarter. Now we were no different form the rest of the world that in the fourth quarter kind of post 9/11, problems with higher loss severities in the used car markets, we had much higher charge offs.

We also had some internal problems in that business in terms of collection management but in January we replaced several key people in that business and Rocco Fabiano will talk more about kind of where we are in that business today.

I would kind of at a high level tell you that although charge offs will be high in the first quarter, very manageable and I think we are well on the way towards getting that thing well buttoned up.

The other comment I would make in terms of Visa MasterCard, you can see that charge offs are up a bunch, related to bankruptcy that we were no different from the rest of the industry in that and some maturation of our sub prime renaissance portfolio.

We started 01 at about 1.4 billion. We grew it to 1.7 -- didn't grow it rapidly because of concerns about the economy but still as that portfolio matures that will impact the overall credit statistics.

Now the flip side of higher delinquency and higher charge offs is really higher margin. And you can see that we benefited from that tremendously in 2001 related to the 11 Fed rate cuts and up each quarter.

The bottom line, kind of the yellow color line is risk adjusted revenue, which tells you that even after which takes our margin and revenues and then subtract charge offs, that even on a risk adjusted basis, we are increasing our returns and if you were to look at each quarter in 2001 on a year over year basis to 2000, you will see steady improvement in each quarter.

The big spike in the middle of the graph is the impact of our RAL, seasonal RAL business in the first quarter.

As I talked about, we spent for the future and I'll cover each of these topics. We'll talk first about where we have been spending to ensure that we have growth in 2002, 2003 and the first area is in people.

Significantly, Gary and his business added 545 sales people in the branches. That was done fourth quarter, early first quarter. Those people are in place, they're trained, they're productive and really looking for that to drive growth in 2002 and beyond.

In the UK we opened 34 branches under the Beneficial name and I'll talk about the UK a little bit later this morning. But really to allow us to capture another segment of the market that we were not effectively capturing before; then across all businesses we added a whole boatload of collectors and I'll talk a little bit more about that.

E-commerce has continued to be a focus. We are very proud. Ken Harvey, who is our CIO, has been a very good leader in that area. We've actually broke even in terms of profitability in 2001, which feel very good about. Probably the highlight of that is SuperHighway.com, which is a Web based internet protocol front end system in the auto business and Rocco will talk more about that.

In terms of technology we made investments in the branches, primarily in broadening the bandwidth to allow for improvements in workflow, largely imaging. We also added a second data center so we are now at six signet capability of uptime, which is very important as you deal with merchants, Visa, MasterCard and others. It really has become a 24 by 7 business for us.

And then finally in partnering -- continue the focus on adding new merchants and specifically for existing partners getting into cross sale initiatives. Probably the best two best examples -- co-branded Visa MasterCard with Best Buy. Best Buy's our largest merchant partner. And then second, we do a real estate program with MBNA generating substantial volumes too. It's a homerun both for them and us.

Switching gears a little bit to the balance sheet and looking at managed loss reserves -- we added to those reserves, brought them up to an all time high in dollars, increased the reserve ratios.

And then focusing on our own loss provision, what we did is against operating cash earnings provided loss reserves in excess of charge offs to the tune of about $500 million. That translates to 70 cents a share and I think you can see a very high quality of earnings in 2001 as we built that balance sheet.

See that graphically here -- big increase in dollars, increase in ratios. Switch to capital as it relates to the balance sheet, and this chart's got lots and lots of numbers but let me try to explain it because I think there's some relevant points here.

In the top line history shows gap net income. Now our cash net income is higher than gap net income but let's, to keep it simple, gap net income. Next line is other equity that we have put into the business, either through equity issuances, through employee benefit programs, that type of thing, to get a subtotal at total equity that this business has provided over the last six years.

And if you add all those lines across that comes up to about $10-1/2 billion, which is a pretty big number -- about $2.7 billion just in 2001. So then you say well what did you use all that capital for.

The first point is we paid dividends and if you run the arithmetic you can see you have a declining pay out ratio. We de-levered the company during this time period and at the bottom you'll see two capital measures. One is total equity -- total tangible equity to total managed assets and then total common equity to total managed assets.

In the first case we went from 6.2% to 7.9; in the second 5.4 to 6.6. Then we used that capital to either grow the business or buy back stock. And it gives you a little bit of an insight into how we have managed the buyback program. And let me ask you to look at 99 and the cells that compare growth and acquisitions and the stock buyback program.

And you see in 99 we did about 450 million of capital, invested 450 million for growth and about 915 to buy back stock. Now look in 2000. Also we had a whole lot more growth opportunities, much more capital to grow the business, support the business and a whole lot less capital focused on buying back stock -- in 2001 a bit more of a balance.

Going forward, as we administer our buyback program, we will balance it against growth opportunities in the business and also make sure that we have the right capital ratios in the business.

Talk about 2002 and start that with what do we think the economic outlook looks like. It's based on a cautious view. We think there'll be weakness, at least for the next couple quarters, unemployment peaking somewhere about 6-1/2%.

Personal bankruptcies are going to continue to increase. We see the consumer under stress. And then towards the end of the year though have, basing our projections on the Fed starting to increase interest rates.

Now against that backdrop we're looking at EPS growth of 13 to 15%. Because we're going to benefit this year from the new accounting rule where you don't have to amortize goodwill -- that gives us the benefit of about ten cents a share -- we clearly would expect to be at the higher end of that range this year.

You're going to have managed receivables growth 11 to 14%, margins expanding just from the full year affect of what you saw rates increase in 2001, losses increasing and I'll talk more about that.

Expenses of 10% -- and that is substantially less than what we've seen in the last couple of years. We've invested heavily in players and developing the platform and quite honestly want to provide some additional flexibility in 2002 by having lower spending just in case demand weakens or credit losses get higher.

Reserves will be up. Capital will be up. And on the chart we talk about buybacks up to 1 billion and I would emphasize the up to. I think today our expectation is that we will not get to that number and in the first quarter we substantially scaled back the buyback program in this environment to build capital ratios and make sure that we have a fortress balance sheet.

Now let's talk some about credit and our credit statistics in 2000 really have been pretty good. And a lot of people ask well, you know, why are they so good. And the skeptics will say well, it's an accounting type of thing and we'll talk about the whole accounting type of thing in a bit.

But the reality is that we got ready for it. We planned for it and we got prepared and so there really is no mystery towards it. The first point is we diversified the portfolio and I'll talk more about this but we specifically lowered the risk profile of the portfolio.

We've built up our risk capabilities, added a whole bunch of new people in terms of risk who could bring new science and new ideas to the company. Across the board we've tightened credit and underwriting policies.

And Bobby Mehta's Visa MasterCard business took a big step about cutting open divides. So you lowered your continuant liability and we went from having one of the lowest utilization rates to one of the highest utilization rates and by that reducing our exposure.

Did a lot of work in terms of bankruptcy. Can't eliminate it, can't control it but you can mitigate the impacts of that and finally we added about 2,500 collectors on a base of about 2,500. So that was a lot -- increased call times, increased contacts with the customers.

This is an important chart and what it does, it compares the composition of our portfolio at the end of 96 to the end of 2001. And I'd make a couple points. One, you can see it grew a bunch -- $42 billion -- and two, that the mix changed a lot.

Now at the end of 96 real estate's secured portfolio was 27%. At the end of 01 it was 44%. If you just do the math on that that tells you that $29 billion of the growth came from real estate secured products so that's about two-thirds.

If you look at Visa MasterCard, it was 33% of the portfolio down to 17% and the unsecured loans, personal non-credit card loans -- pretty flat, 19%, 18%. And what's key about that is real estate loans charge off at about 1%. Credit card loans charge off about 6 or 7% -- big difference.

If you were to take the 96 mix and use the 2001 loss rates by product, our charge offs for 2001 would have been higher by about 20%. We had $3.4 billion of charge offs so that's a big number.

So kind of a summary of 2002 credit, we expect some increases in delinquency and charge off early in the year, expect those to be very manageable. We would expect to see them improving in the second part of the year.

And we'll see -- you'll clearly see reserve dollars increasing and over the year, depending on the outcome reserve, the ratio stable. Clearly, in the early part of the year you'll see increasing loss reserve ratios.

Finally, talk about capital -- on the prior chart we showed that how capital was increasing over the last several years. Our plan is to further increase capital in 2002. These are the ratios. I won't go through all of them but when we release earnings next week you'll see us at the high end of those capital ratios.

Okay.I want to switch to current investor topics and this is kind of the laundry list of things that we were going to talk about. Clearly during Q&A we'll talk about whatever you want to talk about.

But post Enron, you know, there's been this big focus on transparency of financial reporting, transparency of disclosures. Clearly we've had some questions raised about some of our practices.

Now in the past I've always thought that what we've disclosed was appropriate and was very thorough but what I've also learned over the last four or five months is that what I think is really pretty irrelevant about this. And what we -- it's a sad realization but it's true.

And what we really need to do is focus more on giving investors the information they want and our objective is just to take this whole transparency issue off the table and let people focus on the fundamentals of the company.

So specifically going to talk about securitizations, credit management policies, reserve adequacy and then finally just touch briefly on liquidity although Edgar will go through that in quite a bit of detail.

Now let's start with kind of owned or managed and just to make sure we have a common definition -- owned just means all the balance sheet, all the receivables on our balance sheet; managed includes those receivables but also includes those that we've securitized and kept credit recourse.

Now we run the company on a managed basis and our credit exposure to those receivables is about virtually identical whether it's on balance sheet or off balance sheet. All of our credit policies are absolutely identical. Somebody in our collections center wouldn't know if an account is on balance sheet or off balance sheet.

But -- and quite honestly, I mean, we've -- securitization is important to us in terms of funding but our view -- my view is just another form of financing that's got some kind of quirky accounting. So we really do run the company on a managed basis.

Having said that, the SEC has come back and said well, we really think you should limit your managed basis disclosures and focus for investors on an owned basis of accounting. And if you'll see in our 10K, we've made some differences.

At their insistence we eliminated a managed basis income statement. So going forward, this is how we're going to present data. Securitization related impacts will only be on owned basis and quite honestly, I think that's a good thing. I think we created some inadvertent confusion by talking about securitization on a managed basis and on an own basis.

There'll be certain ratios that we will talk both owned and managed. Personally, I think the managed issues as it relates to credit quality, delinquency, that type of thing, is the most important.

And then certain things managed only, efficiency and capital ratios because when we look at capital adequacy we really do need to put capital on those off balance sheet receivables.

Talk about securitizations -- and I think there are two questions about the accounting. I'm not going to talk about the funding aspects of that. Edgar will deal with that. But I think there are two questions. What's the impact on your gap earnings? How much future cash flow have you brought forward? And two, is there a surprise potential? Do you have an IO strip on your books that might get written off? So we're going to talk about each of those.

This chart summarizes the gap impact. In 2000 the pretax change in our net IO strip that ran through (QNO) was $59 million. If you work the math, that translates to eight cents a share. That was 2.2% of our total reported EPS.

In 2001 the comparable number was 14 cents a share for 3.4% of our reported EPS. Going forward we will report comparable numbers like this and let investors make their own decision on whether they think that's significant in evaluating the earnings potential of the company.

Now this is another complicated chart but I do want to talk about the composition of the IO strip. And this is a roll forward of it. And when I talked on the prior page about the net IO strip I meant net of a gross IO strip. By that I mean that is the net present value of future cash flows pre-credit cost that have been discounted back to today.

And then there's a reserve to cover those future credit costs. Some of the difference between those two would be the net IO strip. Now as on the side, when you talk -- if you look at reserves for us, credit loss reserves, you're going to have to consider our on balance sheet credit loss reserves and our off balance sheet credit loss reserves. That will be our total managed credit loss reserves.

So here you can see at the beginning of 99 we had a, excuse me, a net IO strip of 426 million. We had add a change, net change in the gross part, we had a net change in the reserve part, net net 34 million pretax flow through income.

In 2000 if you look at the comparable number you can see that $59 million that I referred to on a prior chart, that the accounting rules changed in 2000 and they said now you have to mark market that IO strip but that mark to market flows through equity, it doesn't flow through earnings.

So you can see we had a total $200 million increase in the net IO strip. Now the analysts who provided all the stuff for the variance article looked at that 200 and said all of that flows through earnings. That's (dispatchly) not true.

If you roll forward to 2001 you're going to see a total of 300 million increase in the IO strip of which 100 million flowed through earnings, 200 million just through equity.

Now some people will say well, I also want to compare the IO strip to your capital levels. To do that analytically I think you have to take that number after tax. That's about $600 million, total cap of about $9.6 billion.

Talk about the composition of that IO strip -- at the top line you can see it by product. That's the gross part, then the reserve part. Net IO strip before mark to market, you add the mark to market and that's the 968 that we talked about.

Now in evaluating the potential for a surprise, if you look back at history and you say the people who've had IO strip write downs generally are those people who had longer gaited assets like home equity loans, First Plus, Money Store, Manufactured Housing, Green Tree, that type of thing.

Our longer dated asset IO strip before mark to market is $9 million and we don't have an exposure for a write down. We have actually structured all of our real estate securitizations to be structured as a financing to keep it on balance sheet for accounting purposes just so we don't have an IO strip issue.

The biggest part of our securitization process is on MasterCard Visa, which is the shortest life, less than a year of cash flows. And you can see that's the $9 billion out of the total amount of securitized receivables.

So I would tell you that we are highly confident that we do not have an exposure for write down of the IO strip. I take some comfort in the fact that we have a substantial positive mark to market to the extent that people have said are your accounting assumptions aggressive. I don't think you could have that positive mark to market and have aggressive accounting assumptions.

Okay, we're going to switch to credit management policies. Now I start with an overview comment and say that our policies we set appropriate for each customer segment. And I think that's particularly important when we're talking about a finance company type of customer because they do vary from bank like customers and their policies should be more responsive to their specific needs.

So to that extent, some of our charge off periods may be longer than a bank and I don't think that should come as a surprise into our business model and dealing with those customers is very different than that of a bank.

The last point is what is absolutely critical though. Charge offs don't drive earnings. What drives earnings is your loss provisioning affects and loss reserving policies.

And our loss provisioning and how we analyze loss reserves, explicitly taking into consideration the fact that you might have longer charge off periods and that you have certain re-aging policies.

Here are the charge off policies by product. I'm not going to go through them. But they're included for your reference. I would just point out the bottom policy. And this is for personal non-credit card. It is nine months -- an account is charged off when it's nine months contractually delinquent and no payment has been received in the last six months but in no event should be longer than 12 months contractually past due.

Now that 12 months was 18 months. That was the big thing in the variance article. We charged - - and quite honestly, it was a stupid policy for us to have -- but we charged off in December everything over 12 months up to 18 months. That was $25 million. And I put that on a base that we charged of $3.4 billion last year.

Now, if we now look at the recent CPs, you say well what's the difference between nine month contractual up to 12 -- that's $15 million, 15. And quite honestly, if I had been thinking more clearly in December we would have just charged that off too. So we will clean that up at some point.

But as you look at these policies, I think the (recentcy) component is not a big deal in evaluating this.

We've had questions on our charge off policies related to real estate loans and specifically well, how much flows through charge off and how much flows through REO expense. We've broken it out both components so you can see that. Going forward we will break out both components.

The finance company accounting rules specifically dictate some stuff that goes into charge offs, some that goes into REO. Bank rules generally have it all go through charge offs.

Now let me talk about re-aging to make sure that we have a common definition of what we mean by re-aging. So if an account, excuse me, if a customer becomes delinquent and they make some payments but they can't become current, completely current, they can't resolve all of the delinquency that in certain circumstances we might take some of those remaining delinquent payments, put them at the end of the contract and consider them to be contractually current and not report them to the credit bureau as well.

Now there is a presumption I think in a lot of ways that if you re-age an account that's a bad thing and that's an evidence of loss net account and building up risk in the portfolio. And to some extent that may be true, particularly perhaps in the prime world; not necessarily so true in the finance company world.

I think our preference would be never to re-age accounts. But the reality is our customers in the finance company world are sometimes sloppy payers. I mean, they are not the most pristine discipline in terms of some of their credit.

And so to them our re-age policies are an integral part of the value proposition that we offer them and they pay for that. So our rates compared to bank rates are 300, 400 basis points higher.

Now the analogy isn't perfect but in some ways to those customers that when we sell them a loan product we're also selling them at an option and that option says that if you get yourself into a little bit of trouble we will provide some understanding within the constraints of good business judgment. And that is an integral part of this value proposition that is different than a bank's business model.

Re-age policies are not intended to for credit losses. They are intended to allow customers to kind of get over this bump in the road type of issue and it's important that it allows us not to report them as delinquent to the credit bureau.

A lot of these people are in credit establishment periods or credit rehabilitation periods so the ability to not damage their credit bureau rating is an important part of this optionality or this value proposition.

There is some internal benefits in that it allows you to work at higher risk accounts and I think a key point is that it's been done consistently and they vary by product as we'll see.

Now this is a daunting chart to go through but I think it's important so please bear with me. And what I want to do is use the example of a real estate customer who's delinquent and what are our options in dealing with that customer.

Now the real estate portfolio is the biggest portfolio. About 75% of the people who get restructured are one payment down when they get restructured and by that I mean they've been making payments, they get delinquent, they start resuming making payments but they can't make two payments; they can make one monthly payment but they can't make two monthly payments.

So they now present them at the part of the decision to turn in their delinquent. And what are our options? Let's say we don't restructure those guys and we say okay, you got there, you solve it. Now if they can rectify it on their own, that's a good outcome for us; we're okay with that.

Now let's say they can't rectify it on their own and they go to bad debt. Now to the extent that the guy was inherently a weak credit and it was just, he was going to go to bad debt anyways and you push them into -- and therefore you let it go into foreclosure and so forth, that's also a good outcome for us. The guy was inherently a bad credit.

To the extent that somebody just needed a little bit of help and could have continued paying with some purveyance, if we push them into foreclosure when we should have restructured them, that's a bad outcome and in some ways that's also a violation of kind of the initial understanding when we underwrote the loan.

On the other hand, let's say we restructure the loan. If it gets rectified because of the restructure and that's a good outcome. If it gets rectified but it turns out we really didn't need to do that, that's not a great outcome but that's not the end of the earth, that's not terrible.

But let's say we restructure it and you have recidivism; in other words, you have a repeat offender and they go bad. Even if they charge off, if you get more cash out of the guy, that can be a good outcome, even if they charge off.

On the other hand, the guy's a deadbeat and he just goes straight through, we should have never restructured them and we made a mistake.

So it's in that context that we look at these restructuring decisions. Now there are a lot of controls about restructuring accounts because you want to minimize those bad outcomes and you want to maximize those good outcomes.

So there's certain criteria. We've included the restructure policies in the back of the book. We're not going to go through those but there are certain criteria. We also have kind of a statistical test and learn environment to see what's the best way to navigate through that decision tree.

Collectors are paid on how much cash they collected and promises paid. So they don't get paid on re-ages so we have no misalignment of incentives and only the most experienced collectors can do that.

And then the final point I think is very important, excuse me, that from an accounting point of view, a financial reporting point of view, we don't have the normal accrual of income during that time period if an account has been restructured.

So let's talk and look and some statistics. And what this chart says is at the end of 01 16.9% of the portfolio had been restructured compared to 14.3% outstanding at the end of 2000. Now the fact that 16.9 is higher than 14.3 doesn't mean that we have changed our policies are have loosened our policies.

What it does mean in that a period of economic stress more customers are under stress in qualifying. Now the difference between those two ratios is an 18% increase and to put that in perspective, we have GDP growth, which fell by 75% during that time period, we have bankruptcy filings that were up by over 20% during that time period and you had an increase in unemployment insurance claims of about 36% in that time period.

So the way to read this chart says at the end of 01 9.4% of the portfolio had had only one re-age and had been re-aged in the last 12 months. 3.2% of the portfolio had only one re-age but had been re-aged prior to the last 12 months. 4.3% of the portfolio had multiple re-ages.

Now if you take the total re-ages as 100% that tells you the accounts in the portfolio that had been re-aged once counts to 75% of that total. Conversely 25% of the people who had been re-aged will have been re-aged more than once. And clearly the more you re-age it, the more you get to this argument that you have a weaker product clearly.

If you take the 25%, now there's 100%. Two-thirds of those people have been re-aged twice. Another 20% have been re-aged three times and the rest would have been more than three times.

So if you work the arithmetic backwards what it will tell you is that about 1/2 of 1% of the portfolio has been re-aged more than three times. It's a small number.

If we look at the real estate product, 20% in total, 12% re-aged only once the last 12 months. You can see a little bit of an increase in the multiple re-ages in a down time; have worked more with customers to avoid foreclosure as a way of reducing loss severity and trying to keep people in their homes.

The auto portfolio is the one portfolio where you'll see a substantial increase in the amount of re-ages and that's coming in those that have been re-aged once in the last 12 months.

And this chart shows the trend. Now it goes back by quarter to early 2000 and on the top as a reference point we've included (AmeriCredit) just to try to provide some industry context of this.

We had the re-age policy and we just basically didn't use it. There was an attitude of let's just go get the car and not work with the borrower; let's focus on the collateral.

And we said well maybe that's not the smartest idea to reduce losses, particularly as we expanded the percentage of the portfolio that consisted of better quality borrowers. So you say okay, let's focus more on the borrower a little bit more than just the collateral and you can see that it went up per quarter like 3.3, 3.6.

It went down, went up quite a bit in the second quarter, come down in the third and fourth quarter. Going forward, I think you can see a quarterly target of about 3 to 4% and Rocco is going to go through in more detail talking specifically about the economics of this decision as it relates to getting more cash out of the borrower versus the change in the value of the underlying collateral.

MasterCard Visa don't re-age much at all. Consistent between years, very close to the FFIDC guidelines. Private label -- very consistent between years, actually down a bit. Personal line of credit card up a bit and again, this is the customer in the portfolio where you have it most under stress. You could also see this is the portfolio where you have the most multiple re-ages.

And the trends on this chart -- one of the reasons we added the $500 million 70 cents of share of loss provision in 2001.

Now let's move away from how much did we re-age to how did they perform after they re-aged and this data shows you recidivism statistics at the end of 01 and the end of 2000 at a 12 month observation. So this is how these accounts performed 12 months after they were re-aged.

And you can see generally it's pretty consistent except for the personal non-credit card. The way to read this chart is, let's take real estate as an example, 12 months later 13% of the people went bad. They either charged off or were two plus delinquent. Conversely 87% of them remained good.

Auto – 37% went bad, 63% remained good. If you take the highest recidivist portfolio of 42%, that still says 58% of the people remained good and of the 42% you got more cash out of it. So generally these, I think the economics bear out for the re-age approach.

So to summarize, we think the policies are appropriate for our unique business model, they've been consistently applied, they're controlled well. Importantly, loss reserves and provisioning are properly set so there's not a build up of risk in the portfolio. There is not this building surprise potential in the portfolio. And our goal in this area is to continue to provide greater transparency and we'll figure out exactly what that means.

Switch to similar topic in reserves – this chart shows you owned reserves at the end of 2001, reserves by product, reserve ratios to receivables, reserves to charge off ratios and the number of months of charge off in reserves.

A couple points -- you could, I think it's important when you look at the reserve ratio, let's say for real estate compared to personal non-credit card, it really underscores the importance of that change in portfolio mix that we talked about earlier.

The other thing I would encourage you to do is to take that number of months charge off and compare that to our charge off period and that will give you some measure of coverage.

Now coverage in total for the portfolio constant between years. In the appendix we've included a similar chart like this for 2000 so you can do it however you want to. I would point out that personal non-credit card coverage increased in 2001 versus 2000.

And finally talk briefly about liquidity -- Edgar is going to talk about this in detail but I wanted to make a couple overall points. One, liquidity management is a strategic issue for Household. We understand absolutely that we are a capital market sensitive company. We understand absolutely that we are a rating agency sensitive company and take that very seriously.

Funding is well diversified and I think Edgar will show you some statistics on that. Underscore absolutely that we've never had and we don't foresee a funding problem. Back in February when there was some rumors about that, those truly were just rumors and we were not having problems.

Having said that, kind of in this environment we think it's important to be belt and suspenders and so in the first quarter we've done some significant things to strengthen liquidity position that we already thought was pretty good.

We added additional conduit capacity, $5 billion secured by real estate lines. We securitized or sold, did a full loan sale, total of all of those, $2-1/2 billion. Those securitizations again accounted for as a financing going back to that earlier chart, did that in part to address very quickly (Fitches) published comments about well, can you monotize your real estate collateral and I think we showed that we could monotize it very well.

And then finally, we reduced commercial paper outstanding. We ended the year about 9 billion; we're down to about 5, 5-1/2 billion.

So with that, I conclude my remarks and Edgar, why don't you take over.

Edgar Ancona: Well thank you, Dave. Usually treasury comes at the end. I guess it's been a very interesting year on the treasury side and for some reason I've been moved up and I think a lot of it revolves around liquidity risk and people's interest in our liquidity risk management process and what are we doing.

First all, I'd like to talk a minute about interest rate risk steps, traditionally what everybody was concerned about until probably the last three, four months. Then I'll talk quickly about what we did in 2001 and talk a bit about 2002 in terms of funding plans and in addition kind of what our objectives are.

Rate risk -- you know, those of you that have followed the company for a long time know that we have a very limited appetite for interest rate risk. The primary driver of our interest rate risk is that most consumers want to borrow fixed. Traditionally people like to have the certainty of what a payment is rather than be exposed to floating unless there's some major funding advantage to them in terms of cost of funds.

The other side of this from a credit process, we would prefer the customers are fixed because then you don't have the payment shock issue. So we tend to have customers who want to borrow fixed and then we need to fund that and to reduce the interest rate risk mix match. Obviously we can't be an all floating rate funder.

We measure interest rate risk in lots of different ways. You know, from a treasury practice point of view we primarily look at the existing balance sheet, shock it to standard deviations. We also

We're looking; we audit market making and trading in our bonds. On the part of -- in the dealer community that's an important thing for us. We're looking at expanding the investor base. It's obviously much easier to expand an investor base with folks who you know that we don't know than us calling them on a cold basis.

We're looking for MNA ideas, derivatives, quality and obviously -- and finally I think as a efficiency leader we are interested in competitively priced fee based services.

So with that I'd like to thank you. Just, I think we're going to take a short coffee break now. I want to remind you please fill in Q&A cards and leave them on your desk and look forward to seeing you in a couple minutes.

Man: Ladies and gentlemen, please join us back in the room at 9:50, 9:50 please.

Ladies and gentlemen, please take your seats. Ladies and gentlemen, please take your seats. Ladies and gentlemen, please take your seats. The program will begin shortly. Ladies and gentlemen, please take your seats. Our program will begin shortly.

Ladies and gentlemen, please welcome Gary Gilmer, Vice Chairman Consumer Lending and President HFC Beneficial.

Gary Gilmer: Well, good morning. We have a few vacant seats still to be filled as people are coming back. Thank you for that, as well. Let me get this thing moving forward here. Obviously, Dave, you have rigged this. There we go.

Here is the – here are the things I'm going to be covering today: the business and the customer overview, the results as it relates to 2001. Then I'm going to talk about some of the challenges that we had last year in some degree of detail. And then I'll spend a few minutes talking about the 2002 outlook.

First, let me remind you of what our business, my part of the business is. It's the 1,400 branches branded as Beneficial and HFC out there. We've got about 13,000 or so people who work in this network and that counts the 4,000 or so people who work in our seven processing centers across the country.

The customers that we serve today are not materially different from the customers that we served several years ago. Dave did a great job of describing sort of the broad spectrum of the customers that we serve at HI. The customers that we serve in the branch network certainly fit into that group.

There are people with some spotty credit but they're good and decent people who indeed will pay their bills. Perhaps unlike you or I they don't always pay 12 in a row but they will get there if they are treated the right way.

And so we've built a business over the last 125 years on understanding who these people are and treating them the right way.

2001 results -- I think we had a great year and some of these numbers should support that. Volumes were up 18% over what we produced in 2000. The receivables increased about $5-1/2 billion. The secured growth represented about 99% of what we did last year in terms of growth.

And that has been the case over the last two or three years. Dave eluded to that earlier when he talked about the interest that we had in terms of -- that we put forth in terms of strengthening the portfolio.

Revenues increased 11% for the full year. And at the same time we kept good control over our spending. Our efficiency ratio in the branch network last year was less than 30%; in fact, it was 29%.

Net charge offs were a little better than they were the year before at about -- indeed about 19 basis points better and the (ROMA) and ROEs were somewhat better than the composite numbers at the HI levels.

Now, I'm going to sort of break here and ask Tom Detelich to come up. Tom, if you'd come up and join me. Tom's going to talk a bit. Tom manages or has the responsibility for at least 1,400 branch offices and all the activities that go in the sales side of the business. It's such an important part of what we do, I thought it'd be appropriate, as we did last year, to ask Tom to come up and tell you about what's going on in that branch network. And then I'll come up after he finishes to talk about the rest of the things that I had mentioned earlier. So Tom.

Tom Detelich: Thank you, Gary, and good morning. As I thought about my presentation for this morning I couldn't help but draw kind of a stark contrast between the branch network and our consumer lending business and some of the businesses and companies that have made the headlines lately.

I don't think we've been any more different than these companies have built their businesses on intellectual capital and intangible assets.

We have 1,400 branches in 46 states around the country originating nearly 25,000 real estate and personal home owner loans every single month -- a tremendously valuable asset. And it's that asset, the branch network, that I'm going to talk about for the next few minutes.

And here are a couple examples of each. Last year we sold 59,000 loans to the customers of the Private Label business by selling our products to their customers. We've also sold nearly 136,000 credit cards, excuse me, to customers of ours who walk into our branches for our traditional products -- again, cross selling other business unit products to our customers.

We are also further developing partnerships with these two business units within HI in the same way that we've been able to partnership with MBNA, selling our products first on their side and then leveraging the branches to fulfill that relationship.

I'd like to just conclude by talking a little bit about quality assurance. Gary's going to talk a good deal about it so I'll be very brief. I just want to say that today the controls in our branches are at their strongest in our history, at least in the 26 years that I've been in this business.

This past year we've strengthened our controls by doing a number of things including adding quality assurance people in the branches and in our centers. We've tightened up our quality assurance systems so that we leave little chance for human error. And then we've added a good deal of testing to test any inadvertent, excuse me, human error that may occur out of the branches.

All in all, I'm very pleased with the quality assurance steps that we've taken in the past and our current controls. This year I believe is going to be a wonderful year. All of the trends in the business and the branch are pulling it upward and I expect another record year.

I'll now turn the floor back to Gary.

Gary Gilmer: Thank you, Tom. I hope that gives you some idea of what's going on in our branch network. Obviously it's a big driver as it relates to asset growth at HI and certainly the driver as it relates to asset growth in the HFC Beneficial world.

Now I want to talk about some of the other challenges that we encountered last year and I'll start by talking about the economic challenge and indeed we had an economic challenge last year.

No surprise to any of you, the economy slowed down, unemployment rose and that had some affect on our business. But the fact of the matter is we have been forecasting an economic downturn since 1998. We were absolutely right. In the absolute we were a bit wrong in the timing but nevertheless at long last we got it right.

As such though we started preparing for this some time ago. This points out, beginning in 2000 and indeed, to be more accurate, even earlier than that we started to tighten our underwriting criteria in a very general sense. I'm talking about unsecured and secured, less focus on renters, more focus on homeowners.

And as I mentioned earlier in the presentation, certainly a lot more focus on the real estate secured side of the business; so much so in fact, virtually 99% at least of the growth that we've had in the last two or three years has come from the real estate side of the business.

If you recall Dave's pie chart, that's had quite a dramatic affect on shifting assets from the more risky side and higher charge off side, so the more conservative lower charge off side.

We've also added 675 collectors in consumer lending and I use the word collectors in a very broad sense because collectors are not just collectors in our business. I mean, they're counselors, they're partners, they're work out specialists, they're a little bit of everything. So the word collector just doesn't quite capture it and I think that is particularly true during an economic downturn.

Moving onto something that's near and dear to my heart, this certainly was a year of heightened regulatory scrutiny. As you all have heard and have read, certainly we have had our fair share of that.

This is not really new for us though. I guess I should sort of start there. If you go back to the very beginnings of our company, back into the 1920s as a matter of fact, Household has always been out front -- it certainly was in those days as well -- in taking the lead in strengthening consumer protection.

So this is, in some sense of the word, some of the things we're going to talk about here are just other iterations of things that we have done forever and forever, to include the (HOPA) changes that took place in the early 1990s. We were the only consumer finance company to step forward and support that.

Yes indeed we did take some heat in the industry because they thought those changes, those restrictions were too draconian, but nevertheless we thought they were the right things to do and so we stepped forward and supported those.

If you'll recall last year, about February of last year in fact, we appointed the Blue Ribbon Committee. We've sense expanded that. A good cross section of people across the country we asked to come in and to help us to think through all the things that we do, all the things that we might do, any changes that we might make to improve our products and strengthen our controls. They've been quite valuable in helping us in that regard.

We also launched the groundbreaking best practices early last year and you will recall that, I would hope -- quite a bit of fanfare on that, quite a bit of publicity around that.

We felt that that was the right thing to do for a lot of reasons. Number one, being the largest sub prime lender in the country, we think we have some responsibility and indeed some opportunity to influence the behavior of the sub prime industry.

While I think it is certainly true that most of the things that we've heard about as it relates to bad behavior in sub prime are actually quite a small percentage of the total and relatively confined to a small group of people; but nevertheless, when something goes wrong in sub prime lending -- of course we are a big player in sub prime lending and we can get tarred with that brush and we took the opportunity there to step out front and establish these new benchmark behaviors, if you will, to try and influence the market.

And most of the things, I guess it's fair to say that we announced at that time, had really always been part of what we had done within our company. But, you know, that's not enough from time to time.

We've got to make sure that not only is it what we do but that the rest of the world understands that it is indeed what we do and that hopefully would influence some of the behaviors of others in the industry and I believe it's fair to say that we accomplished that objective.

In addition to that sort of general public stand on that sort of thing, we put together a comprehensive program to send our senior executive team out to meet with, talk with, explain our processes to the people who make decisions that have some impact on our business.

That's with the regulators, the legislators and others who would be in a position to make a difference and we met with great, I believe, great results there. We have established contact with just about everybody in the world, certainly in the legislative arena, who would have a reason to wonder about these things, who would have a reason to know about these things, who would need to be educated in order to make good decisions and indeed we got a good reception.

We've created some high impact partnerships with community groups such as NCRC. We've been very positively received. We're very pleased with that partnership. We're moving forward on a lot of fronts.

And indeed I should mention -- I did mention but just to follow up on some of the legislators that we've joined forces with such as the Congressional Black Caucus -- we've got some good partnerships going with them and we're rolling out programs along the way.

In February of this year we rolled out our most recent best practices and I'm going to spend a couple of minutes talking about those. As Tom said, a lot of customer value in those things but there are also some questions that I've gotten about what does it mean relative to your business model, is this going to change the profitability of the organization or drive you in a different direction.

So maybe I can take a minute to explain and answer some of those things. The first thing is kind of a slam dunk, it's a simplified one page disclosure. I don't know how many of you have closed a real estate transaction lately but even if you think you understand all of the detail around a real estate transaction, once you stare in the face of a stack of papers about two inches thick you can get lost and certainly dis-focused pretty doggone fast.

So we've developed a one page disclosure that says to a customer, here are the five or six, seven things that you need to think about and understand very clearly in addition to all of the, of course, required disclosures before you close this real estate transaction.

And so it's in plain English. It's not hard to understand but it does hit the points that are most important. Also we've put some additional verbal disclosures -- by the way, some of these things are launched, some of these things will be launched over the next several weeks and months. In any event, by the third quarter we should have all of these things in place.

The second bullet being verbal disclosures around direct mails loans. We want to make sure that when a customer gets a direct mail solicitation or a direct mail loan from us they take it to the bank and cash it or however they transfer that from, you know, sort of paper to money that they understand exactly what they're doing.

We have all of the disclosures that one could imagine attached to that but there's nothing like having one of our employees get on a phone and talk to one of these customers to explain the details around that and there's a couple of reasons for that.

One is we want to make absolutely sure they understand what they're buying and the other thing is it's a great opportunity for us to get a customer on the phone and talk to them about the other products and services that we sell. Again, we think that's the right thing to do.

The other groundbreaking, the third groundbreaking thing that we're doing is the 100% satisfaction guarantee. This is a pretty simple concept. We don't want anybody to buy a product from us unless they're completely satisfied with it.

Now indeed it is true that there are all sorts of disclosures that are required, there's all sorts of cooling off periods that are required before a customer can take a loan and that's particularly true as it relates to a real estate loan and that's all well and good.

But we want to make sure beyond that, after they go home, after they have time to think about it, after they have time to talk to their lawyer if they want to although they should have already had an opportunity to do that, after they have time to talk to their brother-in-law, whoever, we give them an additional ten days.

If they don't like the transaction after an additional ten days, bring the money back and we'll call it quits. We'll eat the cost of an appraisal. We'll eat the cost of a title search. We'll eat any cost associated with that. Just bring the money back and we will cancel the transaction.

What do we expect to happen from that? Really nothing when you think about it. If we do a good job upfront of telling every one of our customers exactly what the terms and conditions of the loan are and indeed we do that, we do that not only through all the disclosures that I talked about, the required disclosures and the simplified forms that we give and we actually ask our real estate loan customers to do two things subsequent to that.

One is to complete survey form. It's got about five or six simple questions on it and says did you, you know, did you understand what the interest rate was, did you know there was a prepayment penalty on this. If you bought some insurance did you realize it was optional. All those kinds of things they have to physically check off.

And then we take the next step of having each and every one of these customers listen to a video. So we had a video put together in both Spanish and English so that regardless of what one customer might hear or thinks they hear among the 1,400 branches that we have out there -- and remember, it is a bit of a challenge to make sure you have absolute uniformity among 1,400 branches.

We think we do. We have training programs to ensure that we do but let's just assume that somebody doesn't follow the rules on that. Then you watch this video and the video is consistent 100% of the time. It's very short but it's really to the point. Did you understand this, did you ask about that, do you know that this or that is optional?

So that is sort of the backup guarantee. So I don't expect anything to come of the 100% but if it does, so be it. I don't want anybody to buy a product from any of our companies and certainly not HFC or Beneficial that they don't want ten days later. That's a bad proposition for us and it's a bad proposition for the customer.

Prepayment penalties are a hot item in sort of the sub prime market, I guess the market in general but certainly the sub prime market. We believe that pre-payment penalties are appropriate. Certainly in the sub prime market we believe that prepayment penalties actually offer a benefit to the customer in this regard.

It certainly cuts down on the unscrupulous flipping -- you've heard that term, flipping -- of loans by I'll say a broker or any company for that matter who may have no regard for the well being of the customer but simply wants to roll the account over.

Well, it gets to be a little bit tougher when they try to pay off the old account if there is a prepayment penalty to be dealt with. The other side of that is it costs us something north of $3,000 to generate a real estate loan. We think it's fair that if we sign up to spend the $3,000 to generate the real estate loan and to borrow the funds that Edgar talked about to fund that, that the customer stick to the proposition, at least for some reasonable period of time.

If they decide not to do that, that's okay. That's the way it works in America but who's going to pay for that. It shouldn't be all the other people among our customers who stay with us for some reasonable period of time. So we think that is not an unreasonable approach.

But we do believe that customers should have a choice in that matter. So we've come up with and are launching just that, a choice. A customer can come and take a loan from us with a prepayment penalty at a lower rate or without a prepayment penalty at a higher rate.

At the end of the day it doesn't matter much to us because it comes out in the wash, but. So at any rate, that's the fourth thing.

The fifth thing is we've placed pricing restrictions in terms of limiting our points. Let me talk about that for a minute.

We said in our release, and indeed it is true, that we're going to limit the total number of points to five. That would be three origination points, a maximum of three origination points and two discount points.

Now prior to that announcement we had allowed a limit of seven. So therefore of course the quick math, Edgar, is we're too short there, right. But understanding that the components in the pricing of a loan transaction are more than just the points. It's the base rate plus or minus the points.

The more points you charge the lower the rate. The fewer points you charge, the higher the rate. The problem with points in the sub prime market today is really one of perception, it's one of options.

So while we believe and indeed it is true that there are some benefits to many customers to charging higher points perhaps without limitation, although we did have a seven point limitation, the object of the matter suggested that we ought to change this and indeed we have changed it. So that was the driving mechanism behind that.

The -- one, two, three, four, five -- sixth thing that we did was enhance our pay right rewards system. What we -- and we have had, I say enhancements, we've had a pay right rewards program in place for two or three years and I think we've got a very good handle on exactly how it works and what the positive aspects of that are.

In the new pay right rewards program we have told our customers and will tell our customers that if you make your payments on time described as within 30 days of the time they are due, so it's not so tight that if you forget to mail one or the post office is tardy you're blown out of the system, but if you mail your payments within 30 days of that -- if you do that every year, at the end of each 12 month period for 12 years we will give you a 25 basis point reduction in your rate.

So that comes to 300 basis points. Now one of the questions that I got was, you know, from people and it's a good question is well wait a minute, so you're going to make a loan in the sub prime market at X at a sub prime rate and then sort of 12 years down the road here you're going to have a loan that is sort of materially different, at least as it relates to the way it is priced.

And the answer to that is of course. And the other comment I would make to that is I hope to heck every one of them take advantage of that because if you think about it for a minute.

If we make a loan -- and by the way, the way our loans are made order of magnitude 4, 500 basis points over prime, 600 basis points in some cases -- and I have a customer who by definition is no longer a sub prime customer by behavioral definition because they have made -- what would that be, 12 years worth of, 12 times 12, 144, see you're not the only math whiz we have here -- 144 payments in a row, by definition they're really not a sub prime customer any more. They really are a prime customer.

So I've sort of got two choices as I think through what's going to happen to the relationship that I have with this customer over the next 12 years, I'm either going to recognize that we've done a great job in solving this customer's problems and rehabilitating them to the point to where they become a prime customer or one of my competitors is going to recognize that I've done a great job in rehabilitating this customer and therefore will pay me off.

And so we've done the math 1,000 ways from Sunday and the greatest thing in the world that could happen to us is that this program will be an overwhelming success. By success, I say everybody's going to take advantage of it.

Now they're not but if they did, sort of financially at least on the mind set of some, worst case is we knock a homerun. Not that I feel strongly about any of that but I do.

Now, let me talk about California lawsuit, which I take very personally. We were, as it said here, unexpectedly sued by the California Department of Corporations in December of last year for overcharging customers and that was true.

We were guilty of overcharging customers. Let me be quick to point out that we were not willfully overcharging customers, but we did it. Talk about all the reasons behind that and believe me, I could spend the rest of the day explaining to you how that happened. I guess that's not so important.

The question is, what'd you do about it and what does it mean. And by the way, those errors, if you just sort of look at the two top bullets here, were overwhelmingly confined to unsecured loans.

The two biggest categories -- now there were five or six categories -- included an overcharge for late fees for somehow our system and so we have to go back to some person -- the system just doesn't wake up in the middle of the night and do this thing all by itself -- but somehow our system got coded for a 15% maximum late charge instead of a $15 maximum late charge and that meant that any customer with a payment of more than $100 was being overcharged. Any customer with a payment less than $100 was being undercharged.

We also had an issue around some administrative fees, which more specifically in the state of California if you make an unsecured loan to a customer at $2,500 or less then you can charge a $50 administrative fee and if it's more than $2,500 you can charge a $75 administrative fee.

And our system was rounding by $1 in here in some cases so that the $2,500 and under was actually thrown into the -- I mean, 25 and over was thrown -- no, I had it right the first time -- and under was thrown in the 25 and over and we were overcharging people.

And so we had to fix that and we did fix that and we paid about $3-1/2 million in customer refunds, which is a nit, which is absolutely nothing. Somebody actually asked me if, you know, this is sort of part of our business model one time.

He said okay, so now you can't overcharge people; how does that affect your business model. Well let me tell you that our business model was never based on overcharging people. As a matter of fact, we were undercharging thousands of people.

So if we had a business model that was built on overcharging people we had the lousiest execution that one could imagine. Again, not that I feel strongly about that.

But anyway, here's what's happened. I should put in the top bullet on top of all of these right here that the first thing that happened was an incredible amount of embarrassment but I'll just admit that to you now.

We settled a lawsuit; we significantly increased the number of people that we have working on these kinds of things, particularly in key compliance areas. We launched a myriad of employee training programs to make sure that everything we do, we do the right way.

And I say that in the context of the millions and millions and millions of transactions. I can get Ken; Ken can always -- Ken Harvey, our CIO -- can tell me how many gazillions of transactions we put across the system every day and believe me it is millions and millions. Every time somebody touches a button out there, there is an opportunity for an error.

We have as many systemic blocks and audits and so forth as one could imagine. But, you know, when you think about it we're dealing with hundreds of thousands of loans, millions of transactions and each one represents an opportunity.

So I don't know that we'll ever be absolutely perfect but I can tell you this -- we will never deliberately do anything wrong and when we do something wrong, you know, we'll break both legs to make sure that we get it fixed and we get it fixed right away.

In addition, when I say break both legs -- we can sort of get to the last bullet there too I guess, talking about compensation to discourage compliance failure. And I say to discourage compliance failure as opposed to encourage compliance adherence because this is what -- compliance is what we do, I mean, it's what pay, it's what we come to work every day. I expect people to comply with the rules and so that's kind of table steak.

If you don't comply with the rules here, you know, depending on the severity and we have a very low tolerance here for failure, I mean, you've got sort of one option and that is really go to work for somebody else.

So that's California. Now let me talk a little bit about 2002 outlook and hopefully it won't be materially different from what Dave talked about earlier because our outlook should be relatively in sync, Dave.

The economic circumstances of our customers we think are going to improve throughout the year. We've already seen some evidence of that in the early buckets of delinquency coming out, as a matter of fact sort of started in the second half of January.

We saw improvement in February; we saw improvement in March. I certainly expect to see further improvement in April. I believe the competition is going to hold steady and continue to be rational. That's a pretty doggone positive comment to make about the outlook for 2002.

We have been in circumstances before when we were standing up here talking about irrational competition. You know, any time that we are competing with people who are sort of kamikazes I worry about that. When we're competing against big well run well managed rational companies, then I think we're going to do just fine in that environment.

I think our opportunities for growth are going to continue to be excellent. Tom talked about the opportunities for growth in our branch network. They're about as good as I've seen.

We've got more than an adequate supply of leads to get to. The question is how many of them can we get to and how quickly can we get those converted onto our books.

Now we expect another year's growth of double digit growth in assets and in revenue. That is not really any different from what we've seen in the last several years. I believe our margins are going to hold up well. I think we have some elasticity to move up if we need to do that.

Back to this sort of competition point that I made earlier, not only is it rational but it is somewhat less intense. Indeed, it is less intense than it has been and has been in a while.

When I started to work with this company 25 to 31 years ago there was a consumer finance company on every corner. And you can see, as you well know, the consolidation's been very clear and very steady so that when you sort of sit back in your chair today and talk about who is in -- think about who is the sub prime market today, well you quickly, you know, lead to what (City Financial) is in and then there's a bit of a pause in the thought process and you're trying to come up with, you know, of course, Household and then who's number three. Well, you know, you can come up with those.

But certainly it takes a little more thought than it did a few years ago. So we believe that it in itself offers some pricing elasticity. We're going to continue to be more efficient in the years ahead than we are today.

And if you recall earlier I talked about the fact that we had a 29% efficiency ratio already on the books. I believe that is as good as -- in fact, I believe it is better than anybody else in this industry.

Delinquency ratios are going to behave pretty well. We think they'll be relatively flat to the end of last year. In other words, December of last year, December of this year are going to be relatively flat. We're talking about a difference of a handful of basis points one way or the other.

Charge offs are going to be higher this year than they were last year. That is nothing more than a consequence of the economic downturn that we saw and that was particularly true post 9/11. We had about four or five months post 9/11 where our delinquency, particularly in the early buckets, started to fork up.

Now that is roll through in the year 2002 and you will see that in the first, second and third quarters, some lessening in the third quarters and you will improvement in the charge off numbers in the fourth quarter.

Now, before you jump up and run out and not worry too much about that, again I'm talking about measured in basis points -- certainly manageable and certainly manageable within the context of the fact that we've had a fattened margin.

So what does that mean for 2002? I think it's going to be another record year. I think we've got good momentum, we've got good people, we've got a good branch network out there, we've got as many or more leads than we can get to and you heard Tom's comments relative to that.

So I think 2002 is going to be the best year that we've ever had in the consumer finance division.

So with that, Dave, I think you're up again. Thank you very much.

Dave Schoenholz: Well, I'm back but not in my CFO role -- in my operating role and I absolutely promise I won't talk any thing more about accounting, re-ages, nothing like that. Actually talk about -- three of our businesses report to me and talk about two of those today, the first one being our mortgage service business.

The biggest part of this business is to buy non-conforming residential real estate loans from a series of correspondents. The second part of that business is that we have a mortgage banking subsidiary called Decision One that we acquired in 99 and they acquire loans from mortgage brokers.

Now in terms of the correspondent business, we acquired almost $8 billion in 2001, had a net gain in the portfolio of about $3-1/2 billion. Decision One originated $3 billion. About 40% of that $3 billion ended up in Household's portfolio. The other 60% of that origination was sold in essence to our competitors in the industry.

Gary Gilmer: - Okay, well you have to understand that we do operate in 46 states and indeed it is true that we operate under 46 sets of rules and all of them are different. It would certainly be impossible for me to tell you that we don't have issues in any other states.

We do every day have an issue in some state or some other state. As it relates to the issues similar to those in California, I can tell you to my knowledge we don't have anything like what we had in California. That doesn't mean that we don't have an issue some place else that we don't need to take care of or one won't come up tomorrow or one won't come up next year.

That is part and parcel to what we do. It is part and parcel to handling 3-1/2 million customers and using 13-1/2 thousand people to do that. I think the important thing to note is that, as I said at the presentation earlier today, when and if we ever find anything wrong with anything that we do we take swift corrective action to make sure that that gets fixed.

I saw one of the other questions earlier just to skip ahead a little bit, Ed, here relative to well, you know, will there be another law suit. I don't know if there'll be another lawsuit. There could be a lawsuit tomorrow. There could never be another lawsuit. We've had lawsuits over the last 125 years. I suppose we'll have some in the future.

I don't know of any that are imminent but it'd be wrong for me to suggest to you that there could never be one. I think the risk that we need to -- we need to sort of quantify the risk of the business that we're in as it relates to that question.

I think there is headline risk associated with that. I mean, any time you read anything about anybody and let's face it, in today's (retigous) world and particularly post-Enron and all the things that we're seeing in the newspapers today, you know, there is clearly a headline risk.

But we need to balance that off against the financial risk. I don't think we have any material financial risk whatsoever. You know, that's my opinions and it's the best answer that I can give you.

I think that we do things the right way in this company. I think we've always done things the right way, not that we've done them perfectly. I think the actions that we have taken in the last year, two or three certainly give us the high ground as it should and as we should seize to defend against any allegation whatsoever.

So I can tell you that, you know, we are doing the right thing every day as it relates to our customers with our without regard to any activity that might come down the road from any activist group or any lawsuit. So I don't, you know, I don't lose a lot of sleep on that point. Do you want to add anything to that?

Man: No, I think you covered it well, Gary.

Edgar Ancona: Okay. Gary, maybe we could just continue on this as maybe Gary, Dave and a sort of corporate view as well which is on real estate, can we give a better definition to our real estate portfolio in terms of first versus second liens, some sense of fixed floating.

And two other questions on that would be how do we see that the credit worthiness of the customers has changed over time if it has at all and then a final sort of corollary on the real estate has been are we worried about any specific part of the country relative to where we are lending. So are there bubbles in California, or whatever?

Gary Gilmer: I think Dave's the only guy up here that can remember that many questions.

Edgar Ancona: Okay, well.

Dave Schoenholz: Well, now I've forgot them all. I think if we talk about the composition of the portfolio you need to break it down between the real estate loans originated in Gary's branch business and the real estate loans originated in the mortgage business.

The branch business is predominately fixed rate loans, whether it's first or second. The mortgage business is probably about 60 to 65% fixed rate loans with the rest of those being arms with various terms.

In terms of the credit quality of the borrowers, I think you've seen generally a migration upward. I have made the specific comment as it related to the mortgage business that we have absolutely booked to somewhat higher credit quality borrowers.

I think that's particularly important because we lend as a general matter of philosophy looking to the quality of the borrower first and to the collateral second. So you will see that we will tend to lend at higher LTDs, whether it's in the branches or in the mortgage business than other "BC lenders" might.

With regards to geographic concentrations, our portfolio's extremely well diversified. We don't have any specific geographic concentrations. We look at the area in kind of northern California, you've seen some inflation in those housing values. But I point out that that's really not for our borrower.

I mean, the average loan size that we have is 150, somewhere 125, $175,000. These are not the people whose homes have been impacted most by the types of inflation pressures we've seen.

And so to the extent that there's kind of this unstated concern that you had dot com bubble economy types of things, that is really not an issue for us.

Gary Gilmer: Oh, and the other question was around the percentage of our portfolio that was secured by personal lien position. Oh that...

Dave Schoenholz: I think what we've talked about is predominately today first lien I think blended over all about 70%; a little bit higher in the mortgage business, a little bit lower in Gary's business.

Edgar Ancona: Rocco, why don't -- there's a couple of questions here on auto, specifically which is that anecdotal reports suggest your auto sub prime competition -- from your auto sub prime competition -- suggest that while you accept the right risk your pricing is significantly lower than that. Do you see this -- do you think you're leaving something on the table?

Rocco Fabiano: Well, you know, gee, I think all my competition price is too low. You know, I mean it's pretty hard to make a comparison. I mean, I'm pleased that the anecdotal evidence is they think we're making the right credit decision because, you know, you'd expect your competition to think that you should push your prices up.

You know, the reality is we're out there competing. In this business every dealer submits -- it's a little strong statement -- on a regular basis dealers submit that contract to five sources. And like all of us, we go where we get our best execution.

And so for every contract we compete with, four or five other lenders for those loans; it's either on a fax button, they hit one button on a fax machine and it broadcasts it to five lending sources or they put it into Dealer Track and SuperHighway and they get four or five bids.

And our job is to price those individual deals as effectively as we can and those we win we hope we've priced properly and gotten the right deals. And those that we don't win we think that somebody else overpaid for those.

And so we're constantly going head to head. Our job is to have the best models out there, value the credit risk better than our competition. And if we do that we think we can price more effectively and win more deals.

Now, you know, I would suspect on those deals I win my competition would tell you I priced too aggressively and on the deals they win I would be inclined to tell you they priced too aggressively.

Man: Well I would just comment that the ROA on this business is north of what the company ROA is. The returns on any level risk adjusted basis, et cetera, are terrific. And so we don't have any question about our pricing policies and I'm very comfortable we're pricing correctly in the marketplace.

Edgar Ancona: Bill, there are a number of questions here relative to acquisitions including what acquisition plans do you see. Given what's just happened, are you surprised no acquisitions were made this past year? And then particularly somebody further said that last year you indicated an interest in Japan and is this still the case?

Bill Aldinger: Well, a couple of questions there -- first of all, I expected to see a lot of portfolio opportunities last year. Whenever the economy gets weaker we tend to see a lot more portfolios come up.

And so I thought last year a larger percentage of our growth would be from purchases. It didn't pan out that way. And in fact, what we saw was fewer opportunities and those we saw we didn't like -- we didn't like because of the pricing or because of the risk profile.

So we were fairly cautious last year on doing portfolio acquisitions. As for Canada -- I mean, as for Japan, we have looked at Japan for a couple of years. We continue to think that it's a great opportunity if we can get in at the right price.

We know our biggest competitors, both GE and (City Financial) have made a ton of money there and have great business models. We'd love to be there with them but we're late in the game and I'm not prepared to just pay up this late in the stage when looking at our PE ratios to what I'd have to pay there; we just didn't do it. So the answer is for now we're not looking at Japan although that could change at some point.

With regard to other acquisitions, I feel the same way. We can make our projected earnings growth that we've talked about here today just doing the fundamentals well. We don't need an acquisition to reach our targets and so I'm being very careful about acquisitions, particularly when I think our currency is cheap.

So I think to sum it up, we're likely to do portfolio acquisitions if they come up this year, probably not huge ones, probably not many. Not likely to do a major acquisition in or out of the country this year based upon our current PE and what we see out there today and we want to stick to the fundamentals unless a great opportunity presents itself.

Edgar Ancona: Okay. A couple of questions here on best practices -- first, Dave, relative to the mortgage services business, you know, how do you ensure that best practices are practiced in a world where you're dealing with brokers and correspondents and third parties that you don't have control over.

Dave Schoenholz: Well that's a good question but I'd go back a little bit to what I said and there's no question you don't have complete control but there is the way we run the business model is you do have heavy influence and we're focused on participating with fewer people, having deeper relationships.

Before somebody can be a broker and get deals, Decision One we deal with or a correspondent at the mortgage business to deal with we go through an extensive counter party review making sure in terms of our own due diligence, financial due diligence, regulatory due diligence and checking any appropriate licensing requirements, whether there have been any litigations involved with the people.

And we update those no less frequently than annually. Now that gives you a sense that you think you're dealing with the right people. You can't -- that doesn't give you an absolute assurance that they're doing the right thing every day.

The other thing I would point to though in a process sense is I made the comment that we re-underwrite 100% of the loans and that's not done just for credit. That is also done for compliance and to make sure that those loans conform to our policies.

In terms of product best practices, what we do in the mortgage side is very similar to what Gary does in terms of making sure that the loan doesn't represent something that's been flipped, that's there's a tangible benefits test for the borrower, that there are limits on points and fees, that there are reasonable prepayment penalties.

Actually prepayment penalty structure is similar to what we have in the retail side. And so I feel -- you can never be 100% sure, but I think we've done everything we can possibly do to make sure we're doing the business the right way and again, focusing on doing it in a very centralized, very controlled fashion with people who we think are good folks.

Edgar Ancona: Gary, on the best practices side, somebody here evidently doesn't like your best practices thinking that you're going to both reduce profitability and encourage activist to continue to raise the hurdle on best practices. I don't know what your comments would be on that front.

Gary Gilmer: That's obviously not coming from a Acorn member of the audience as they would take a different view. Well, I mean, the fact of the matter is that as I said earlier, a lot of the things that we have announced -- not all, but a lot of the things that we have announced has been pretty well standard business practice for us for a long time.

The announcing of those does put them in concrete and put them in the public eye and I think we get, you know, the benefit of the sort of public reaction from that.

I also believe that the decisions that we've made though have been the right decisions for the customer and they've been the right decisions for our business. You know, at the end of the day we haven't changed anything that would materially affect the profitability of the loans that we make.

I mean, we're going to make loans to people at rates that reflect the risk with appropriate concern for our shareholders. I mean, that's not going to change, you know, regardless of what happens.

But the fact of the matter is I think it would be inappropriate for us to ignore the environment in which we're in today. And so particularly if we are already doing these things or these things or certainly the added things that we do are the right things to do for our customers, we should move forward with that.

And so we have and we will. But it's not going to change the business model. We're not going to change the focus of the customers that we've been serving for the last 125 years. It's what we do, it's what we do well, it's what we do profitably.

And every loan that we make today as was the case five years ago, ten years ago, has to meet certainly profitability hurdles or we just don't make the loan.

Edgar Ancona: Okay. Bill, a question for you – what is your philosophy on stock options and what role do they play in the compensation at HI?

Bill Aldinger: Well, on stock options we've taken a different tact than many of the companies. We only give out stock options to about 40 people in the whole company. And my view is that I want to give those to those who have the broadest impact on the company and to give them a lot so they have a lot at stake in the game.

And then we have restricted shares for a couple hundred people where we think they not only get a chance to ride the upside, they have a lot less downside. They work as golden handcuffs.

So we have sort of split our compensation approach two ways. The large segment of the management team has restricted shares. A smaller segment has options. And I think that when I'm out with investors what I've actually had fed back to me is how have you given out so few options.

The answer is because we have a smaller group. And I'm comfortable with the amount we give. I think we have less than 2% of the stock -- Dave, you may know the exact number -- but it's a low percentage of the outstanding and options, lower than anybody in financial services because we restrict it to a small group.

So we're comfortable that it works and we're not about to change it.

Edgar Ancona: Okay. Dave, a couple of questions relative to the banks and the questions are one, what is the capital requirements, the new capital requirements that we talked about relative to sub prime. And then the second part of that would be what do you envision the impact of that being on the company or what is the impact of that in the company.

Dave Schoenholz: Well the capital guidelines are left to the regulators' discretion. So they are not hard and fast rules that you can mechanically apply. The fact that we've put in about $1.2 billion of extra capital into the banks reflected the discussions we had with the regulators.

I'd echo Edgar's point that we don't expect to put in more capital and I actually would expect to have some down streaming back to the parent.

In terms of the impact on the parent, that is in part why we have looked at higher capital ratios. That is in part why we went into the market in the first quarter for preferred stock.

Some of that capital infusion will be done in the form of sub debt. So it will have a slightly higher coupon but it won't really reflect hard core equity. And, you know, there will be some additional cost to that but certainly nothing significant that would impact our ability to run the business the way it is today or to hit the numbers that we've talked about.

Edgar Ancona: Okay. While we're on the subject of capital a couple of questions basically focused on what do you believe or how do you determine the optimal level of capital in the company; how do you manage it, securitized or owned; and do you see leverage decreasing, increasing and could you comment on that?

Dave Schoenholz: Well, capital is kind of like, you know, religion in politics -- there's no exact answer and when you talk a lot to the fixed income people they say you can never have enough. When you talk to some of the equity people and they say, you know, this is too much.

And so you have to try to find the right blend. We have adopted increasingly a risk based approach to capital by product type. I think that is particularly important to the fact that we are growing more heavily real estate secured product that has lower capital requirements and lower risk attributes.

And at the same time you have, you know, sub prime assets such as the Renaissance card which do have significantly broader capital draws.

So we're adopting that. That risk based approach is consistent or ends up in the types of targets that we've talked about today. Those capital targets over the last couple years have continued to increase. A few years ago we were talking (tetmo) 7 to 7-1/2 and then 7-1/2 to 7-3/4 and then 7-3/4 to 8 and then today we talked 8 and 8-1/4.

I think in this environment you should not expect a decrease in those capital types of targets and at least for the business mix we have today I think those are good targets but we'll have to evaluate them going forward.

Finally, with respect to owned versus managed, our view is that we really kind of look through that distinction. When we securitize a receivable, it gives you some relief as it relates to overall liquidity but it doesn't really give you relief as it relates to credit or operating types of risk.

And so our view is that we need to have the same type of capital, whether it's on balance sheet or off which is why when we talk today we really do focus on capital ratios related to managed assets.

Edgar Ancona: Maybe as a follow up or subsequent, another version maybe of capital is loan loss reserve. In this weakening economy with higher bankruptcies and general uncertainties, what's the view relative to building loan loss reserves.

Dave Schoenholz: Well, as I said earlier, there's no question that we will be increasing reserves and dollars and at least early in the year we will be increasing reserves as a percentage.

The flip side to increasing reserve ratios is that portfolio mix question that we talked about and that is you build real estate secured portfolio that has a reserve requirement, you know, in round numbers of 1% versus unsecured at 8 or 9%, that will skew the overall reserve ratios.

But you will see when we release earnings next week that reserve ratios will be up in anticipation of kind of a continued cautious view on the economy.

Edgar Ancona: Bill, another sort of relative to the efficiency ratio, where do you expect things in 2002 and longer term?

Bill Aldinger: Well I think our view today is that we're already the most efficient company in financial services and we don't need to push that line down at the moment. I think what you've seen over the last two years is we, instead of pushing that line down, made significant investments in the future, in technology, in people, incentives and so forth.

We had over 18% growth in expenses last year and so our target right now is to be about where we are today. Now that could change. We could push it down further but we think the operating model works well right where we are today.

So in some instances for maybe a 12 month same as cash promotion on furniture manufacturers that we might actually buy that credit at 85 cents on the dollar because the merchant is paying us a discount to cover perhaps a portion of the credit risk and certainly the cost of money.

Edgar Ancon: Dave, a detailed question on your presentation. You had talked about the fact that e-commerce had broken even. What exactly did you mean?

Dave Schoenholz: I meant that on a run rate basis in the fourth quarter the revenues that we were generating off of receivables generated through various Web sites was more than offsetting the web development costs as well as the operating cost.

Man: I would just add to that that -- so therefore, all of the cost savings we've incurred are not reflected in that calculation. So when you're saving service cost and credit card note of businesses, that's all gravy.

Edgar Ancona: Okay. A number of questions on re-age -- I think starting and maybe Gary, there's several of them relative to your business but just, who can authorize a re-age and you had talked about experienced collectors. What exactly is an experienced collector.

Gary Gilmer: Well, you know, we have certain levels of authority and we've leased that levels of authority divided out sort of by rank, experience. We've leased these various levels of authority by stops in the system that won't allow people to take certain actions that they have not been authorized to take.

In terms of, you know, what is an experienced collector, we don't necessarily grade that by how long a collector has been on the job. Certainly with us we hire collectors outside of the company who have had experience. In fact, they have to be -- go through certain training and have to be certified as having certain experience, having certain knowledge, having the wherewithal, the capability of good judgment to make certain decisions. And once they do reach that threshold then they're given the authority.

Edgar Ancona: Okay. There's a lot of questions here about re-aging history and, you know, do we have additional detailed history that we were talking about. And I think also in addition, do we have some view of what maybe re-age levels will be or what's going to determine them in the future.

Gary Gilmer: I'm sure we have re-age history. We have history on just about everything that moves and we have a good system that tracks these things. As it relates to, you know, where we are today relative to where we would be in the future in terms of re-aging, I mean, certainly we have policies and procedures that limit us as to what we can do on certain accounts and that ought to be the case and Dave did talk about that some this morning.

As it relates to whether or not we would expect to re-age more or less within the confines of the policy going forward, I think we'd have to look at the economic circumstances as a key driver of that.

As the economy gets better, you know, I think we would see fewer re-ages rather than more. If the economy were to really tank we might see more, again within the confines of the policy.

Remembering again just, you know, not to take the re-age out of context. The idea here is to maximize cash flow and so we look very carefully at the results of what we are doing to ensure that at the end of the day we are better off for having re-aged than not re-aged and we'll continue to employ that policy.

Dave explained and I mentioned that our customers -- and think it's very important that we differentiate our customers from perhaps the customers at a bank -- you know, when we go into the transaction, when we -- day one going into the transaction with one of our customers, we understand very clearly who we're dealing with and what we're dealing with.

And over the years we've gathered enough information and history to know how to do that. Now one of the key components of that dealing is to know how to price the deal.

So back to what we were talking about earlier, we've got real estate loan customers that are booked at 400 basis points or some number like that, higher than prime. They buy something from that, they should get something from that and in part that something they get should be some empathy, some help, you know, sort of to cross the next bump in the road.

And indeed we do that. That is part of our business model and part of our success in this industry in dealing with these customers is knowing when and what and how to do that. And so these re-ages will move from time to time depending on the economic circumstances.

Edgar Ancona: There seem to be more questions relative to the unsecured side. Is there a difference maybe between PHL and unsecured and your view about readings around that or sort of just treat all unsecured or the same or?

Gary Gilmer: Want me to take that? Okay, I'm on overtime now, Bill. Yes, we do look at those. When you look at the other, all other unsecured statistics and the published information that you would see, that would include PHL product and unsecured product.

And we do that -- even though those two products are quite different -- we do that so as to distinguish between our fully secured regular real estate portfolio, which is the preponderance of what we do and our PHL product where we don't do a full blown appraisal.

Now we do a title search to make sure that we know what our position is but those products are different. We wouldn't want to mislead you into thinking that our PHL product was identical to our regular real estate secured product because they're not.

There are losses in the PHL portfolio, 3-1/2 to 4%. The losses in our fully secured real estate portfolio, as Dave mentioned this morning, somewhere under 1%.

Now we consider all of those facts in our re-aging policies and processes and assets. We do treat them somewhat differently in the collection phase and the fact of the matter is just to look at that, just in one simple example would be to think about the bankruptcy performance, which is something we all deal with every day.

Something north of 60% of the PHL customers that we have on the books, in the case of bankruptcy reaffirmed – either reaffirmed in a formal sentence or continued to pay. Either way, it doesn't matter to us.

You look at that on the unsecured portfolio, in other words the non-PHL portfolio, and you're going to get that number down to single digits. So obviously they perform differently and we would treat them somewhat differently.

Edgar Ancona: I think a general Household question here – what percentage of your core customers do you believe are sub prime and do you see this growing kind of over time, shrinking, direction on what's going to happen.

Dave Schoenholz: Let me take that. I think it's hard to get those definitions but we've tried to take an approach at it by looking at segmenting the portfolio in two variables. One is the frequency or the probability of an event of default, the frequency of that.

And then the second variable would be the severity of the loss if you do have a probability of default. And just a little science, let's say, low, medium and high on each of those variables and put those into different categories.

So first lien, close and first lien positions, if you look at that, we would think would be as an example of the prime time of product. Renaissance, credit card or some of Rocco's lower tier in the auto portfolio would be a sub prime category.

And if you stratify it that way we have 60% -- about 60%, 65%, would be prime, largely because of first lien mortgages, GM, credit cards and UP credit cards and portions of the retail finance business. You have probably 20% odd that would be near prime with the rest, you know, 15, 20% would be true sub prime.

Edgar Ancona: Okay. Dave, while I've got you, on the UK how does the net interest margin on credit card portfolio and HFC Bank UK compare to the net interest margin on the same thing in the US?

Dave Schoenholz: It depends really by product. I think on balance we would tend to have higher margins in the UK because you tend to have a higher revolver percent to some of the portfolios than you would have here.

I think the other point I would make is that we have consciously scaled back in the Visa MasterCard area in the UK in part because of the extreme almost irrational competition including some of the US monolines as well as UK competitors such as (EGG) and that type of thing.

The Goldfish portfolio, which we agreed to terminate had a very, very low revolver percent, very low yields, which is one of the reasons we decided to get out of that. So what we are in is probably has higher returns.

Edgar Ancona: I'll answer this other one on the UK which is did they hit any of their back CB backstops and the answer is no. We though however, as a matter of fact, are ordinarily financed in our UK operations by some bank lines that are intended to be drawn but no, we have not hit any backstops there.

The GSEs, just several expanded questions on as the notion being that when interest rates are going up and as a result the GSEs are generating less volume from refinancing, do we expect them to be a bigger competitor in either the branch or the HMS businesses?

Gary Gilmer: Yes, as it relates to the branch network I tend to view the GSEs as not really a competitor and I don't mean this to sound boastful at all but the fact of the matter is our strength in the sort of GSE race is our origination capability. They don't originate loans and we do.

And we don't have to sell loans and so we've sort of got a core capability there that they don't. It is true that they have a funding advantage over us. There's no question about that but we have, I think we've demonstrated over time that, you know, we're able to charge a rate that's appropriate for the risk and we are able to keep that risk on the balance sheet or securitize it as the case may be.

Dave Schoenholz: I think in the mortgage I would expect them to be somewhat less of an influence in a rising rate environment just because when you have a huge re-fi waves and then partial response to issues, concerns about credit for lending and so forth you see a number of people running all production through DU, as an example, and they would be surprised what Fannie might buy.

To the extent that you have less refinance activity I think you will have less that's directly pointed towards them.

Edgar Ancona: I think this is a sort of a portfolio migration question. I think largely it may be directed at you, Gary, which talks about the fact that -- four of them basically talk about the fact that as we continue to cross sell people and in fact try and work with some relatively weaker and unsecured customers and particularly focus on reps trying to cross sell them, are we concerned about the direction in terms of credit quality for the overall portfolio?

Gary Gilmer: No, absolutely not. I mean we are very careful at managing the credit process. Number one, we're very careful at who we bring through the door to begin with. For example, just using direct mail as one of the channels that we use in addition to all of the cross selling that we've been talking about for the last few days, we use sophisticated set of models to ensure that we queue the right customers up.

The right customers have the right -- both the right credit profile and to include the right propensity to borrow. So we have that going for us at the front end.

In terms of controlling the credit quality beyond that and of course most the beginning of every relationship, almost every relationship for us, is in our branch network. So there's sort of two ways that we control that credit quality.

On the front end, as I mentioned, we make sure that we're queuing up the right customer to get into the branch network to begin with. And then on the backend we do all of the underwriting, all of the credit decision, everything related to the pricing of the loan is segregated from the branch network altogether.

So our branch managers, as an example, as the example, have no authority to book a loan and therefore really limited input as it relates to the credit quality, so.

The decentralized, rather the centralized model that we use today, which is quite remarkably different from what we used, 10, 15 years ago, is a bit of a firewall in that regard.

Edgar Ancona: Okay. Bill, the question for you which is as the economy improves do you expect to see at the macro level some major changes in terms of products that the company emphasizes versus what it's doing today.

Bill Aldinger: No, I don't. I think we have the right mix of products today. I think that it's possible we would step up a little bit more on the unsecured and the credit card as things get better. But I don't see the mix changing dramatically over the next certainly two years.

Edgar Ancona: Okay. Dave, question on the IO that you talked about. When you positively mark to market the IO strip what fundamental changes drove the positive mark to market?

Dave Schoenholz: Say it again. I didn't hear...

Edgar Ancona: Okay. What is it that drove the positive mark on IO strip?

Dave Schoenholz: I think there are a variety of issues. First off, let me just comment -- somebody came up to me during the break and said they've heard that a number of people didn't know what an IO strip was and just to make sure we're on the same page, the interest only strip related to securitization, accounting and would really reflect that net present value of future cash flows.

You have a variety of issues. We've set intentionally very conservative assumptions when we take an issue of gains on sale. As I go back to the point that we run our business on a managed basis as if we were a portfolio lender.

So we take very conservative assumptions with respect to credit, prepayments fees, everything else. And so when you look at actual experience we actually get some "actuarial gain." We also had some benefit just from a falling rate environment as it would relate to the underlying bonds on the securitized portfolio.

Edgar Ancona: And I guess that sort of a detailed question here has been that at least in some cases the loss levels used in calculations in the 10K were -- have decreased, I guess, in the last year relative to where they may have been the prior year. I think auto in specific was referenced.

Dave Schoenholz: Well, I'm not sure I understand the question but as an overall point, particularly as it relates to auto, you know, we've talked consistently about the fact that our cumulative loss curves and all the securitizations that we remain comfortable with those, that they were underwritten originally with sufficient headroom to allow some deterioration. And would echo the point that Rocco made earlier that we don't really have kind of that trigger risk.

Edgar Ancona: I think another question on securitizations which is more general which is if you don't take gains on sale and real estate, why do you take gains on sale in other products?

Dave Schoenholz: The securitization accounting is very form driven. I mean, it's not substance driven. It's very form driven and so in the real estate transactions, which tend to be closed and amortizing type of deals, you can structure it with respect to clean up calls and so forth, not to take gains.

Over time we will look at different structures on other types of securitizations and to see if that makes sense. But today the form of the transactions for private label, Visa, MasterCard and auto have been such that they do qualify.

Edgar Ancona: I think on disclosure there's basically a simple question I think based on your first slide there -- will we continue to receive managed income states for analytical purposes?

Dave Schoenholz: Well, we are not going to present a full blown managed income statement. You'll see in the supplement next week I think we will give you enough data that you can construct that fairly easily for your own purposes and if there are issues in you pulling in that together we -- (Craig), (Celeste), others will be glad to help you sort that out. So I don't think it will be quite as straightforward as it perhaps has been in the past but I think you can get there.

Edgar Ancona: Excuse me, and then will you continue to give DTL re-aging statistics as part of disclosures in the future?

Dave Schoenholz: As I said before, we're going to look at how to take the transparency issue off the table and that probably involves putting some re-aged statistics out there. I don't want to commit exactly in what form that's going to be. The data that we presented today is not yet productionalized in a way that we could do that just routinely.

We do have the data for internal purposes but it takes a little bit of kind of common data definitions across all the business to get there. I do think we will end up with some kind of periodic disclosure on re-age activity though.

Edgar Ancona: Gary, unfortunately there's some more here for you. How do you control the quality of the loans from MBNA? They recently told investors they sell off these loans because they are not attractive.

Gary Gilmer: Who asked that question? Well first off, you know, we underwrite every one of them so that's number one. I had not heard that statement but I guess it sort of makes the market when somebody thinks something is more valuable to somebody else. Without that none of us would every buy or sell anything.

But the fact of the matter is we are very pleased and I think our partners at MBNA are very pleased with the relationship that we have. I think it's profitable for both parties. It's grown remarkably over the last two or three years and we'll book about $1 billion worth of that business this year and I can assure you it meets every one of our profitability hurdles.

Dave Schoenholz: I would just comment to that, you know, MBNA does not have the capability or the infrastructure to originate underwrite secured loans. So what might not be attractive on a pure unsecured business can make a dynamite loan on a secured basis.

Edgar Ancona: Gary, one other question -- this is relative to branch compensation. Are people incented or compensated to produce better quality loans and is there a tie to credit quality or loan performance in that calculation?

Gary Gilmer: Yes. Our district manager level and up have a profitability component in their compensation program and, you know, those are the first level supervisory personnel in the branch network and they obviously are driving the credit quality for that perspective so and it hits their pocketbook if they don't.

But just to reiterate what I said earlier about the way we control our credit quality, we deliver the lease to the branches. We've already sorted out the quality of those people before they ever see them, number one.

Number two, even after that happens and an application is developed then goes completely off the radar screen in the branch as it relates to the rest of the processing. So that all of the underwriting, the work up, the checks to include both the title work and indeed the appraisal are completely out of the hands of the branch network.

So we have pretty firm wall there to control that quality and I think our statistics suggest that that works pretty well.

Edgar Ancona: Okay. Rocco, a couple questions here on auto -- what has been the impact, I guess, of the Millennium product on credit performance and in fact on returns and could you please explain further the price increases and the increased underwriting you talked about?

Rocco Fabiano: Sure. The Millennium product was, I mean, it's simplistic. I guess right today we have, we define the programs within auto as tiers one through six and it's just basically a way to describe our pricing across the credit spectrum of anywhere from a low rate of maybe as low as roughly 11% up to an effective yield of about 25%.

And those are broken into tiers because it's easier to communicate that to the dealers. And the Millennium program was kind of a first step in that direction which was really adding the tiers one through three which were the better credit quality tiers.

And we've been very pleased with the performance of that program. The -- I think the other half of the question was some of the changes we've made which was as I mentioned, we continue to be surprised by the volumes.

I mean, the market continues -- people continue to pull out of the sector -- banks, some of the leasing companies had an impact when they got out. Others have tightened up. So we continue to be surprised by the strength of the business flow we're seeing.

So it's an ideal time to re-price and tighten up your credit score. So what we have done is we've pushed through some price increases, particularly in the highest risk components of the business.

As Dave mentioned, we're continually more judicious about how we allocate capital and that's pushing up the required returns in the highest risk segments and we're passing that through to the dealers. So that's generated some price increases, as I say, particularly on the tiers five and six which are the highest risk components.

In addition to that, one way to take advantage of more business than you really anticipated is to increase your cut off scores. So we've also increased the cut off scores. So for each of those tiers or many of those tiers it requires a higher score. Not a (FICO) score; that's not what we use, but it's an internal score of the same concept to be approved for those programs. Those are the types of changes we've made.

Edgar Ancona: I think there's a couple questions here, Dave, relative to real estate coverage, particularly if you add back REO expenses, how does that compare, you know, two things -- one, loss has arisen compared to banks and second is when you add the REO expenses back, should there be higher reserves as a result of that?

Dave Schoenholz: What was the first one?

Man: ((inaudible)).

Dave Schoenholz: Well, I can't really comment about how our residential real estate statistics compare to commercial banks. I would just say that, you know, our sense is it performs extremely well. With regard to REO, the question is should we be reserving for that?

There are different rules for banks and different rules for finance companies and I think there is a premise there. We just need to be a little careful. We're not a bank. Our business model is a bit different and we need to make sure that the accounting policies are appropriate for the business we're in and we somehow don't kind of throw the baby out with the bathwater.

If we were to reserve for REO, just the statistics I threw up there -- in 2001 it was about $120 million cost and so if you were to have, let's say, 12 months coverage of that that would be a one time issue and you put that in the context of we have reserves at $3.8 billion. So I don't think that's a big issue one way or the other.

Edgar Ancona: One more question, Dave -- relative to this sale of loans in response to the (Fitch), the whole loan sale of the first quarter, was there a gain on the sale?

Dave Schoenholz: Just to put it in context, I had a couple of other people ask me about that -- we don't want to be in the business of originating loans and then having whole loan sales. We think that, you know, keep originating them, putting them in the portfolio, keeping in the servicing is the right business model.

But we did it in the first quarter in response to liquidity management concerns to keep getting commercial paper levels down and also quite honestly to address the (Fitch's) point. From the time we decided to do the sale to the time we closed was about 25 days and we did have a net gain on it. It cleared all the premiums and cost that we had on the books.

Edgar Ancona: There's one contingency funding question here I'll take which is that somebody asked why we didn't talk as we did in the past about accessing bank backstops and talking about contingency funding as a percentage of bank backstops.

I think the world has changed from a year ago and there is certainly a market perception that that's a high negative event, whether it is or not. And certainly CIT has, I think, driven that home to the marketplace.

So our view is to construct a contingency funding plan that does not access bank backstops. And so if you talk about the significant increase in contingency funding available for warehouses or conduits as well as the absolute basically having of the commercial paper outstanding -- you know, we're now carrying an investment portfolio as well -- so that actual having, you know, taking $5 billion if you will out of that CP number in fact really dramatically reduces what you'd have to fund in 90 days.

So we can cover the 90 days. We're not just going to talk about it in a way that a lot of people have indicated to us is not a way we should be talking about it.

I think I want to end with a final sort of set of questions, Bill, really are around Household as an ongoing independent company. People talk about, you know, the recent perceived difficulties in funding and the stock price, sort of, not having continued to appreciate.

And so questions are what is your view about staying independent versus being acquired and if you talk about independence does that necessarily force you to require additional acquisitions of some sort?

Bill Aldinger: Well, let me start by saying that every year in November we do a plan for the board. We lay out three alternatives which one would be what does the operating plan look like for the next three years. And we've done that and we're very comfortable we can achieve that without any major acquisitions -- very good 13 to 15% EPS growth.

I would remind everybody while we all talk about getting big in financial services, Household at yearend was 93rd in market cap in the country and 38th I think in profitability. So a top Fortune 100 company last year and top 38 or 40 in profitability.

So number one, A plan is operate the company as is, add some small acquisitions in terms of portfolios along the way. We're pretty comfortable we could achieve that 13 to 15% EPS growth.

As I mentioned earlier today Plan B, if you will, would be do we do a major transforming acquisition to give us more diversification and so forth. And I think what I said to you earlier today is that's not on the radar screen certainly in the next 12 months. We don't have to do it and I'm not comfortable at our PE paying up for something at this point.

And I think the third one, the alternative we lay out is should we merge with a bigger company. There are probably six or seven worldwide that potentially could be a fit. I think if we were to do that we'd look at a number of things -- what's the strength of the currency, does it give us a broader diversified mix of earnings, does it give us improved funding and potentially better return for our shareholders.

And I think there is some companies out there that fit that mold and it's possible we'd look at that at the right time. We don't have to do it but it's an option we look at and it may be if we don't see our stock price move then over a period of time we'd look more aggressively at that.

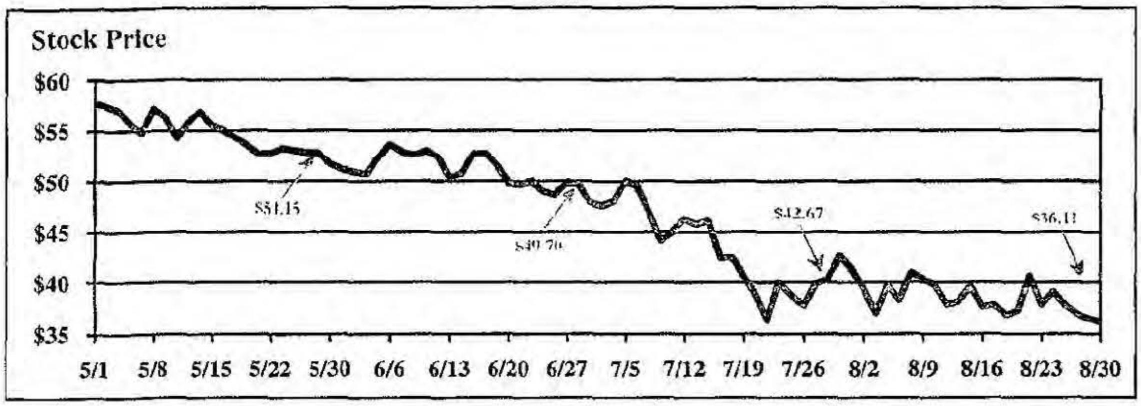
Edgar Ancona: With that, I think that does it on the questions. I assume there's some that we haven't answered probably out there if that's the case. I'd like to thank you all for attending. Lunch is served across in (CMD). For those of you running to the airport -- we've actually finished on time -- their busses leave every 15 minutes from out in front.

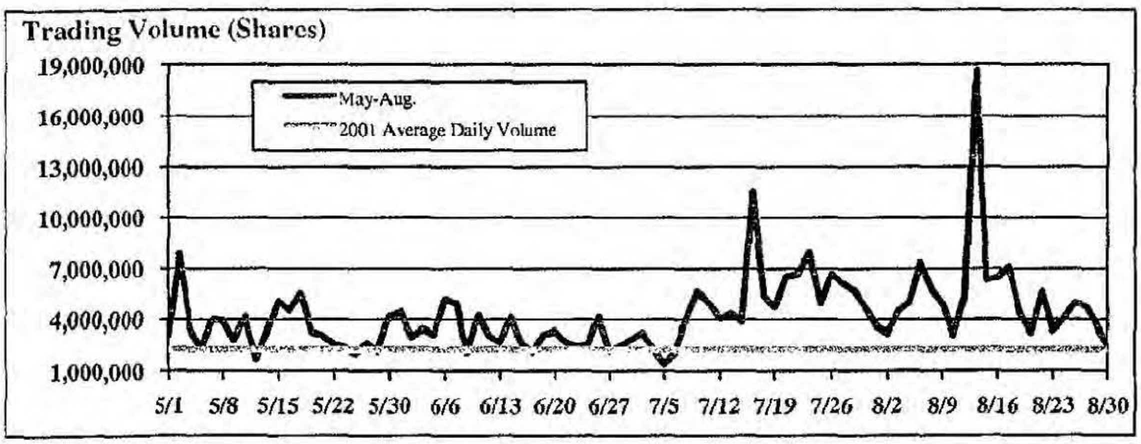
So with that, thanks very much. Look forward to seeing you all next year.

END

HOUSEHOLD

INVESTOR RELATIONS REPORT
May-August 2002





May-August Stock Trading Commentary
Household shares closed April at $58.29 and declined in each of the next four months, closing August at $36.11. A summary of significant events affecting the stock price follows.

<u>May</u>

- On May 2nd, a class action suit against Household was filed with ACORN's help. However, word of the suit was leaked to the press and the investment community prior to the suit being served. Over 7.8 million shares traded that day, as the stock lost $.26. ACORN's "embargoed" press release was eventually posted on ACORN's web site, although it was never officially disseminated over wire services.

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Jaffe v. Household
Plaintiffs' Exhibit
P0198

- On May 7th, the *American Banker* and *NewsDay* both ran articles in which the New York Comptroller expressed concerns about Household's lending practices and the state's investment in the stock. In addition, Responsible Wealth issued a press release about the shareholder proposal in Household's proxy and that ACORN and other supporters of the proposal would demonstrate at Household's shareholders' meeting. Over 4 million shares traded that day as the stock dropped $.94.
- On May 10th, Howard Mason of Sanford Bernstein issued a report in which he raised concerns about the legal threat to Household's sales practices and the resultant effect on the sustainability of the business model. Over 4.1 million shares traded that day, as the stock price fell $2.05.
- Beginning on May 15th, numerous articles ran in the press regarding Household's shareholders' meeting. These articles prominently featured ACORN and its sponsored shareholder proposal, which gained support from the prior year. In addition, on May 16th, Howard Mason of Sanford Bernstein spread word that the Washington State Department of Financial Institutions (DFI) was going to file a predatory lending report and ask the Attorney General to file a suit against Household. Nearly 15.2 million shares traded between the 15th and the 17th, with consistent short selling. The stock lost $2.65 during that 3-day period.
- On May 30th, the *New York Post* featured a story about Household's injunction against the release of the examination report by the DFI. A similar story ran in the *American Banker* on May 31st. Household lost $1.65 during that two-day period on heavy volume, to close May at $51.15.

June

- On June 13th, the *American Banker* in an article, "Household Wins Delay of Predator Report," reported the restraining order prohibiting the DFI from making public the results of its examination of Household was extended. The article, coupled with a 111-point drop in the market, contributed to a $2.19 decline in Household's stock on 4.1 million shares.
- On June 19th and 20th, the market fell a combined 274 points on corporate profit warnings and escalating violence in the Middle East. Household's stock price fell as well, dropping $2.95 during the two-day period.
- On June 25th, a California Federal judge allowed a lawsuit against Household to proceed on the grounds that mandatory arbitration clauses are "unconscionable" under California law. On June 26th, WorldCom stunned the market by announcing the restatement of 2001 earnings due to the misclassification of $4 billion in expenses. Over the two-day period, Household's stock dropped $1.34. Household closed June at $49.70 on average daily volume of nearly 3.2 million shares.

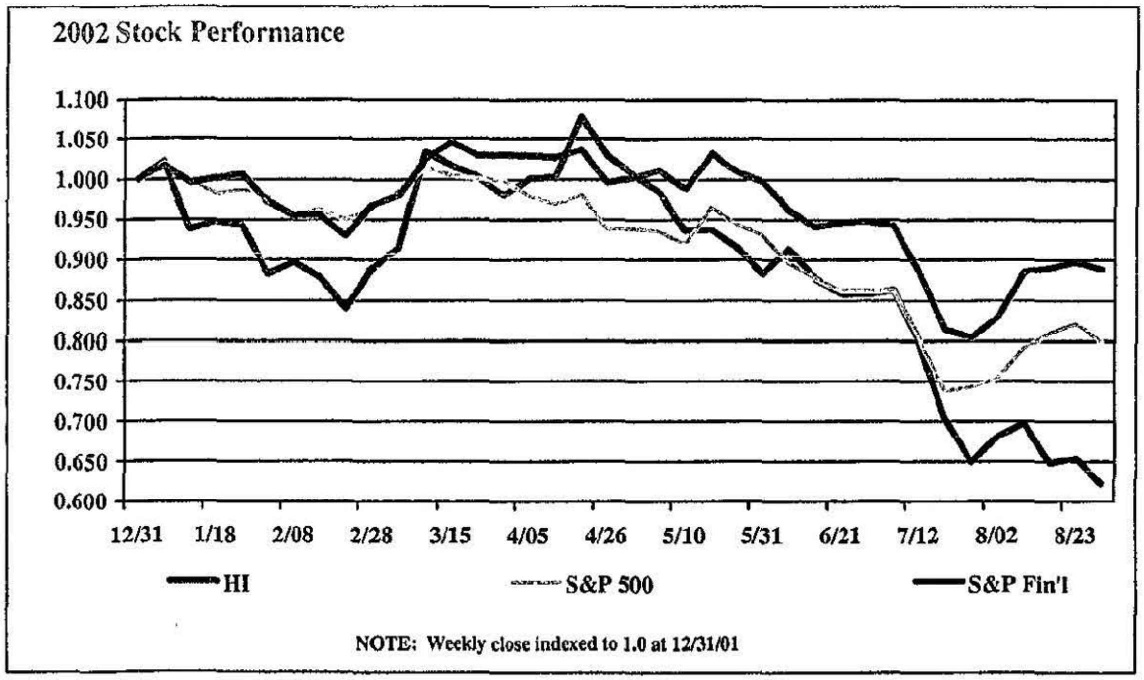
July

- On July 10th, Capital One Financial reported through its credit card trust data a 50 basis-point increase in charge-off. The entire sector suffered on the news, with Household dropping nearly $3, to $44.07, on heavy volume of over 5.5 million shares.
- On July 17th, Household reported record second quarter earnings. The results were well received. However, the stock plunged $3.73, to $42.37, as a result of fall-out from Capital One's announcement that it had entered into a Memorandum of Understanding with its bank regulators over reserve and capital issues. Investors' concerns were that other credit card issuers had similar issues.
- Between July 18th and July 26th, the stock fell $4.75, or 11 percent, on market and sector fears. During that period, WorldCom filed for bankruptcy protection, and it was reported that Citigroup aided Enron in its questionable financing transactions. In addition, on July 23rd, banking regulators issued new, stricter guidelines on reserving and lending practices for credit card issuers. Household's stock dropped $2.55, or 6.6 percent, on that day as investors sought to understand the effects of the proposed guidelines on the sector. Over the last few days of the month, the stock came back to close July at $42.67 or down 7 percent.

<u>August</u>

- On August 14th, Household announced it would restate its earnings and hosted a conference call. Investor meetings with both equity and fixed investors were held. Household's stock was volatile, but closed up 29 cents, on 18.7 million shares.
- On August 15th and over the next four days, articles on Household appeared in *Forbes, The New York Times, Barrons and The American Banker*. For the most part, the articles did not contain new disclosures but rather rehashed information on the potential threats to Household's business model, outstanding lawsuits and the State of Washington Department of Financial Institutions' regulatory report. In addition, on August 15th, ACORN members and others filed in Massachusetts a suit against Household charging it with violations of state banking regulations and engaging in predatory lending practices. Household's stock drifted downward to close at $36.75 on August 20th.
- During the last week of August, the *Bellingham Herald* carried several negative articles of Household and printed the embargoed DFI regulatory report. Household's stock drifted downward and closed the month at $36.11, down almost 7 points, or 15 percent. Volume for August averaged 5.4 million shares.
- For the four-month period, Household's stock dropped $22.18 or 38 percent.

The graph below shows the performance of Household's stock, the S&P 500 and the S&P Financial indices during 2002. Household has underperformed these indicies thus far in 2002.



Performance vs. Financial Indices
The following table compares Household's performance to our peer group and certain indices for May through September, as well as year to date.

Change (%)	*May*	*June*	*July*	*August*	*YTD*
Household	(12.2)	(2.8)	(14.1)	(15.4)	(37.7)
Peer Group Average	1.0	(5.6)	(14.3)	2.5	(9.4)
S&P 500	(0.9)	(7.2)	(7.9)	.5	(20.2)
S&P Financial	(0.5)	(4.9)	(8.1)	1.9	(11.2)

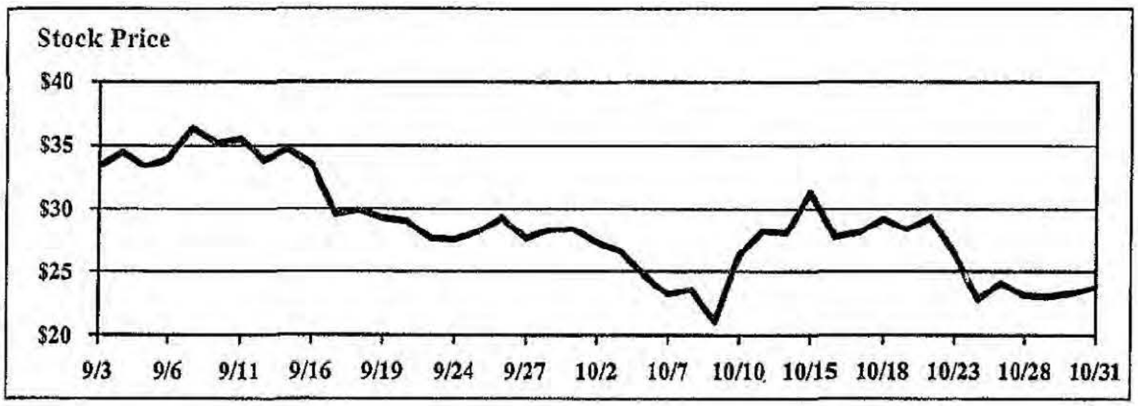
Analysts' Estimates
Following are analysts' EPS estimates for 2002.

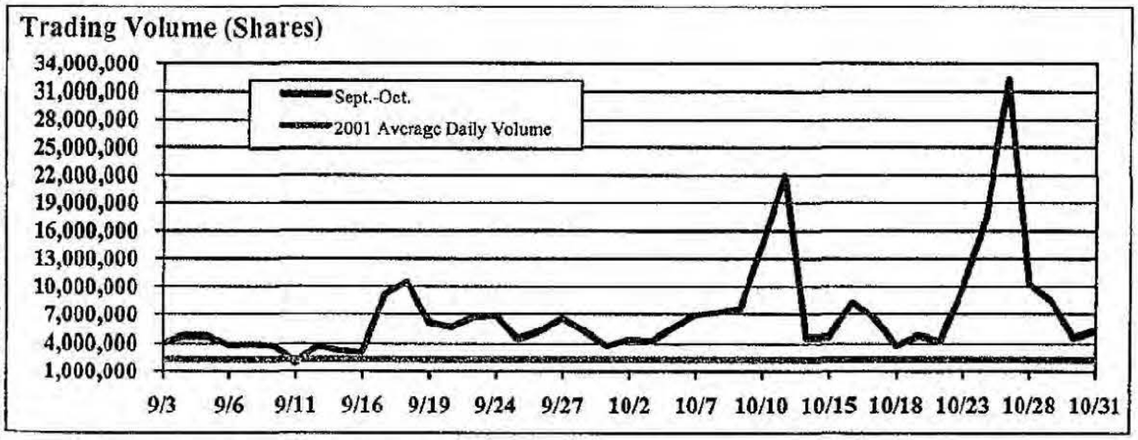
Firm	*FY'02*	*3Q'02*	*Opinion*
A.G. Edwards	$4.62	$1.20	Buy
Bear Stearns	4.61	1.20	Buy
B of A Montgomery Securities	4.70	1.22	Market Performer
Bernstein Research	4.48	-	Market Perform*
CIBC World Markets	4.58	1.16	Buy*
Credit Suisse First Boston	4.60	1.21	Strong Buy
Deutsche Banc Alex. Brown	4.50	1.15	Strong Buy
Fox-Pitt Kelton	4.55	1.16	Attractive*
Friedman, Billings, Ramsey & Co.	4.62	1.20	Buy
Goldman Sachs	4.45	1.18	Buy
J.P. Morgan	4.55	1.16	Buy
Keefe, Bruyette & Woods	4.54	1.18	Market Perform*
Legg Mason	4.65	1.19	Market Perform
Lehman Brothers	4.59	1.20	Strong Buy
Merrill Lynch	4.65	1.21	Strong Buy
Morgan Stanley	4.56	1.15	Overweight*
Prudential Securities	4.55	1.18	Buy
Salomon Smith Barney	4.45	1.12	Outperform
Stephens, Inc.	4.56	1.18	Buy
Thomas Weisel Partners	4.66	1.17	Buy
UBS Warburg	4.56	1.17	Buy
U.S. Bancorp Piper Jaffray	4.58	1.18	Outperform
Wachovia Securities	4.60	1.19	Buy*
William Blair	4.58	1.17	Long-term Buy
First Call Consensus	$4.57	$1.18	

* New rating/changed since last report. See exhibit #3.

HOUSEHOLD

INVESTOR RELATIONS REPORT
September-October 2002





September –October Stock Trading Commentary
Household shares closed August at $36.11 and declined over the next two months reaching $23.76 at October 31st. A summary of significant events affecting the stock price follows.

<u>September</u>

- On September 3rd, Household's stock, along with the market, tumbled. The Dow Jones Industrial Average dropped over 355 points, while HI's stock closed down $2.75. Continued fallout from Enron and Worldcom as well as uncertainty over the strength of the economy worried investors. Concerning Household specifically, Howard Mason of Sanford Bernstein issued a report in which he restated his concerns about the sustainability of Household's business model. Mason cut the long-run growth estimates on Household based on his estimate of the impact of sales practice reforms due to regulatory pressure.
- Over the next two weeks, Household's stock, along with the market, was volatile as investors' concerns centered on the uneven economy, geopolitical tensions and corporate profit warnings.

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Jaffe v. Household
Plaintiffs' Exhibit
P0199

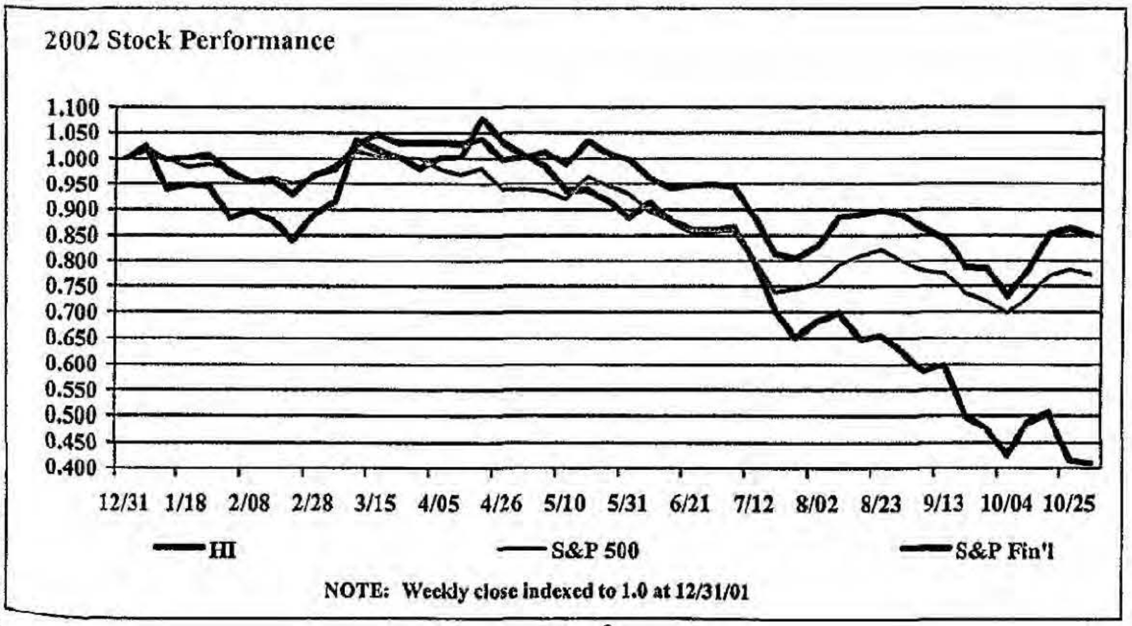
- On September 17th, Americredit significantly reduced its earnings guidance sending shockwaves through the financial sector. Household dropped $4.07 to close at $29.52 on heavy volume of over 9 million shares.
- On September 23rd, stocks tumbled due to concerns over the weak economy and sustained tensions in the Middle East. HI closed $1.44 lower at $27.41 on volume of 6.6 million shares.
- Over the remainder of the month, HI stock recovered somewhat and closed the month at $28.31, down $7.80 or 21.6 percent. Volume averaged 5.1 million shares.

__October__

October was a very difficult month for Household's shares, posting a 16 percent decline, as compared to 9 percent increases for the S&P 500 and the S&P Financial Stock Index. By far the most significant negative factor affecting the stock price was the widening spreads in the trading of Household's debt. The steady worsening in debt spreads has led fixed income and equity investors alike to question our ability to fund our business at manageable costs.

- The downtrend in the share price was mitigated somewhat on October 10th as reports of a settlement with the group of attorneys general apparently began to circulate in the financial markets. The stock closed up 25 percent that day on very high volume of 14.6 million shares.
- On Friday, October 11th the company announced the preliminary agreement, and the stock closed up another 7 percent, at $28.20, on 21.9 million shares.
- The stock traded in a fairly narrow range through the 22nd, but downward pressure grew once again, fueled by continuing weakness in the trading of Household's debt. This led to stock price declines of $2.83 (10%), and $3.62 (14%), on October 23th and 24th. The weakness on the 24th may have been exacerbated by speculation that the company was about to launch a common stock offering, which was, in fact, announced on Friday morning the 25th. This announcement led to a 6 percent recovery in the share price on Friday, October 25th, on extraordinarily high volume of 32 million shares. The stock price remained essentially flat over the final four days of trading in October, closing the month at $23.76.

The graph below shows the performance of Household's stock, the S&P 500 and the S&P Financial indices during 2002. Household has underperformed these indices thus far in 2002.



Performance vs. Financial Indices

The following table compares Household's performance to our peer group and certain indices for September and October, as well as year to date.

Change (%)	September	October	YTD
Household	(21.6)	(16.1)	(59.0)
Peer Group Average	(9.6)	9.4	(10. 9)
S&P 500	(11.0)	8.6	(22.8)
S&P Financial	(11.9)	8.8	(11.2)

Analysts' Estimates

Following are analysts' EPS estimates for full year 2003 and 2002.

Firm	FY'03	FY'02	Opinion
A.G. Edwards	$4.40	$4.46	Hold
Bear Stearns	4.05	4.46	Outperform
B of A Montgomery Securities	4.15	4.31	Market Performer
Bernstein Research	4.42	4.48	Market Perform
CIBC World Markets	4.35	4.50	Sector Perform
Credit Suisse First Boston	4.35	4.44	Outperform
Deutsche Banc Alex. Brown	4.30	4.50	Buy
Fox Pitt Kelton	4.55	4.52	Attractive
Friedman, Billings, Ramsey & Co.	4.10	4.62	Outperform
Goldman Sachs	3.65	4.42	Market Outperformer
J.P. Morgan	4.15	4.53	Neutral
Keefe Bruyette & Woods	4.00	4.54	Market Perform
Legg Mason	4.45	4.50	Hold
Lehman Brothers	4.30	4.45	Overweight
Merrill Lynch	4.25	4.45	Buy
Morgan Stanley	4.86	4.51	Overweight
Prudential Securities	4.20	4.33	Buy
Salomon Smith Barney	4.35	4.48	In-Line
Stephens, Inc.	4.50	4.46	Overweight
Thomas Weisel Partners	4.14	4.38	Market Perform
UBS Warburg	4.15	4.23	Buy
U.S. Bancorp Piper Jaffray	4.35	4.49	Outperform
Wachovia Securities	4.55	4.48	Buy
William Blair	4.35	4.47	Market Perform
First Call Consensus	$4.31	$4.46	

Ten Largest Institutional Shareholders
October 25, 2002

Institution	*Shares*	*Change Since 6/30*	*YTD Change*	*Orientation*
1. Capital Research & Management	35,000,000	(4,114,900)	1,178,200	Value
2. Davis Selected Advisers, L.P.	32,140,600	(1,250,000)	148,900	Value
3. Fidelity Management & Research	24,300,000	4,335,600	(5,363,400)	Growth/Value
4. Smith Barney Asset Mgmt.	18,779,400	2,600,000	(1,580,100)	Growth/Value
5. Barclays Bank plc	16,679,100	-	649,600	Indexed
6. Oppenheimer Capital	16,500,000	10,495,400	7,460,400	Value
7. Alliance Capital Mgmt.	15,000,000	(6,263,300)	(7,803,500)	Growth
8. Wellington Management Co.	11,300,000	5,588,200	11,255,900	Value
9. State Street Bank	11,018,500	-	455,100	Indexed
10. Putnam Investment Management	8,750,000	(5,400,700)	(3,770,300)	Growth

Collectively, these shareholders own approximately 42 percent of Household's outstanding common stock.

Peer Group Stock Price Performance

Exhibit 1 – details 2002 stock price performance for Household, our peer group and three market indices.

Research Reports

Exhibit 2 – includes excerpts from analysts' notes on Household's equity issuance.

Exhibit 3 – includes excerpts from analysts' notes on Household's third quarter earnings.

Exhibit 4 - includes highlights from analysts' notes on Household's settlement agreement.

Exhibit 5 – includes highlights from notes issued by analysts who changed their ratings on, or initiated coverage of, Household.

Exhibit 6 – includes highlights from analysts' notes on visits/presentations.

Exhibit #1

Household International Peer Group Stock Price Report
October 31, 2002

	12/31/01 Close	10/31/02 Close	% Change YTD	% Change In October	2001 EPS	2002 Est. EPS	% EPS Growth	2002 P/E	2002 Rel. P/E(1)	PE/G Ratio(2)	Market/ Book
HI	57.94	23.76	(59.0)	(16.1)	3.91	4.46	14.1	5.3	0.29	0.38	1.1
AIG	79.40	62.55	(21.2)	14.4	2.89	3.42	18.3	18.3	1.01	1.00	3.4
AXP	35.69	36.37	1.9	16.6	0.98	2.00	104.1	18.2	1.01	0.17	3.7
COF	53.95	30.47	(43.5)	(12.7)	2.91	3.93	35.1	7.8	0.43	0.22	1.7
C	50.48	36.95	(26.8)	24.6	2.81	2.90	3.2	12.7	0.70	3.98	2.2
KRB	23.47	20.31	(13.5)	10.5	1.28	1.52	18.8	13.4	0.74	0.71	2.2
ONE	39.05	38.57	(1.2)	3.1	2.47	2.77	12.1	13.9	0.77	1.15	2.1
USB	20.93	21.09	0.8	13.5	1.32	1.84	39.4	11.5	0.63	0.29	2.4
WFC	43.47	50.47	16.1	4.8	1.97	3.32	68.5	15.2	0.84	0.22	2.9
Peer Group Average			(10.9)	9.4			37.4	13.9	0.77	0.37	2.6
DJ Indust.	10,021.57	8,397.03	(16.2)	10.5	391.09	487.37	24.6	17.2	0.95		
S&P 500	1,148.00	885.77	(22.8)	8.6	38.71	49.00	26.6	18.1	1.00		
S&P Fin'l	355.26	302.46	(14.9)	8.8	19.59	23.28	18.8	13.0	0.72		

American International Group (AIG), American Express (AXP), Bank One (ONE), Capital One (COF), Citigroup (C), MBNA (KRB), U.S. Bancorp (USB) and Wells Fargo (WFC).

(1) 2002 P/E ratio relative to the S&P 500 P/E ratio.
(2) (2) 2002 P/E ratio divided by EPS growth.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission file number 1-8198

Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road Prospect Heights, Illinois	60070
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (847) 564-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 ¼% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 7.50% Cumulative Preferred Stock, Series 2001-A, no par, $1,000 stated value)	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust I	New York Stock Exchange
Guarantee of 7.25% Preferred Securities of Household Capital Trust IV	New York Stock Exchange
Guarantee of 10.00% Preferred Securities of Household Capital Trust V	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust VI	New York Stock Exchange
Guarantee of 7.50% Preferred Securities of Household Capital Trust VII	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K/A. ☒

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 8, 2002 was approximately $27.347 billion. The number of shares of the registrant's common stock outstanding at March 8, 2002 was 456,539,863.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's 2001 Annual Report to Shareholders for the fiscal year ended December 31, 2001: Parts I, II and IV.

Certain portions of the registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders: Part III.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0231

- strengthened real-time monitoring of account performance and our risk modeling capabilities to better predict future account performance; and
- tightened loan underwriting standards by raising required credit scores.

- We continued to take advantage of consolidation in the consumer lending industry by purchasing portfolios of consumer receivables. These portfolio purchases permit us to access additional customers for cross-selling opportunities to facilitate growth.
- We expanded our mortgage services business and increased our presence in the United States non-conforming mortgage lending market to take advantage of reduced competition.
- We strengthened all of our capital ratios through cash generation of $2.7 billion from our businesses and the issuance of preferred securities. We emphasized our commitment to maintaining our current investment grade ratings.
- We continued the diversification of our funding base by issuing real estate secured asset-backed securities and expanding our presence globally with offerings in Japan, Australia and Europe.
- We completed the transfer of the receivables and account relationships associated with the Goldfish credit card program in the United Kingdom to our joint venture partner, Centrica. The transfer was made pursuant to a negotiated agreement providing for the orderly termination of this co-branding relationship.
- We developed and published responsible lending best practice initiatives to evidence our commitment to ensure that our customers are treated fairly in their relationships with Household. Throughout 2002 we will continue to monitor our business practices and will make modifications, as appropriate, to keep Household as a leader in efforts to eliminate "predatory" lending practices throughout the United States.

At December 31, 2001, consumers residing in the state of California accounted for 15% of our managed United States receivables. We also have significant concentrations of managed consumer receivables in Florida (7%), New York (7%), Texas (6%), Ohio (5%) and Pennsylvania (5%). No other state accounts for 5% or more of our receivables.

Our summary financial information is set forth in Item 6, "Selected Financial Data" below.

Restatement

Household International, Inc. has restated its consolidated financial statements for the years ended December 31, 1999, 2000 and 2001. This amended Form 10-K/A and the exhibits included herewith include all adjustments relating to the restatement for all such prior periods but does not update through the date of this filing other disclosures contained in the Form 10-K as filed on March 13, 2002. For discussions of current developments and results of operations for periods subsequent to December 31, 2001 you should refer to our Form 10-Q/A for the quarterly period ended March 31, 2002 and our Form 10-Q for the quarterly period ended June 30, 2002, filed with the Securities and Exchange Commission on August 14, 2002. These Forms reflect the adjustments relating to the restatement in all periods covered by the reports.

The restatement relates to MasterCard and Visa co-branding and affinity credit card relationships and a marketing agreement with a third party credit card marketing company. All were part of our Credit Card Services segment. In consultation with our prior auditors, Arthur Andersen LLP, we treated payments made in connection with these agreements that were entered into between 1992 and 1999 as prepaid assets and amortized them in accordance with the underlying economics of the agreements. Our current auditors, KPMG LLP, have advised us that, in their view, these payments should have either been charged against earnings at the time they were made or amortized over a shorter period of time. There is no significant change as a result of these adjustments on the prior periods net earnings trends previously reported. The balance of retained earnings at December 31, 1998 has been restated from amounts previously reported to reflect a retroactive charge of $155.8 million, after tax, for

From: HI0112 --HFCVM01 Date and time 01/04/99 10:42:34
To: CDCStaff & GMTs

From: Tricia Myers - PXMYERS
Manager-HI Employee Development
(847) 564-6009 fax (847) 564-7108
Subject: TOMORROW
Very interesting note from Gary Gilmer attached...Bottom line - we've got to grow HFC!

*** Forwarding note from HI2001 --HFCVM01 12/18/98 14:43 ***
To: HI0112 --HFCVM01 Myers, Patricia

From: Greg A Snyder - GASNYDER
GMT Program Voice Mail 847 559 7136
HFS Project Elmhurst (Renee Crews) 630-617-7855
Subject: TOMORROW
Tricia, I just got this from Renee. A note from Gary G. is attached and it's very interesting.
gs

*** Forwarding note from HFC0071 --HFCVM01 12/18/98 09:16 ***
To: HI2001 --HFCVM01 Snyder, Greg A

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0267

From: Renee Crews - RXCREWS
HFC Operations Support -- MIS
Phone: (630)617-7855 Fax: (630)617-7872
Subject: TOMORROW

THought you might be interested in this...

*** Forwarding note from HFC3027 --HFCVM01 12/18/98 09:05 ***

To: HFC376	--HFCVM01	Walker, Ken A	HFC746	--HFCVM01	Emerson, Beth E
HFC3420	--HFCVM01	Schnitzer, Chris M	HFC0167	--HFCVM01	Waterman, Tom H
HFC230	--HFCVM01	Schneider, Tom G	HFC0071	--HFCVM01	Crews, Renee
HFC577	--HFCVM01	Johnston, Mary B	HFC0510	--HFCVM01	Nortier, Jennifer
HFC0520	--HFCVM01	Kirkham, Ellen E.			

From: Robin Allcock - RXALLCOC
HFCPS - Elmhurst
Ph: (630)617-7444 Fax: (630)617-7590
Subject: TOMORROW
FYI....make special note of the last sentence....start working on for January.

*** Forwarding note from HFC550 --HFCVM01 12/17/98 18:25 ***

To: HFC3027	--HFCVM01	Allcock, Robin	HFC206	--HFCVM01	Barry, Angela J.
NAT109	--HFCVM01	Ford, Barbara J	HFC0122	--HFCVM01	Johnston, Phyllis
HFC3031	--HFCVM01	Little, David B	HFC7244	--HFCVM01	Markwat, William A
HFC2076	--HFCVM01	McIntosh, Anne N.	EMPA11	--HFCVM01	O'Brien, John J
HFC0219	--HFCVM01	Snyder, Chris A	HFC085	--HFCVM01	Snyder, Gregory L
HFC0655	--HFCVM01	Sodeika, Lisa M	HFC069	--HFCVM01	Wilson, Bernie D

From: Dick E Schaffer - DESCHAFF
Subject: TOMORROW
We'll discuss further, but I thought you'd like to see this beforehand.

*** Forwarding note from HFC200 --HFCVM01 12/17/98 17:32 ***
To: NAT400 --HFCVM01 Bruckert, Ron L HFC0131 --HFCVM01 Creatura, Paul J

HRS157	--HFCVM01	Curtin, Kathleen K	HFC1204	--HFCVM01	Detelich, Thomas M
HI1463	--HFCVM01	Friedrich, Douglas	HFC0375	--HFCVM01	Madison, Kathryn
EMP546	--HFCVM01	Mikos, Kathy A	HHBA59	--HFCVM01	Nesbitt, Steve R
HFC702	--HFCVM01	Rybak, Walt	HFC550	--HFCVM01	Schaffer, Dick E
HFC0136	--HFCVM01	Taillon, Donna	EMP362	--HFCVM01	Vozar, Joe A
HFC301	--HFCVM01	Wilson, George O			

From: Gary D. Gilmer - GXGILMER
Subject: TOMORROW
SINCE JANUARY IN GENERAL, AND IN THE LAST FEW WEEKS IN PARTICULAR, AND TODAY ESPECIALLY, IVE ENGAGED IN LOTS OF CONVERSATION ABOUT THE GROWTH AT HFC. THIS STARTED AS ONE TOPIC AMONG OTHERS, THEN BECAME MORE FOCUSED AND NOW HAS MY ATTENTION JUST ABOUT THE SAME LEVEL THAT A SHARP PENCIL IN MY EYE WOULD HAVE. ILL SEND YOU A LONGER NOTE ABOUT THIS (DONNA IS TYPING IT NOW) BUT I WANTED TO GET THIS TO YOU BEFORE YOU GO HOME TODAY SO THAT YOU (AND I) COULD ATTEND TO ALL OF THE NONGROWTH AREAS THAT WE MUST SO THAT TOMORROW MORNING, WE CAN FOCUS OUR EFFORTS ON GROWTH. HERE IS WHY. WE ARE GETTING HURT, MAIMED, CUT UP, DISFIGURED AND KILLED IN THE MARKET BECAUSE THEY JUST DONT BELIEVE THAT WE CAN GROW. ITS THAT SIMPLE. COMPARED TO OUR GOOD FRIEND AT ASSOCIATES, OUR PUNISHMENT RIGHT THIS MINUTE STANDS AT JUST OVER 22 DOLLARS A SHARE. NOW, MULTIPLY THAT TIMES THE NUMBER OF SHARES YOU OWN OR CONTROL AND I THINK YOU WILL BEGIN TO FEEL THE SHARP EYEBALL PAIN IM HAVING. AS SUCH, BEGINNING TOMORROW, WE WILL BE A REBORN GROWTH COMPANY. I KNOW THAT WE MAY BELIEVE THAT WE ARE TODAY, BUT TRUST ME ON THIS ONE, WE ARE NOT. ANYWAY, BEGINNING AT 7 EST TOMORROW, MY OBJECTIVE WILL BE TO FOCUS OUR COMPANY ON GROWTH. BY FOCUS I MEAN TO HAVE EVERYONE, FROM MARILYN (GILMER) TO THE KID IN THE MAIL ROOM ABSOLUTELY GLUED TO THIS ISSUE AND GETTING IT TURNED (BIG TIME TURNED). BY THE WAY, STARTING WITH YOUR JAN REPORTS TO ME, PLS DEVOTE AT LEAST 95% OF YOUR REPORT TO HOW MUCH YOU GREW AND HOW YOU PLAN TO GROW MORE. PS, PLS HAVE YOUR DIRECTS SEND ME A ONE PAGER EACH MONTH WITH THE SAME TITLE..."WHAT I DID THIS MONTH TO GROW OUR COMPANY". THANKS, GARY.

RECEIVED
DEC 2 0 1993
G. D. GILMER

Paul Creatura

TO Gary

Updated copy based on feedback received.

Please advise of desired changes and I will make final edits.

-PC

Creatura
DEP. EXH. # 3
Date: 7/28/06

Case # 02-C-5893
Jaffe v. Household
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P0347

U.S. CONSUMER FINANCE GROWTH STRATEGIES (MEETING WITH ANDREW KAHR 12/18)

1. DRIVING PROSPECTS INTO THE OFFICE
   A. Utilize unsolicited cards--"Come into the branch to activate".
   B. Utilize centralized telemarketing to get prospects into the office.
   C. Mailing to mortgage holders stating "we can save you money on your total monthly obligations or give you $50".
   D. Centralize gathering and distribution of courthouse leads.
   E. Pay current mortgage servicers for the right to solicit their customer.
   F. Use payday lending to get customer into the office.
   G. Use incentives (i.e. make first loan payment for direct mail loan or new loan if upsold).
   H. Offer "home protection" to mortgagors who have not borrowed from us. Under home protection, we are committed to fund at least 6 months of mortgage payments for them via a new second if they become unemployed or ill).
   I. Simplify direct mail offers (do not confuse the customer with multiple options).
   J. Utilize sales finance to source BNL loans.
   K. Segment HRSI leads to improve sales force effectiveness.
   L. Leverage HRSI information (equity, finance co. relationships, utilization, revolving vs. transactor, etc.)
   M. Buy delinquent (not hopelessly defaulted and charged off paper) as a lead source.
   N. "Wrap" service. Customer makes 1 payment per month to us. We make payments to other creditors monthly.

2. TURNING PROSPECTS INTO QUALIFIED LEADS
   A. Utilize call-in phone number to activate direct mail leads. Gather basic information on the first call. Alternative is for customers to visit the branch.
   B. A loan for every customer. Implement mass customization by examining WTD's/TUD's to determine the loans which could be tailored for the applications.

3. CONVERT LEADS INTO CUSTOMERS (REDUCE WTD/TUD RATES)
   A. Offer graduated payment loans (leverage customer's belief that things will get better).
   B. Base loan offer on DIR/Disposable for RE and PHL products (only if comfortable we have prioritized our lien position).
   C. Always offer customers significant cash.
   D. Provide at least partial funding in the first branch visit, either unsecured or PHL. Use the lure of this funding to commit the customer to accept our full offer after we have completed verifications/documentation (if customer goes to another lender, hefty penalties imposed).
   E. Stop treating RE collateral in PHL as if it were purely psychological. Use computerized comparables, drive by, etc. to adjust rate to loan quality (equity).

4. REDUCE ATTRITION
   A. Introduce performance based pricing up and down (particularly in wholesale)
   B. Use covenants, single payment purchase of protection services, penalties and precomputed interest to preclude refinancings.
   C. Use forms of loan which avoid statementing of balance and reporting to credit bureaus.
   D. Offer bi-weekly payment loans to reduce effective APR and make our mortgage terms much more competitive.
   E. Refinance qualified wholesales loans into higher LTV Household loans (assuming premium accounting issues are resolved).
   F. Introduce covenants which preclude customers from incurring additional debt.
   G. Centralize control of solicitation (phone and mail) of current customers.
   H. Make one of our accounts the principal household checking account for the borrower. This makes us the principal financial vendor, and anchors the relationship.

5. CUSTOMER SERVICE
   A. Re-engineer back office from a customer centric point of view.
   B. Develop distinct collection strategies based on lien position.

6. MULTI-GOAL PROGRAMS
   A. Make loans through our bank so as to avoid restrictions (on rates, fees, and payments) which reduce sales, profitability, and retention.
   B. Offer customer pricing alternatives, such as secured vs. unsecured, or high rate low fee vs. low rate high fee in order to empower customers and to take advantage of diverse or or uneconomic customer preferences.
   C. Use flexible pricing in the branch. Manager makes the final price decision on loans in order to achieve the required weighted average rate.
   D. "Guaranteed credit". We guarantee to let the customer take down any amounts that will keep the balance in line for which customer is qualified, for a period of 3 or 5 years, irrespective of what the customer may do in the meantime.
   E. Replace insurance by protection products in order to reduce regulation, increase margin and sell the customer what they want (unemployment, disability) rather than what they do not want (life insurance).

Memorandum

2700 Sanders Road
Prospect Heights, IL 60070
847.564.5000

HFC

Household

TO: Bill Aldinger, Larry Bangs, Colin Kelly, Bobby Mehta, Ken Robin, Dave Schoenholz, Ron Bruckert, Paul Creatura, Kay Curtin, Tom Detelich, Doug Friedrich, Kathy Madison, Steve Nesbitt, Walt Rybak, Dick Schaffer, Joe Vozar, George Wilson

FROM: Gary Gilmer

DATE: January 27, 1999

SUBJECT: Initiatives to Accelerate Growth of U.S. Consumer Finance

As discussed at our meeting regarding growth on January 18, 1999, the services of Consultant Andrew Kahr have been retained. The directive for Mr. Kahr is to introduce opportunisitc methods to accelerate the growth of U. S. Consumer Finance in 1999.

From a list of 60 potential initiatives, 10 have been selected for further review and potential immediate implementation. The list is attached for your review. As you will note, several of the initiatives will involve other HI business units.

My Assistant, Paul Creatura (x6747) will be coordinating the testing and implementation efforts.

GDG:dt
Attachment

Creatura
DEP. EXH. # 2
Date: 7/28/06
RA

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0348

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
1. Mail and telemarket saying "we guarantee to save you money on your total monthly obligations right now—or we'll give you $50."	Both	-Target prospects with high payments/debt shown on bureau.	-Mail and telemarket to prospects of one string. Aim to get them into branches.	-Marketing Services pull CB information and organize mailing.
		-Target homeowners who appear to have high mortgage payments.	-Try to use graduated payment loans.	-String of test offices. -Legal. -Telemarketing.
		-Can add card to improve response.	-Testing of card version can be second phase.	-HCS in phase 2.
2. Centralize gathering and distribution of courthouse leads.	HFC	-Target a specific competitor against which HFC products have a specific advantage.	-Target AVCO. -Contact outside vendor to obtain leads in specific geographic area.	-Outside vendor to pull courthouse leads. -Technical resource to load on Vision System.
		-And/or, focus on prospects who appear to have high rate or high payment loans.	-Mail and telemarket to prospects of one string.	-String of test offices. -Telemarketing

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
3. Offer "home protection" to mortgagors who have not borrowed from us and to our own mortgage customers.	Beneficial	-Under home protection, we are committed to fund at least 6 months of mortgage payments for them via a new second if they become ill or unemployed. -Can sell as fee protection product, as mortgage benefit, or as "free insurance" penetration device.	-Define product offering. -Select group of prospects to offer (and perhaps contact 1st mortgage lender to solicit). -Mail and telemarket to prospects and to mortgage customers of one string.	-Legal -Outside vendor -Marketing Services -String of test offices -Telemarketing -Credit Risk
4. Segment HRS USA leads to improve sales force effectiveness; try centralized mail and telemarketing offers.	Both	-Segment HRS USA customers by traits most like to upsell. -Try use of bank terms. -Could include VISA.	-Test segmentation strategies in a string of offices. -Test various offers (including pre-approvals); defer VISA. -Test with centralized telemarketing support.	-Marketing Services -Credit Risk -String of offices -Telemarketing -Legal -HRS

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
5. Utilize call-in phone number to activate direct mail leads: "Call to get authorization number for your check."	Both	-Utilize call-in to underwrite and eliminate or downsell bad risks. -Deposit check via ACH. -Sell more on the phone. -Drive prospects into branches.	-Select portion of direct mail offering to measure success. -Note that #1 will be more difficult to execute but should get superior results.	-Marketing Services -Legal -Incoming telemarket; on line underwriting. -Credit Risk -Finance
6. Provide at least partial funding in the first branch visit, either unsecured or PHL; use funding offer to pull telemarketing prospects into branches. "If you're a homeowner, we guarantee you'll leave our office today with money."	Both	-Use the lure of immediate funding to commit the customer to accept our full offer subject to our completed verifications/ documentation (if customer goes to another lender, hefty penalties apply).	-Test in string of offices. -Try "Guaranteed loan before you leave the office." Minimum loan size will be small. -Later on, immediate issuance of card could add to "sign now" appeal.	-Legal -On the U/W -Telemarketing -Credit Risk -String of branches

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
7. Introduce performance based pricing.	Both	-Provide for increase in rate and fees when customers have any delinquency or increase total debt. -Reduce initial rates to increase response and conversion.		-HTS -Marketing Services -Mercer's study 3/99 -String of offices
Allow additional borrowing, which raises rate on entire loan.		-Provide check or VISA credit after first take down. Strong telemarket of balance transfers.	-Select products and pricing. Select prospects.	-(Same) -Telemarketing
8. Offer bi-weekly payment loans to reduce effective APR and make our mortgage terms more competitive.	Both	-Utilize flexible ACH arrangements to tailor customer needs.	-Contact HTS or utilize outside vendor as appropriate. -Marketing Services -HR Training	-HTS -Legal -String of branches
Use ACH to extract payments immediately after each paycheck on all types of loans.	Both	-Try as fee service and as a way to reduce apparent price. Aim to cut losses also.	-Sign up ~~at~~ origination -Telemarket to current borrowers.	-Credit Risk -Telemarketing

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
9. Make one of our accounts the principal household checking account for the borrower. Offer both to customers without checking account and to customers with accounts.	Both	-Makes Household/ Beneficial the principal financial vendor, and anchors the relationship. -Possibly include VISA card. -Market for convenience and for savings ("don't borrow to keep a balance in your checking account").	-In test string of offices, test face-face selling; test pricing. -Try requiring ACH deposit of paycheck. -250 checks (vs. 10 now). -Remove $100 minimum per check to utilize.	-HTS -Marketing Services -HR Training -Legal -String of branches
10. Make loans through our banks to avoid restrictions on rates, fees, payments, penalties and so improve profitability and retention. This may enable us to reduce rates and hence increase sales.	Both	-Most changes will be in detailed terms of loans, not highly visible to customers. Focus on lock-in (prepayment) provisions. -Most customers prefer to borrow from bank.	-Propose to test impact on two products in 2 states, for instance PHL/FL and DM/NC. -Determine whether and when loans can be passed through to HFC.	-Legal -Bank entities -2 strings of branches

Initiative	Applicable to HFC/Beneficial/ Both	Description	Initial Test Plan	Resources Required
10. cont'd				
Use "guaranteed VISA card" to improve response rate of "live check" list.	Both	-Customer response is "make me an offer." Responders are under-written on the phone and driven to branches if possible. -Bank terms: high front end fees, mandatory protection, high rates.	-Centralized outgoing calls to responders. Collect fees on the phone before issuance. -Heavy upsell effort in branches. -Consider issuance or presentation of card in branch (phase 2).	-String of branches -Legal -Credit Risk -Telemarketing -HCS

Memorandum

Household Credit Services, Inc.
Business and Product Development
2700 Sanders Road
Prospect Heights, IL 60070
Office 847. 564.5000
Fax 847. 564.6700

Household

RECEIVED
MAR 17 1999
GARY GILMER

DATE: March 18, 1999

TO: Bill Aldinger
Larry Bangs
Rocco Fabiano
Gary Gilmer
Ken Harvey
Colin Kelly
Bobby Mehta
Ken Robin
Dave Schoenholz

FROM: Randy Raup Randy

SUBJECT: **Minutes of February 1999 Senior Management Meeting**

This memorandum captures the key agreement and follow-up areas we discussed at the February 17 - 18, 1999 Senior Management Meeting. The areas are recapped by the major meeting agenda topics.

HFC Growth Initiative Update

Gary Gilmer and Andrew Kahr reviewed their 11 initiatives as listed in Gary's January 27, 1999 memo. The following two initiatives were added:

12. *Wholesale Portfolio Management:*
    - HCS cross-sell
    - Performance based pricing
    - Write loans to our standards regarding terms, fees, etc.
    - Auto cross-sell
    - Other U.S. Consumer Finance ideas

    As group executive owner, Gary Gilmer will identify the project sponsor within U.S. Consumer Finance.

13. *Collection Counseling:*
    - Provide proactive collection counseling to our customers

    Gary Gilmer and Ken Robin will determine appropriate next steps.

Overall, Gary Gilmer and Dave Schoenholz will continue to co-head the Andrew Kahr initiative areas within U.S.C.F.

In addition, for HRS lead management/portfolio management (item #4), we agreed to the following:

1. Focus on immediate low hanging fruit regarding cross-sell.
    a) No issue regarding who owns the customer or product
    b) Potential conflict regarding customer/product ownership

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Case # 02-C-5893
Jaffe v. Household
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P0349

CONFIDENTIAL

Gilmer
DEP. EXH. # 27
Date: 1/11/07 KD

HHS 02861372

From: HFC0136 --HFCVM01 Date and time 12/22/98 09:23:25
To: NAT400 --HFCVM01 Bruckert, Ron L HFC0131 --HFCVM01 Creatura, Paul J
HRS157 --HFCVM01 Curtin, Kathleen K HFC1204 --HFCVM01 Detelich, Thomas M
HI1463 --HFCVM01 Friedrich, Douglas HFC0375 --HFCVM01 Madison, Kathryn
HHBA59 --HFCVM01 Nesbitt, Steve R HFC702 --HFCVM01 Rybak, Walt
HFC550 --HFCVM01 Schaffer, Dick E EMP362 --HFCVM01 Vozar, Joe A
HFC301 --HFCVM01 Wilson, George O

From: GARY GILMER
847/564-6011

Subject: Growth in 1999

I think we have talked about this enough that everyone understands just how important it is to us next year and beyond.

I met with senior management on Thurs., 12/18 for 7 hours. The meeting was devoted almost entirely to growth. As such, you can imagine, I'm re-energized. Here is why:

- We are as good as anyone (better than most) in cost control.
- We do a good job of controlling our credit costs.
- We stink at growth.

That means that when we fix the growth problem, we will get due credit as the best in the business.

Below is an illustration of what I mean by due credit. It shows how our stock is currently valued, compared to the valuation of our peers.

	1999 Earnings Multiple	Price/Book Value
Household	11.0	2.7
American Express	18.0	4.6
Associates	18.3	4.3
Capital One	19.9	5.7
MBNA	20.3	8.4
Providan	21.9	11.8

As you know, a company's stock is simply a reflection of the markets confidence in its ability to consistently generate future earnings growth. Obviously, this market does not have much faith in our ability to deliver that...thus, we are dead last among this group. Having spoken to what seems like half the analysts on Wall Street in the last 10 days, I can tell you that they are not worried about our costs or our credit losses. They believe we have those under control. They do not, however, believe that we (you and I) can grow. They believe that Providan, MBNA, Capital One and Associates can grow, but not us. Frankly, I am beginning to take this personally.

Let's fix it.

I want to start by redefining what we mean by growth. It does not mean the opposite of shrinking, it means significantly increasing the size of our company. Let's start the discussion at 20%!

Here is how we do it:

- We get Ron, Tom, Dick, Kathy, Steve, Walt, Paul, Joe, Kay, George, Doug and me to believe we can and will do it.

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Plaintiffs' Exhibit
P0458

Gilmer
DEP. EXH. # 23
Date: 1/11/07
KD

HHS 02904017

- We all convince our directs and their directs and so on that we will do it.

- We will (together) establish an environment where growth (defined as real growth) is not only expected, it's a way of life. We need to have this so ingrained that is is akin to breathing. It's something we naturally do and, in fact, failure to do so has unthinkable consequences.

- Everyone must be so clear on this to the point that they, (as we) are consumed by the idea. They must have a clear understanding, a clear goal, a clear plan of attack and they must feel the freedom to think outside of the box to make it happen.

Obviously, I'll take the lead.

P. S. Our monthly committee meetings (going forward) will be devoted, overwhelmingly, to growth. As such, I would like for each of you to talk about where you are, where you are going, what ideas you have executed, and what you plan to do next to help accomplish our goal.

One final point that might help drive home how important this is to you and me. Once we fix our growth problem, we will, no doubt, fix the market concern with respect to our growth issue. That done, I have listed below what the price of our stock would be next year if we are given fair credit vs. the noted comparisons.

Comparisons	Expected HI Stock Price
S & P Financial	$53
Our Top 5 Peers	$61
S & P 500	$66

Memorandum

2700 Sanders Road
Prospect Heights, IL 60070
847. 564.5000

Household

TO: Bill Aldinger

FROM: Gary Gilmer Gary

DATE: January 18, 1999

SUBJECT: December and YTD Operating Results

No doubt, 1998 has been a challenging and exciting year. Clearly, we have had our share of frustration and exhilaration but on balance, I am pleased with the progress that we made and our prospects for 1999.

The month of December was a good one for us. We met our '98 net income goal, reduced our 2+ (a first for a December), met our chargeoff objective and grew our receivables. We also completed the systems conversion, finalized our centralization work, rolled out our new compensation plan and finalized our plans to shut down our Brewster operations.

Below, I have outlined some of the highlights, followed by a more detailed narrative report.

- Combined net earnings for the month was $107.6 million, which brought our full YTD earnings to $662.1 million. The $662.1 million was right on our Q3 forecast and $81.1 million better than 1997.
- NIM for the month was $23.0 million better than Q3 forecast. Our total NIM dollars for the year were $2.6 billion.
- Combined growth from all sources was $358.2 million. The breakdown was $292.0 million wholesale, $59.9 million for Beneficial branches, $34.7, million for HFC branches, and a $28.4 million loss on the remaining liquidating portfolios. (i.e., Signet.)
- Operating expenses were $22.1 million better than forecast. This produced an efficiency ratio of 16.71%.
- Net chargeoffs, excluding an REO expense reclass, for the month were $5.2 million below our forecast. All in all, our full year chargeoff was 2.71%, beating Q3 forecast.

Clearly, HFC's results were disappointing. They got off to a strong start, but faded at the end. I sent you a somewhat detailed report on HFC's growth problems earlier this month, but would add that our decision to shut down 100 branches and rebrand 100 units certainly had a disfocusing effect when the announcement was made in mid-month. Looking at the volume numbers today, however, we appear to have that behind us as the production is back on track. In fact, HFC set a new record in application development one day last week, even though we have pared the network by 100 branches.

Tom Detelich is currently forecasting a $50 million growth month in January, which would not only be a good improvement over December, but an $80+ million turnaround from last January.

Every resource, including in-branch promotions, increased direct mail, and HRSI leads are being placed against this problem. Also, a number of "out of the box" initiatives developed by our people in conjunction with Andrew Kahr and Mercer are being implemented. Finally, we are leveraging our operating centers (to include our collectors) to source loans. At this moment, we have 9000+ people clearly focused on the issue.

Operating Expenses

Our operating expenses for the month came in at $59.6 million. This produced an efficiency ratio of 16.71%. This met our commitment/opportunity which we made in October to cut $25 million from the expense lines.

This was made possible through our imposed hiring freeze, along with various one time line item saves to the "scrubbing" of the financial statements. Some of the line item saves were additional FAS91 expense deferral ($5M), marketing and operation saves ($7.4M), franchise tax refunds ($3.4M), legal reserve reversals ($2.0M), and a reclass from REO expense to chargeoffs to adjust an entry made earlier in the year ($6.0).

I am confident that our team has the right message on expense control and they are delivering.

Chargeoffs

Net chargeoffs, excluding an REO expense reclass of $6.0 million, were $5.2 million better than our forecast. This positive variance was a result of lower than forecasted chargeoffs on the Beneficial portfolio. We believe that this positive variance is timing related due to prior month cleanup efforts and conversions of accounts. We anticipate that future months will be closer to forecast.

BILL ALDINGER

TO: Dave Schoenholz

6/27/02

Dave,

Let's discuss.

Bill Aldinger

Attachment

REPORTER: LORRIE L. MARCHANT, RPR, CRR, CSR NO. 10523

EXHIBIT: 97

Witness: Aldinger

Date: 1-30-2007 # of pages: 3

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0512

RECEIVED
JUN 21 2002
W.F. ALDINGER

DAVE lets discuss

From: Paul A. Makowski on 06/21/2002 03:55 PM

To: D G. Cliff/US/Household@HFN, Chuck A. Colip/Household International@HFN, Tim R. Condon/Household International@HFN, James F Connaughton/US/Household@HFN, Sandy L Derickson/US/Household@HFN, Gary R. Esposito/CDN/Household@HFN, David J. Fatina/US/Household@HFN, Douglas A. Friedrich/US/Household@HFN, Gregory A Gibson/US/Household@HFN, Bruce J. Hammersley/Household International@HFN, Thomas J. Harmon/US/Household@HFN, Joseph W. Hoff/US/Household@HFN, R. Bradley Jones/US/Household@HFN, David B. Little/Household International@HFN, Kathryn X. Madison/US/Household@HFN, Michael E. Marcus/US/Household@HFN, Elaine H Markell/US/Household@HFN, Steve L. McDonald/US/Household@HFN, Walter G. Menezes/US/Household@HFN, James J. O'Brien/US/Household@HFN, Rich X. Peters/Household International@HFN, Walt X. Rybak/US/Household@HFN, Margaret A. Sprude/Household International@HFN, Joe A. Vozar/Household International@HFN, George O. Wilson/Household International@HFN, David H. Windle/US/Household@HFN, Chris K. Worwa/US/Household@HFN

cc: William F. Aldinger/Household International@HFN, Rocco J. Fabiano/US/Household@HFN, Gary D. Gilmer/Household International@HFN, Ken Harvey/Household International@HFN, Colin P. Kelly/US/Household@HFN, Bobby N Mehta/US/Household@HFN, Daniel J. Pantelis/Household International@HFN, Kenneth H. Robin/US/Household@HFN, David A. Schoenholz/Household International@HFN, Dave K. Stockdale/US/Household@HFN

Subject: Revised - New Reaging Policy

*Note: This a revision to my previous sent note earlier today. Changes were made to the "Bank Like" area of the table.

At the Senior Management Meeting this week new policies for reaging delinquent accounts were approved:

Policy	BUs	Payments Required	Minimum Months Since Prior Re-age	Maximum Number of Re-age Transactions Every 5 Years
Bank	CCS Subprime and ALS, MS Bank	3	12	2
Bank Like	CCS prime, RS*, DL NRE	3, with small number of exceptions	12 with small number of exceptions	2 with small number of exceptions
RE Secured	MS Non-bank, CL, DL	2	12	4
Finance Company *	CL – NRE and PHL, AF	2	6	4

* *Customers in RS, RE Secured and Finance Company policies who already are at the 5 year maximum number of reage transactions will be permitted one additional transaction before 7/1/03 if they otherwise qualify.*

Our immediate next steps are to affirm any impacts on financial projections and identify any outstanding transition issues by 7/1/02. Detailed policies need to be finalized and approved by 7/15/02. I will contact you to discuss these.

The new policy changes will be announced in July with implementation to take effect August

(1) will this be a public announcement as well!

(2) Do we know ... better understand of the financial impact.

(3) want to avoid shown direct mail, grants & incurred & possibly buying more ... with vendors.

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HHS 02914857

1st. They should be formally implemented in our legal entities at that same time.

There will be no formal volume caps associated with these policies. However, we want the stock of reaged accounts receivable to continue to decline as the economy improves. We will continue to monitor and report this.

It was also agreed at the meeting that re-age counters are causing Household to over-state the extent of re-aging in our portfolios and that corrective actions need to be identified and implemented with high priority. I will contact you to discuss a project timetable.

Please feel free to call if there are any questions.

BILL ALDINGER

TO: **Craig Streem**

7/11/02

Craig,

For your information . . .

Bill Aldinger

Attachment

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0515

Streem
DEP. EXH. #12
Date: 2/21/07
RD

07/11/02 THU 09:06 FAX 516 741 3131

Rowan & Blewitt
INCORPORATED
A Weber Shandwick Worldwide Company

RECEIVED
JUL 11 2002
W.F. ALDINGER

Phone: (516) 741-8877
Mineola, LI, New York
info@rowanblewitt.com
Fax: (516) 741-3131

This Message is to the Attention of WILLIAM F. ALDINGER
Chairman and CEO - HI

Craig

Fax Number	847-205-7515
Date	Thursday July 11, 2002
Number of Pages	5 *(including this cover sheet)*
From	Hank Boerner
Note	Bill –

Here is the CFRA report, issued internally to subscribers approximately one month ago. This is now made available to the public (this week), after having been in the hands of money managers, PMs, etc. for four weeks.

Please let me know if you need additional information on this. We do have the opportunity to respond (to add comment, correct the record, dispute the findings), and I could arrange a meeting by phone or in person with Dr. Schilit for discussion. (We have done this for other clients with very good results for all.)

He is an important analyst for the buy-side community.

NEW YORK OFFICE
622 Third Avenue
15th Floor
New York, NY 10017
(646) 658-8370

CORPORATE OFFICE
One Dulles Tech Center, Suite 100
2191 Fox Mill Road
Herndon, VA 20171
(703) 234-4400

LONG ISLAND OFFICE
90 Second Street
Mineola, NY 11501
(516) 741-8877

Household International, Inc.

2700 Sanders Road
Prospect Heights, Illinois 60070
(847) 564-5000

Ticker Symbol: HI	*6/6/02 Close: 53.60*
Exchange: NYSE	*52-Week: $43.50-$69.49*
Website: www.household.com	*Price/Earnings: 12.4*
2001 Fiscal Year-End: 12/31/01	*Price/Book: 2.8*
Auditor: Arthur Andersen	*Mkt. Cap.: 24.5 billion*

Household International ("HI") provides home equity loans, auto finance loans, and other unsecured loans as well as private label credit cards in the United States, United Kingdom, and Canada. The Company operates under the HFC and Beneficial brands in the US where it is the second largest subprime lender.

FINANCIAL SUMMARY

($ mils., except EPS & %)	3 Mos. 3/02	3 Mos. 3/01	% Change	Year 12/01	Year 12/00	% Change
Net Interest Income	1,608	1,324	22%	5,847	4,765	23%
Other Operating Income	1,163	1,006	16%	3,895	3,267	19%
Operating Income	2,772	2,330	19%	9,742	8,032	21%
Operating Expenses	1,072	961	12%	3,891	3,305	18%
Operating Profit Before Provisions	1,700	1,369	24%	5,851	4,727	24%
Loan Loss Provisions	923	704	31%	2,913	2,117	38%
Net Income to Common	503	430	17%	1,908	1,692	13%
EPS (Diluted)	1.09	0.91	20%	4.08	3.55	15%
Cash	436	272	60%	544	490	11%
Total Loans	78,624	68,363	15%	79,264	67,162	18%
Total Assets	90,368	78,253	15%	89,416	76,706	17%
Total Deposits	6,195	9,098	(32%)	6,562	8,677	(24%)
Total Debt	68,268	56,066	22%	68,848	55,841	23%
Stockholders' Equity	8,875	7,617	17%	8,203	7,951	3%

Household International, Inc. ("HI"), 6/7/02:
Credit Loss Deferral Through Account Reaging and Other Concerns

Account Reaging Obscures True Credit Loss Experience

CFRA notes that HI's account reaging may obscure its credit quality picture and that account reaging increased in 2001 versus 2000.

Background. On April 9, 2002 HI filed an 8-K in conjunction with its annual financial relations conference. In its 8-K, the Company disclosed more detailed information regarding its account reaging policies than it had revealed previously. Account reaging refers to the practice of resetting to current, accounts that would otherwise be delinquent.

HI states in this filing that Company reaging policies are "not intended to defer credit loss recognition or to overstate net income." Furthermore, HI claims "loss reserves and income statement provisions are properly set." CFRA notes, however, that deferral of charge-offs occurs by definition upon reaging. Therefore, a company's true credit quality picture is obscured by reaging accounts. Absent an adjustment, the reserve ratio of non-performing assets and reserve ratio to charge-offs at HI are continually overstated because both non-performing assets and charge-offs are understated.

Account reaging increased at HI in 2001 relative to 2000. Specifically as shown in **Table 1a**, 16.9% of receivables were reaged in 2001, up from 14.3% in 2000. Comparative data has not been made available prior to 2000 nor on a quarterly basis. According to a Company representative HI is deliberating whether to make more information available at mid-year 2002.

With the exception of private label credit, each HI product line had a larger proportion of accounts reaged in 2001 compared to 2000. All product lines had a higher amount reaged in absolute terms. In the 8-K, HI also disclosed recidivism statistics by product line, which reflect accounts that are delinquent or charged-off one year after having been reaged and (in retrospect, one could argue) should have been charged-off at the time of reaging. In 2001 approximately 25% of the reaged accounts represented forestalled credit losses versus 23% in 2000. (See **Table 1b**.) At \$3.9 billion versus \$2.6 billion in 2000, the amount ultimately charged-off or delinquent in 2001 stood more than 50% greater than it did in the previous year.

Table 1a: Account Reaging, Annual Trend

($ millions, except %)	2001		2000		1999	
Reaged once within last 12 months	9.4%	8,804	8.5%	6,780	n/a	n/a
Reaged once beyond 12 months ago	3.2%	2,997	2.8%	2,233	n/a	n/a
Multiple reage	4.3%	4,028	3.0%	2,393	n/a	n/a
Total reaged	16.9%	15,829	14.3%	11,406	n/a	n/a

Source: HI 8-K filing April 9, 2002

Table 1b: Estimated Credit Loss Deferral by Product, 2000-2001

($ millions, except %)	2001				2000			
	Reaged %	Reaged $	Recidivism %	Implied Credit Loss Deferral	Reaged %	Reaged $	Recidivism %	Implied Credit Loss Deferral
Real Estate	20.0%	8,667	13.1%	1,135	17.0%	6,015	13.1%	788
Auto	15.0%	958	36.9%	354	8.6%	392	36.6%	143
Mastercard / Visa	3.2%	512	41.5%	212	2.7%	409	42.0%	172
Private Label	11.1%	1,332	35.5%	473	11.7%	1,208	32.7%	395
Personal Non-Credit	27.2%	4,192	41.9%	1,756	22.1%	3,306	33.2%	1,098
Total Reaged	16.9%	15,829*	24.8%	3,931	14.3%	11,406*	22.8%	2,596

Source: HI 8-K filing April 9, 2002 and CFRA estimates
*CFRA notes that the given total reaged figures do not equal the sum of the given reaged figures by product line

Deteriorating Credit Quality in Q1

HI's credit quality deteriorated in the March 2002 quarter. Specifically, as shown in **Table 2** the managed delinquency ratio of 4.63% was up 17 basis points from year-end 2001 and 38 basis points from the year-ago period. Likewise the managed net charge-off ratio amounted to 4.09%, 19 basis points higher than year-end 2001 and 53 basis points higher than the year-ago period. As mentioned in the previous section, the Company's reaging policies cause these figures to understate HI's delinquency and charge-off experience.

Table 2: Managed Delinquency and Net Charge-Off Ratios, Quarterly Trend

(%)	Q1, 3/02	Q1, 3/01	Q4, 12/01	Q4, 12/00	Q3, 9/01	Q3, 9/00	Q2, 6/01	Q2, 6/00
Delinquency Ratio	4.63	4.25	4.46	4.20	4.43	4.21	4.27	4.16
Net Charge-Off Ratio	4.09	3.56	3.90	3.41	3.74	3.47	3.71	3.74

Fiscal 2001 Earnings Boost: Pension Income

HI continued the trend of receiving an earnings boost from pension income in fiscal 2001. Specifically, while companies typically record a periodic pension *expense* to reflect the amount of future employee benefits earned during a period (and sometimes as a result of under funded pension plans), HI has recorded *income* from the Company's pension plan in each of the past three years.

As shown in **Table 3a**, HI's pension assumptions led it to recognize approximately $38 million of pension income in fiscal 2001, compared with approximately $33 million of pension income in 2000, and $26 million of pension income in 1999. Absent this boost, reported earnings for 2001 would have been reduced by $0.05 per share, to $4.03 from the reported $4.08. (See **Table 3b**.) HI does not disclose pension expense on a quarterly basis.

Table 3a: Pension Expense (Income) and Significant Pension Assumptions, Annual Trend ($ millions)

($ millions, except %)	2001	2000	1999
Pension Expense (Income)	(38.2)	(33.3)	(26.0)
Discount Rate Assumption	*7.50%*	*8.25%*	*8.00%*
Expected Rate of Return on Plan Assets	*10.0%*	*10.0%*	*10.0%*

Table 3b: Reported Earnings for 2001, Adjusted to Exclude Pension Income

($ millions, except EPS)	Reported	*Adjustment**	CFRA-Adjusted
Net Income	1,908	*(25)*	1,883
EPS	$4.08	*($0.05)*	$4.03

* Adjusted based on effective tax rate of 35.0%. EPS adjusted proportionately with net income.

EPS Boost: Share Repurchases

HI obtained a boost to reported EPS through share repurchases during both 2001 and the March 2002 quarter. Had the Company not bought back any shares during the past year, EPS would have been reduced in 2001 by approximately $0.15 per share to $3.93 from the forma reported $4.08 (See **Table 4a.**) and approximately $0.01 per share for the March quarter to $1.08 from the pro-forma reported $1.09. (See **Table 4b.**) A Company representative confirmed that buybacks will continue in 2002 but the repurchases will proceed at a slower pace due to a focus of maintaining capital ratios.

Table 4a: Pro-Forma EPS for 2001, Adjusted Based on Absence of Share Repurchases

Reported	*Adjustment*	CFRA-Adjusted
$4.08	*($0.15)*	$3.93

* Adjustment based on 485.5 million shares outstanding.

Table 4b: Pro-Forma EPS for Q1 (3/02), Adjusted Based on Absence of Share Repurchases

Reported	*Adjustment*	CFRA-Adjusted
$1.09	*($0.01)*	$1.08

* Adjustment based on 463.7 million shares.

Auditor Change

On March 13, 2002 HI's Board of Directors appointed auditor KPMG to replace Arthur Andersen for 2002. No disagreements with the accountants were reported.

HOUSEHOLD	Gary D. Gilmer 07/01/2002 07:40 AM	To: cc: Subject:	Donna X. Taillon/Household International@HFN Discussion Framework

— Forwarded by Gary D. Gilmer/Household International on 07/01/2002 07:40 AM —

HOUSEHOLD	Kathleen K. Curtin 06/29/2002 03:59 PM	To: cc: Subject:	Gary D. Gilmer/Household International@HFN, Larry N. Bangs/Household International@HFN, Megan E Hayden/US/Household@HFN, Lisa M. Sodeika/US/Household@HFN, Robin L. Allcock/US/Household@HFN, James B Kauffman/USVEN/Household@HFN, Kenneth H. Robin/US/Household@HFN, Thomas M. Detelich/Household International@HFN, Mark F. Leopold/US/Household@HFN, Kathy Mikos/US/Household@HFN, Paul J. Creatura/US/Household@HFN, Walt X. Rybak/US/Household@HFN, Joe A. Vozar/Household International@HFN Discussion Framework

Here it is. I haven't reviewed it yet.

— Forwarded by Kathleen K. Curtin/US/Household on 06/29/2002 04:04 PM —

	"Huey, David (ATG)" <DavidH3@ATG.WA.GOV> 06/28/2002 07:42 PM	To: cc: Subject:	"kkcurtin@household.com" <kkcurtin@household.com> Discussion Framework

Sorry this took so long. We were exchanging drafts between Word and Wordperfect and that is always a problem.

As noted in this document, this is a discussion framework and not a final position paper. As you know, we are awaiting production of information we have previously requested of Household. I anticipate that our receipt of that information could result in some changes. If you have any questions, please call me.

<<Lisafact1.doc>>

Dave Huey
Assistant Attorney General
Consumer Protection Division
Washington Attorney General's Office
1019 Pacific Avenue, 3rd Fl.
Tacoma, WA 98402-4411
253-593-5057

→ ok to give a prepay

→ 5 PB - so forward only.

- Lisafact1.doc

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0516

CONFIDENTIAL

Hayden-Hakes
DEP. EXH. # 71
Date: 8/18/02

HHS 02915307

Which states ?

FRAMEWORK FOR THE DISCUSSION OF ISSUES CONCERNING LENDING PRACTICES OF HOUSEHOLD INTERNATIONAL, INC.

A number of States, through their Attorney General's offices and through their financial regulatory agencies, have been investigating Household residential mortgage lending practices. These investigations have revealed that Household engages in widespread lending patterns and practices that violate both state and federal law. These states have agreed to meet with representatives of Household to discuss whether an agreement can be reached regarding measures (a) to provide consumer redress for past violations; (b) to insure future compliance with the law; and (c) to provide other appropriate relief to the states. This paper is designed to provide a framework for the discussion of these matters.

PATTERNS AND PRACTICES

The following list sets forth the significant patterns and practices the states have identified. While all of these practices do not occur with every loan, the practices are national in scope and not confined to a single state or branch office. The investigations are ongoing and this list is not intended to be exhaustive. The states reserve the right to raise additional issues as they may arise.

(1) Splitting loans into a closed-end home equity and a "spurious" open-end loan. Household charges consumers illegal and unconscionable fees and interest by splitting what the consumer expects will be one loan, into two distinct secured loans, the second of which is structured as an open-end revolving line of credit but has all of the characteristics of a standard closed-end home equity loan with an interest rate of over 20%. Household misrepresents that these high interest loans are open-end "revolving credit lines" when in fact (a) close to the full amount of the line is drawn down immediately, (b) the loans are non-amortizing, making it nearly impossible for the consumer to replenish the credit line, and (c) neither Household nor the consumer reasonably anticipate subsequent extensions of credit. Therefore, these loans should be subject to the Home Ownership Equity Protection Act ("HOEPA") restrictions placed on closed-end loans. Whether the "spurious" open-end loan is sold separately or in the context of a "split loan", Household misleads consumers into believing that these credit lines will fully amortize if the minimum monthly payments are made, when in fact, a large balloon payment will be required to pay off the loan at the end of the term.

(2) Misrepresenting the loan fees. Household misrepresents to consumers the fees and transaction costs associated with the loan, and the purpose of these fees and costs, including, for example:

- Household discloses as "discount fees" charges that are not bona fide discount fees, that is, they are not used to "buy down" the interest rate, nor are consumers informed that paying a discount fee should result in a reduced interest rate;

➢ Household discloses these fees in the Good Faith Estimate using a wide dollar range for the proposed loan that is misleading, especially when the fees it consistently imposes vary within a much narrower range (approximately 7.25 points for loans and 5 points for lines of credit);

➢ Household consistently charges fees that are either at the high end of the disclosed range or exceed that range.

(3) Misrepresenting rate of interest and amount of monthly payments to consumers. Household misrepresents the rate of interest and monthly payments required on the Household loan. For example, in its loan proposals, Household compares consumers' current monthly debt payments to a consolidated Household loan monthly payment by excluding from the latter taxes, insurance, financing fees and closing costs. Another example of this practice is the promotion of the bi-weekly payment program. Household misleads consumers by comparing the total interest the consumer will pay over a 30-year term of monthly payments, against the total interest a consumer would pay making bi-weekly payments. Household deceptively asserts that the effective interest rate is lower under the bi-weekly program because the loan is paid off sooner.

(4) Engaging in equity based lending. Household engages in the practice of frequently refinancing -- or flipping -- one Household loan with another, imposing additional costs and fees with no or little net tangible benefit to the consumer. Additionally, Household engages in the practice of selling a loan to a consumer with an existing loan where the new Household loan results in no or little tangible benefit to the consumer.

(5) Packing single premium credit insurance. Household charges consumers for single premium credit insurance where the consumer has not requested it and is unaware of the sale until receipt of the monthly statement. Alternatively, Household falsely represents to consumers that insurance is required as a condition of the loan.

(6) Imposing prepayment penalties. Household does not adequately disclose the imposition of prepayment penalties on non-HOEPA loans, and violates HOEPA by imposing prepayment penalties on high cost loans. Household also imposes prepayment penalties on open-end credit.

(7) Failing to provide required disclosures. Household fails to provide consumers who receive high cost loans with certain disclosures required under state and/or federal law.

(8) **Employing "live checks" to solicit consumers. Household uses highly aggressive push marketing tactics in employing "live checks" to solicit real estate loan business from homeowners. In many cases, the consumer may not understand that the "check" is in fact a loan. In addition, the checks are at risk of being intercepted and cashed by third parties.**

(9) **Loan accounting practices. Household fails to adequately disclose to consumers the potential effect on loan amortization of it's "as made" method of accounting for loan payments and its use of "interest short" accounts.**

(10) **Household misrepresents to consumers its "skip a payment" plan and the ease with which loans can be restructured if a consumer encounters financial problems.**

PROPOSED REMEDIES

This is a summary of remedial measures proposed by the Multistate Working Group. It is intended as a framework for discussion of possible remedies. It is neither an exhaustive list nor a binding offer of settlement. Participants in the Multistate Working Group reserve the right to seek additional relief or otherwise modify these terms.

COVERAGE

All real estate loans made by Household, by whatever Household entity, during the period from January 1, 1996 to date.

INTERIM RELIEF

(1) Tolling Agreement – tolling statutes of limitations while negotiations continue, through September 30, 2002, with a 10-day notice to terminate for all parties.

(2) Good faith standstill on all foreclosure activity while negotiations continue.

FINAL RELIEF

(1) Splitting loans into a closed-end home equity and a "spurious" open-end loan.

Injunctive: "Spurious" open-end lines of credit are not permitted. Disclosures for true open-end credit must clearly state in plain language that making minimum payments will not fully amortize the loan by the end of its term but will result in a balloon payment at the end of the term. The disclosure must also state the full amount of the balloon payment. "Split loans", those made within 90 days of each other, are not permitted—with a limited exception for purchase money mortgages.

GK
→ show how many/many are still o/s

Restitution: For "spurious" open-end lines, refund all fees and costs, and interest paid to date in excess of the "new rate," and offer borrowers the right to rescind and to repay the loan amount less all loan charges and excess interest, or reform the loan to payoff at the conclusion of the term at the "new rate." The "new rate" for "spurious" open-end credit lines shall be the Household benchmark rate available to the borrower at the time of origination. For split loans, refund all fees and costs on the second loan, and all interest paid to date on the second loan in excess of the "new rate," which shall be the interest rate on the first loan.

5

(2) Misrepresenting the loan fees.

Injunctive: Discount fees that do not "buy-down" the interest rate are not permitted. Loan fees, origination and discount, to be capped at 3%. Disclose to borrowers Household's "benchmark" interest rate and the manner and extent to which the borrower can reduce this rate by paying discount points, which shall include a copy of the matrix for the relevant benchmark rate; disclose the borrower's monthly payment amount if fees are paid to buy down the rate and if they are not.

as if can automate → but can't automate

we have a general example

Restitution: Refund fees charged in excess of the lowest amount disclosed in the Good Faith Estimate, or over 3% of the original loan, whichever is greater, and interest accrued thereon. 5% (?)

(3) Misrepresenting rate of interest and monthly payments to borrowers.

→ we'll revise to get comparison w/ repeat inv.

→ biweekly proposal

Injunctive: Provide disclosures that make accurate and nondeceptive comparisons between the current and proposed interest rates, monthly payments (which shall include taxes and insurance), and total loan costs.

Restitution: Reform the loans at the interest rate represented to the borrower and refund any excess interest.

(4) Engaging in equity-based lending.

Injunctive: Household may not (a) make a new loan to a borrower where there is no net tangible benefit to the borrower, or (b) charge points and fees in connection with a loan if the proceeds of the loan are used to refinance an existing loan and the last financing was within three years of the current refinancing.

Restitution: Compensate borrowers who have lost homes in foreclosure and who previously held a Household loan that had been flipped into another Household loan within a three-year period. Refund finance charges, fees and all closing costs related to the second loan.

(5) Selling single premium credit insurance.

Injunctive: Prohibit single premium credit insurance. As to other insurance products, disclose monthly payments that include the monthly cost of insurance *only when* also disclosing the monthly payment without such cost. Disclose the existence of credit insurance only after request by the borrower and provide detailed information concerning the cost and coverage of the insurance.

Disclose that all insurance products are optional and eliminate the automatic opt-in.

pts on insur. premium

Restitution: Refund all premiums, all "excess insurance-related charges" and all interest paid thereon.

before signing doc's.

(6) Imposing prepayment penalties.

Injunctive: For non-HOEPA loans, disclose the existence of all prepayment penalties at least 3 days prior to closing. Prepayment penalties on non-HOEPA loans are prohibited when (a) not timely and fully disclosed; (b) the borrower sells the secured property; (c) the penalty accrues more than one year after origination; or (d) the borrower has made 6 months of timely consecutive monthly payments. Prepayment penalties may not be imposed on open-end credit.

Restitution: Refund all prepayment penalties previously paid on non-HOEPA and HOEPA loans..

Section 32

(7) Failing to provide required disclosures.

Injunctive: Provide HOEPA disclosures, including notice of the right to rescind. Provide timely Good Faith Estimate disclosures. With the GFE, disclose the probable loan interest rate.

(8) Employing live checks to solicit borrowers.

Injunctive: Discontinue aggressive "push" marketing, including the practice of soliciting borrowers through the use of "live" checks.

(9) Misrepresenting loan accounting practices.

Injunctive: Household must provide clear plain language disclosures to borrowers. Additional relief to be discussed.

(10) General injunctive relief.

- Establish an effective compliance monitoring system.
- Provide employee training.
- Provide borrowers the lowest interest rate for which they qualify.
- Provide plain language material loan disclosures and loan documents for review by borrower well in advance of closing.
- Simplify, improve, and ensure accuracy and specificity of disclosures by,

among other things, presenting information prominently and in a manner understandable to the least sophisticated consumer.

- **Correct borrower credit reports.**
- **Offer loan documents in languages sufficient to assist borrowers with limited English proficiency.**
- **Provide adequate notice to borrowers of all remedies.**

(11) Civil penalties, attorneys fees, and investigative costs.

HOUSEHOLD

Kathleen K. Curtin

08/15/2002 09:28 AM

To: Lisa M. Sodeika/US/Household@HFN, Megan E Hayden/US/Household@HFN, James B Kauffman/US/Household@HFN, Mark F. Leopold/US/Household@HFN, Kenneth H. Robin/US/Household@HFN, Thomas M. Detelich/US/Household@HFN, Robin L. Allcock/US/Household@HFN, cmurphy@mwe.com, ddunne@hewm.com, gboudreaux@boudreauxleonard.com, nhartigan@mwe.com, gretchen@nwstrategies.net, clipsett@wilmer.com

cc:

Subject: Multistate Working Group Reply to HFC

— Forwarded by Kathleen K. Curtin/US/Household on 08/15/2002 09:24 AM —

"Huey, David (ATG)" <DavidH3@ATG.WA.GOV>

08/14/2002 04:17 PM

To: "Kathleen K. Curtin (E-mail)" <kkcurtin@household.com>

cc: "O'Hearne, Carla (ATG)" <CarlaO@ATG.WA.GOV>, "Alvin. Narin (E-mail)" <alvin.narin@banking.state.ny.us>, "Apolidori (E-mail)" <apolidori@fin.state.id.us>, "Barbara. Kent (E-mail)" <Barbara.Kent@banking.state.ny.us>, "'blanchardje@ag. state. mi. us' (E-mail)" <blanchardje@ag.state.mi.us>, "Bruce Benjamin (E-mail)" <benjamin.bruce@oag.state.ny.us>, "Chuck Cross (E-mail)" <CCross@DFI.WA.GOV>, "Dan Gallatin (E-mail)" <Dan.Gallatin@state.mn.us>, "David Borsykowsky (E-mail)" <dborsykowsky@atg.state.vt.us>, "'ebony_calloway@oag. state. fl. us' (E-mail)" <ebony_calloway@oag.state.fl.us>, "Herschel Elkins (E-mail)" <elkinsh@hdcdojnet.state.ca.us>, "Jacobcar (E-mail)" <jacobcar@law.dol.lps.state.nj.us>, "James Daross (E-mail)" <james.daross@oag.state.tx.us>, "James Jeffries (E-mail)" <jeffriesjd@doj.state.wi.us>, "Judith Whiting (E-mail)" <Judith.whiting@ago.state.ma.us>, "Kathleen Keest (E-mail)" <kkeest@ag.state.ia.us>, "Ken. Bielemeier (E-mail)" <ken.bielemeier@banking.state.ny.us>, "Larry. Brya (E-mail)" <byral@michigan.gov>, "Lisa Landau (E-mail)" <lisa.landau@oag.state.ny.us>, "Lorrie Adeyemi (E-mail)" <lorrie.adeyemi@po.state.ct.us>, "M Ziegler (E-mail)" <Mziegler@ag.state.oh.us>, "Mark Fleischer (E-mail)" <mark.fleischer@oag.state.ny.us>, "'mlarsen@fin. state. id. us' (E-mail)" <mlarsen@fin.state.id.us>, "'regina. hart@dc. gov' (E-mail)" <regina.hart@dc.gov>, "Richard Tynia (E-mail)" <tynia.richard@oag.state.ny.us>, "Rick Word (E-mail)" <rword@ago.state.nm.us>, "Robyn. Smith (E-mail)" <Robyn.Smith@doj.ca.gov>, "Sandra Kane

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0550

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SODEIKA
DEP. EXH. # 66
Date: 6-6-06 RD

HHS 02933754

(E-mail)" <sandra.kane@AG.STATE.AZ.US>, "Scott Borchert (E-mail)" <Scott.Borchert@state.mn.us>, "Swojciechowski (E-mail)" <swojciechowski@atg.state.il.us>, "Timothy Winslow (E-mail)" <Timothy.Winslow@dfi.com.state.oh.us>, "Tom James (E-mail)" <TJAMES@atg.state.il.us>, "Wendy Weinberg (E-mail)" <Wendy.Weinberg@dc.gov>, "Youngsha (E-mail)" <youngsha@law.dol.lps.state.nj.us>

Subject: Multistate Working Group Reply to HFC

Attached is my letter to you and the Reply of the Multistate Working Group to HFC's Response of July 17. Please note that Attachment B to the Reply, a copy of the HUD letter to Washington DFI, is not being sent electronically.

<<Reply cover letter 8-14-02.doc>> <<Reply to HFC 8-14-02.doc>>

Dave Huey
Assistant Attorney General
Consumer Protection Division
Washington Attorney General's Office
1019 Pacific Avenue, 3rd Fl.
Tacoma, WA 98402-4411
253-593-5057

- Reply cover letter 8-14-02.doc

- Reply to HFC 8-14-02.doc

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August 14, 2002

Kathleen Curtin
Vice President, General Counsel
HFC/Beneficial
2700 Sanders Road
Prospect Heights, IL 60070

Via E-mail: kkcurtin@household.com
and Federal Express Mail to K.Curtin

Re: Household Finance Corporation

Dear Kay:

Thank you for your letter of July 17, and for the responses to the data request.

At our meeting on July 9, Household stated on several occasions that "everything was on the table," in terms of trying to reach a settlement on concerns raised by the states. At the same time, however, Mr. Robin also prefaced Household's response with the observation that problems can arise if the states do not understand what your company does and why it does it, with respect to some of the questioned practices. He expressed a hope that, after hearing Household's explanations, the states might reconsider their joint position. The letter of July 17 appears to be primarily an elaboration of those explanations.

Household's hope that the states would reconsider their position that some of Household's practices are problematic is understandable. However, we believe that your company may have underestimated our understanding of how its practices are actually implemented where it counts – at the interface with your customers. The explanations and rationales Household articulated on July 9 and in the July 17 letter have not given us any reason to reconsider our position that the practices we earlier identified present serious problems under a variety of consumer protection and regulatory laws. Further, the responses provided no information which has led us to change our position that those identified practices warrant changes in the future, and relief for Household's customers who suffered from them in the past.

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We continue to believe that the framework for injunctive and restitutionary remedies we outlined on July 9 is an appropriate one.

In the attached response, we will spell out in greater detail than the written outline given you on July 9 some of what we have learned about your practices and how we believe they fare under the law. However, we do not believe that an extended legal debate would be of much use to either Household or the states, given the stated goal of reaching a resolution by September 30, 2002. We cannot assure the confidentiality of these negotiations beyond that date, as some jurisdictions have been withholding action as it is, and cannot justify further delay absent substantial progress toward resolution.

Consequently, the ultimate conclusion of this letter is that the states reiterate that they believe the positions articulated on July 9 represent an appropriate framework for relief. We certainly understand that negotiation is a process, and are certainly willing to engage with Household in that process. But Household has given us no reason to remove any item from our list of concerns at the outset.

We had hoped that the July 17 letter would have been more responsive to the proposed framework for settlement, rather than purely defensive. Indeed, the letter seems to indicate a continued denial concerning what we have found to be nationwide common practices. While Household might like to maintain the belief that these are isolated instances with "rogue" offices and loan officers, the coast-to-coast usage of common forms and sales techniques belie any such position.

In only a few instances did Household make reference, usually indirectly, to our proposals for injunctive relief, by listing a few prospective changes in practice. In no case did Household provide any specific response to our proposed restitutionary remedies. In short, the letter failed to indicate any meaningful movement on Household's part.

In our reply, we note in each section some of our very rough estimates of the value of restitution for certain of the proposed remedies, based on the volume of information Household provided. Undoubtedly you have made such calculations of your own. As we explained when we made the request, the information sought was intended just to give us some ballpark figures. Should Household be serious about engaging in meaningful negotiations with the states, more precise calculations about the value of each component of restitution or reformation would, of

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course, form an integral part of the negotiations. These figures are, to put it mildly, large. Yet we note that several of the most insidiously deceptive sales practices which attracted regulatory attention to Household practices at the outset relate to products and practices initiated by Household in 1999. Industry figures indicate that since 1999, Household's originations have nearly doubled.[1] Almost assuredly, the misleading sales practices the states have identified have contributed to that growth. Ultimately, the value of restitution and reformation must be viewed against that backdrop.

We understand that you anticipate providing us with an additional response regarding restitution by August 16. Once we have reviewed that additional response, we will contact you regarding the course of further negotiations.

Thank you for your consideration in this matter.

Very truly yours,

DAVID W. HUEY
Assistant Attorney General
On Behalf of the Multi-State
Working Group

DWH:co
Enclosure
Cc: Multi-State Group (regular mail)

---

[1] According to various editions of *Inside B & C Lending*, Household's originations are on track nearly to double from 1999 to the end of 2002. Originations in 1999 were reported at $12.4 billion, and, based on 2002's first quarter performance, are on track for an estimated 2002 figure of $22.8 billion. See *Inside B & C Lending*, 3/19/01; 2/11/02; 5/20/02.

1/10/15

From: HFC1204 --HFCVM01 Date and time 03/15/02 12:29:48
To: HFC0655 --HFCVM01 Sodeika, Lisa M

From: Thomas M Detelich ; TMDETELI
Subject: Effective rate

You've seen Donna's note, which I agree with. However, you are correct that we learned prior to our "summit" meeting last summer that some people may have retained or created unapproved sales forms. This resulted in the purge. I have bulletins back to 2/99 from me advising the branches that no unauthorized salesforms were to be used and all authorized forms were on Vision.

*** Reply to note of 03/14/02 15:20
To: HFC1204 --HFCVM01 Detelich, Thomas M

From: Lisa M Sodeika ; LMSODEIK
Subject: Effective rate
Tom, yesterday Gary asked about the employee comment re: effective rate training.

I heard you mention in today's call this bootleg training was in place in Sept 99? When did we find out about it and destroy it? Was that with the "branch purge" sometime last summer? And did we find it following those Washington complaints? How many states could it have been in?

The good news may be that I think the "amended" ACORN lawsuit does not mention effective rate, and [redacted]

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0573

Redacted Material
CONFIDENTIAL

SODEIKA
DEP. EXH. #125
Date: 11/2/06

HHS 02943139

From: HFC3116 --HFCVM01 Date and time 07/05/01 17:36:37

To:	HFC0515 --HFCVM01	Baker, Stacey A.	HFWR235 --HFCVM01	Cota, Gina K.
	HFC5520 --HFCVM01	Emerson, Traci R.	HFC3574 --HFCVM01	Hopkins, Mitchell
	HFC9964 --HFCVM01	Reault, Erik C.	HFC0241 --HFCVM01	Rutland-Drury, M K
	HFWR237 --HFCVM01	Weaver, Ken	HFA2155 --HFCVM01	Younker, Will F.
	HFC3387 --HFCVM01	Ouren, Eric D.	HFC5290 --HFCVM01	Nageli, Jeannie R
	HFC5338 --HFCVM01	Requa, Chad T		

From: Beth M. Hansgen : BMHANSGE
Subject: Very important to do today.
Please check each PC in your office to see if there are any letters that have been written by AE's to customers. These are unauthorized letters that must be deleted immediately, please make sure your AE's know the consequences, this is serious and you need to be 100% sure your AE's understand.

Beth

Before Beth [illegible] She also [illegible] ok to use [illegible] us make [illegible] with group.

EXHIBIT 13 DATE 3/16/04
WITNESS Walter
MARY A. WHITNEY 622-5561

SHRUM
EXHIBIT NO. 4
2/21/03
J. GERSTEN

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P0596

HHS 02953519

MRD0542

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From: HFA0001 --HFCVM01                        Date and time    06/18/01 12:20:31
To: HFC200  --HFCVM01  Gilmer, Gary D.
cc: HFC1204 --HFCVM01  Detelich, Thomas M HFA6186 --HFCVM01  Clayton, Brenda J
```

From: Ned M Hennigan - NMHENNIG
RGM - Western Region
(714) 996-0661 FAX (714) 996-7134
Subject: Unauthorized Materials
Gary, I've just finished reading the affirmatives sent back to you from each of my DGM's suggesting that all is well.. I'm sure they believe that all is in compliance, albeit the facts would suggest that in many cases they are not..
As your aware we are holding a special meeting on Wednesday to review this topic, and moreover, remedy any and all process/procedure's that are not consistent with being in "Full Compliance".. Ned

```
*** Reply to note of 06/15/01 16:17
To: HFC1204 --HFCVM01  Detelich, Thomas M HFA0001 --HFCVM01  Hennigan, Ned M
    HFA3014 --HFCVM01  Eden, Mike C       HFC5192 --HFCVM01  O'Han, Robert P.
```

From: GARY D. GILMER - GXGILMER
Subject: Unauthorized Materials
Somehow, I missed you on the distribution list.

```
*** Forwarding note from HFC200   --HFCVM01  06/15/01 15:38 ***
To: HFC487  --HFCVM01  Pichoske, Paul E.  HFA0010 --HFCVM01  Chepkevich, Jeffre
    HFC3033 --HFCVM01  Clamage, Ronald L. HFA3094 --HFCVM01  Darst, Nathan P.
    HFA0003 --HFCVM01  Dinzeo, Lou J      HFA0013 --HFCVM01  Doyle, Michael G
    HFA5187 --HFCVM01  Ellner, Paul D     HFA0006 --HFCVM01  Gerber, Roy B
    HFA0008 --HFCVM01  Hill, Steve E      HFC3346 --HFCVM01  Jianette, Peter J.
    HFA0041 --HFCVM01  Pummill, Steve D   HFC5195 --HFCVM01  Castelein, Craig L
    HFC8300 --HFCVM01  Davis, Ronald E.   HFC3409 --HFCVM01  Ferrari, Ronald L
    HFC3022 --HFCVM01  Hueman, Dennis J.  HFC487  --HFCVM01  Pichoske, Paul E.
    HFC5271 --HFCVM01  Pinto, Mike C.
cc: HFC301  --HFCVM01  Wilson, George O   HFC3031 --HFCVM01  Little, David B
    HFC670  --HFCVM01  Marks, Mike        EMPA11  --HFCVM01  O'Brien, John J
    HFC0219 --HFCVM01  Snyder, Chris A    HFC069  --HFCVM01  Wilson, Bernie D
    HFC0305 --HFCVM01  Grimme, David A
```

From: GARY D. GILMER - GXGILMER
Subject: Unauthorized Materials
As I am sure you know, we have very stringent rules that prohibit the development, distribution or use in any way of any unapproved training materials, form letters, proposal forms, CDs, Videos, tapes etc.
Frankly, I right now, I cant think of the full list but clearly I think you know all of the things that could be added to my list here. I know that you understand the reason for requiring approval of all materials. Simply put, we can and will get into deep trouble if we allow any breech of this rule whatsoever. While this risk has always been a fact, its probably more important today than ever. We just have to be certain that the things we do and the way we do them are in full compliance with all laws, all regulations and in compliance with all corporate policies. There is no way to ensure this if we do not go through the right approval process. I need you to give me your assurance that the areas under your control are in full compliance. My HMail address is GXGILMER. May I hear from you right away that this is the case. Thanks, Gary.

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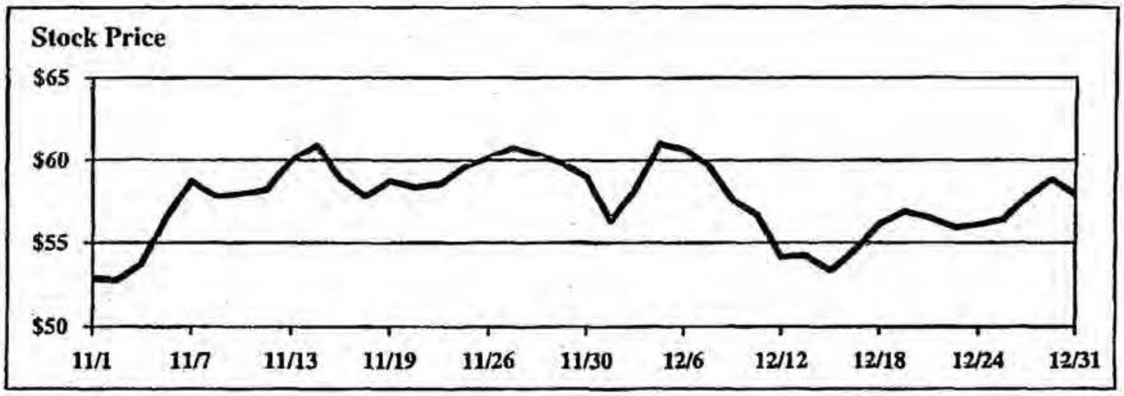
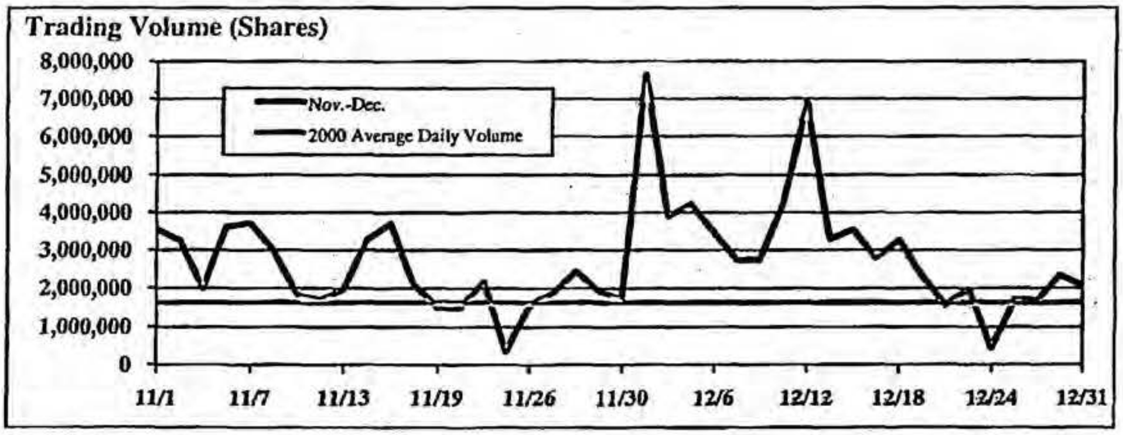
HENNIGAN
DEP. EXH. #35
Date: 6-22-06
KS

HHS 03208070

HOUSEHOLD

INVESTOR RELATIONS REPORT
November-December 2001





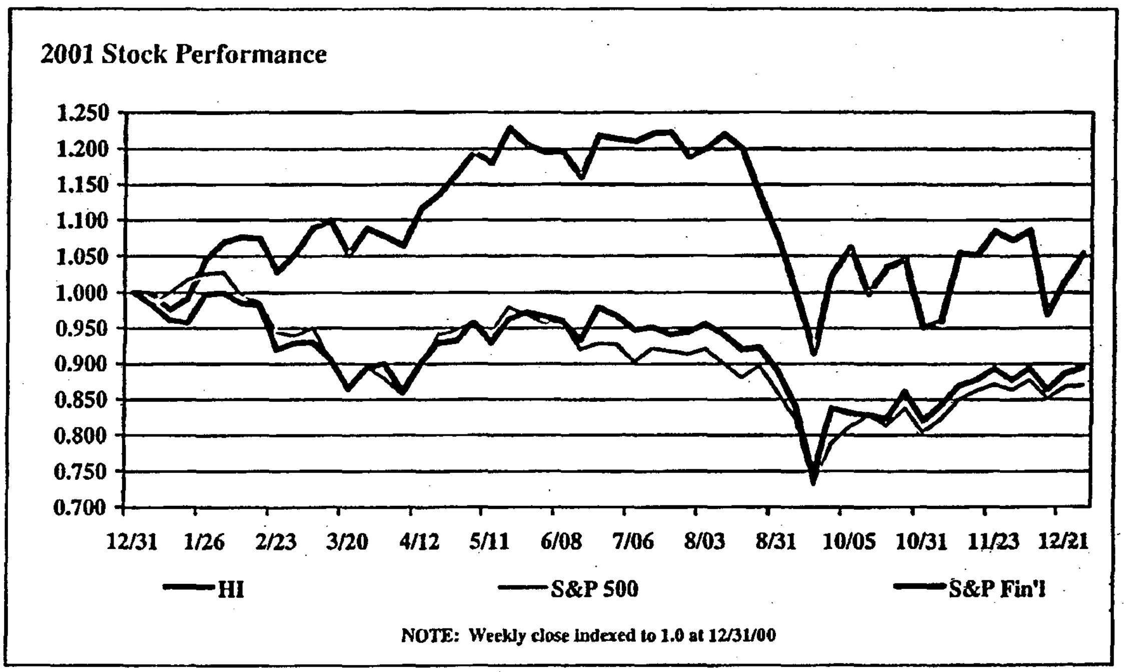
November-December Stock Trading Commentary

Household closed October at $52.30. Significant events during November and December included:

- On November 6th, the Federal Reserve cut rates by 50 basis points, its tenth cut of the year. Household's stock rose $2.78 on the 6th and another $2.19 on the 7th.
- Household's stock price increased steadily over the next week, reaching a two-month high closing price of $60.91 on November 14th. The stock succumbed to profit-taking over the ensuing weeks and drifted downward to close the month at $58.99, up 12.8 percent for November.
- On December 3rd, the stock dropped $2.69, or 4.6 percent, to $56.30 following articles in *Barron's* and *Business Week* that alleged Household's strong results were in part driven by aggressive chargeoff policies. On December 4th, Bill Aldinger and Dave Schoenholz spoke at the Goldman Sachs Bank CEO Conference and effectively addressed many of the issues raised in the articles. The stock rebounded nearly $2 on the 4th and another $2.77 on the 5th.

- On December 11th and 12th, the analyst from Legg Mason issued a series of research notes downgrading the stock from "Strong Buy" to "Market Performer" based on his view that Household's asset quality policies were lenient and aggressive. The stock lost $4.25, or 7.4 percent, over the course of the week.
- Over the following weeks, the stock generally moved higher, as investors' concerns about these asset quality practices were addressed. Household closed the year at $57.94, down almost 2 percent for the month and up 5.3 percent from a year ago. Average daily volume for 2001 was almost 2.3 million shares.

The graph below shows the performance of Household's stock, the S&P 500 and the S&P Financial indices during 2001. As shown, Household meaningfully outperformed both indices all year.



Performance vs. Financial Indices
The following table compares Household's performance to our peer group and certain indices for November and December, as well as for the year. Household has significantly outperformed the indices and its peer group this year.

Change (%)	*November*	*December*	*YTD*
Household	12.8	(1.8)	5.3
Peer Group Average	6.3	8.5	(21.9)
S&P 500	7.5	0.8	(13.0)
S&P Financial	7.0	2.8	(10.5)

Analysts' Estimates
Following are analysts' EPS estimates for 2002.

Firm	*FY'02*	*1Q'02*	*Opinion*
A.G. Edwards	$4.65	$1.04	Buy *
ABN Amro	4.70	1.04	Buy
Bear Stearns	4.60	1.04	Buy
B of A Montgomery Securities	4.65	1.05	Market Performer
Bernstein Research	4.65	-	Outperform **
Credit Suisse First Boston	4.70	-	Strong Buy *
Deutsche Banc Alex. Brown	4.70	1.04	Strong Buy
Fox-Pitt Kelton	4.70	1.05	Attractive
Friedman, Billings, Ramsey & Co.	4.65	1.03	Market Perform
Goldman Sachs	4.65	1.04	Buy
J.P. Morgan	4.69	1.05	Buy
Legg Mason	4.60	1.04	Market Perform *
Lehman Brothers	4.69	1.05	Buy
Merrill Lynch	4.70	1.05	Buy
Morgan Stanley	4.60	1.03	Outperform
Prudential Securities	4.60	1.03	Strong Buy
Salomon Smith Barney	4.60	1.04	Outperform
Stephens, Inc.	4.65	1.06	Buy
Thomas Weisel Partners	4.65	1.04	Buy
UBS Warburg	4.65	-	Buy
U.S. Bancorp Piper Jaffray	4.65	1.04	Buy
William Blair	4.60	1.04	Long-term Buy
First Call Consensus	$4.64	$1.04	

* Rating changed since last report.
** Initiated coverage since last report.

On January 16, 2002, Household reported fourth quarter earnings per share of $1.17 and full year earnings per share of $4.08. Exhibit #2 includes highlights from analysts' notes on our earnings.

Memorandum

Household International, Inc.
2700 Sanders Road
Prospect Heights, IL 60070
847.564.6008

RECEIVED
APR 24 2001
KENNETH H. RO

Household

RECEIVED
APR 25 2001
KENNETH H. ROBIN

DATE: March 12, 2001

TO: Files

FROM: David A. Schoenholz

SUBJECT: **ANDREW KAHR**

It has recently come to my attention that Providian's legal difficulties leading to its payment of $330 million dollars in a civil settlement with the State of California and the Office of the Comptroller of the Currency and its payment of $105 million in settlement of a mutli-year consumer class action litigation were exacerbated by the presence of controversial memoranda written by Andrew Kahr, an outside consultant whose services we also have utilized from time to time over the past two years.

This has caused me to reflect on Andrew's work product with a fresh view. Household has used Andrew Kahr as a marketing and business consultant for various of its businesses, to generate ideas pertaining to product design and marketing. We have requested him to be innovative in his thinking how to create sustainable competitive advantage. Some of his ideas have been adopted by one or another of the businesses to help them grow their business and better serve our customers, after thorough review and sign-off by both the Office of General Counsel and the appropriate senior business executives. However, Andrew Kahr also made proposals that have not passed review by the Office of General Counsel and/or have not been viewed favorably by the senior business executives. Consequently, these proposals have never been implemented.

In efforts to innovate, Andrew has at times suggested approaches that were inappropriate and/or would not best serve our customer. He is a very prolific writer of memoranda. Moreover, Andrew's writing style can be acerbic, intemperate and inflammatory when presenting ideas of possible approaches. Accordingly, there exists in our files a large quantity of Andrew Kahr memoranda, some of which contain ideas and comments (about our products, customers and employees) expressed in language which is offensive and is inconsistent with our Statement of Business Principles, our individual ethical standards, and the way we conduct our business.

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Plaintiffs' Exhibit
P1007

I have spoken to Andrew about this and he indeed has toned down his rhetoric. But, I am nevertheless concerned that employees of the corporation (especially future employees and employees not involved in working directly with Andrew) who have occasion in the future to review files and come upon these memoranda will not be aware of the rigorous scrutiny they underwent and may incorrectly assume that their substance was accepted and their tone was condoned by the Corporation, and they therefore reflect acceptable behavior for Household employees. In order to avoid this misinterpretation of history, I am instructing that all copies of all Andrew Kahr memoranda (both paper and electronic versions) be collected by the Office of General Counsel and thereafter destroyed. It is my intention that by doing so, we will avoid future misunderstanding of the historic and current relationship with Andrew Kahr.

DAS:sar

From: CN=David A. Schoenholz/O=Household International
To: CN=Kenneth H. Robin/OU=US/O=Household
Subject: Kahr Memos
Sent: Fri 28 Jun 2002 19:21:14

To: HFSE99 --HFCVM01 Robin, Kenneth H

From: Dave Schoenholz - DSCHOENH
Subject: Kahr Memos
I think you should send out a note on disposing of all memos

*** Forwarding note from EMP040 --HFCVM01 06/24/02 13:51 ***
To: HFSE99 --HFCVM01 Robin, Kenneth H HFS165 --HFCVM01 Schoenholz, Dave HI0079 --HFCVM01 Aldinger, William

From: Ken M Harvey - KMHARVEY
Subject: Kahr Memos

COMPANY CONFIDENTIAL

We will be deleting 620 e-mails from over 90 employee mailboxes shortly. Most of these were forwarded internally after being received.

We will also block all incoming memos from that e-mail account. Mr. Kahr could still send e-mail from another account should he figure out that he is blocked.

We have created a database containing all these notes and will work with Ken Robin on the disposition.

ken

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Jaffe v. Household
Plaintiffs' Exhibit
P1026

ROBIN
DEP. EXH. # 14
Date: 12/7/06 KR

From: CN=Susan E. Casey/OU=US/O=Household
To: CN=Michael M. Carlson/OU=US/O=Household@HFN
Subject: REVISED Tier 1&2 Spreadsheets
CC: CN=Kathy X. Dempsey/O=Household International@HFN;CN=Mary E. Bilbrey/OU=US/O=Household@HFN
Sent: Fri 26 Apr 2002 21:02:01

Here is the most current version of the spreadsheets we worked on today for cash distributions and parachute calculations...please get rid of the ones sent earlier today!

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Highly Paid U.S. Employees - Tier 1 - Approximate Cash Distributions Assuming a 5/31/02 Termination

	A	B	C	D	E	F	G	H	I		J
			5/12 of B								
			Pro-Rata	300% of	401(k)	Supplemental		Deferred	Excise Tax		TOTAL
Name	**Salary**	**Bonus**	**Bonus**	**A + B**	**6% of D**	**TRIP**	**Pension***	**Compensation**	**Gross-Up**		**C thru I**
Aldinger III,William F	1,000,000	5,000,000	2,083,333	18,000,000	1,080,000	2,145,577	35,386,311	0	$18,191,945		$76,887,166
Gilmer,Gary D	500,000	2,500,000	1,041,667	9,000,000	540,000	980,347	16,525,101	2,375,586	$8,486,103		$38,948,803
Schoenholz,David A	500,000	2,500,000	1,041,667	9,000,000	540,000	1,017,103	15,043,442	0	$8,181,558		$34,823,769
Mehta,Siddharth N	500,000	2,000,000	833,333	7,500,000	450,000	423,852	0	1,095,400	$5,371,615		$15,674,200
Fabiano,Rocco J	500,000	2,000,000	833,333	7,500,000	450,000	442,359	0	0	$5,045,665		$14,271,357
Robin,Kenneth H	375,000	900,000	375,000	3,825,000	229,500	601,163	7,511,709	283,081	$3,865,008	**	$16,690,461
Kelly,Colin P	300,000	900,000	375,000	3,600,000	216,000	451,434	8,576,175	0	$3,404,790		$16,623,399
Harvey,Kenneth M	350,000	800,000	333,333	3,450,000	207,000	274,112	0	0	$2,066,838		$6,331,283
DeLuca,Michael A	300,000	240,000	100,000	1,620,000	97,200	168,978	3,020,590	0	$1,145,003		$6,151,771
TOTALS	$4,325,000	$16,840,000	$7,016,667	$63,495,000	$3,809,700	$6,504,925	$86,063,328	$3,754,067	$55,758,523		$226,402,209

* Some of this will come from RIP trust

**Assumes $200,000 value for retiree/medical

HHS-E 0019468.0002

PSA490

		A	B	C		D		E		F	G	H	I	J	K	L	M
									Unvested								
	Bonus &				Unvested		Unvested		Option		SUM OF	W-2 5-YR	3 X 5-YR			Excise Tax	Gross-Up #
Name	Base Salary	Pension	TRIP 6%	300%	5yr RSR	0.7	3yr RSR	.66 X .22	Gain	0.5	A-F	Average	Average	G - I	G - H	K X .20	L X 2.5
Aldinger III,William F	6,000,000	19,654,491	1,080,000	18,000,000			12,037,560	1,747,854	10,486,750	5,243,375	45,725,720	9,341,831	28,025,494	17,700,226	36,383,889	7,276,778	$18,191,944
Gilmer,Gary D	3,000,000	6,827,742	540,000	9,000,000			7,523,460	1,092,406	3,468,469	1,734,234	19,194,383	2,222,178	6,666,535	12,527,848	16,972,204	3,394,441	$8,486,102
Schoenholz,David A	3,000,000	6,063,806	540,000	9,000,000			7,523,460	1,092,406	3,468,469	1,734,234	18,430,447	2,067,333	6,201,998	12,228,449	16,363,114	3,272,623	$8,181,557
Mehta,Siddharth N	2,500,000	592,672	450,000	7,500,000			7,523,460	1,092,406	4,541,906	2,270,953	11,906,032	1,162,800	3,488,401	8,417,630	10,743,231	2,148,646	$5,371,616
Fabiano,Rocco J	2,500,000	806,325	450,000	7,500,000			7,523,460	1,092,406	2,822,007	1,411,003	11,259,735	1,168,402	3,505,207	7,754,528	10,091,332	2,018,266	$5,045,666
*Robin,Kenneth H	1,275,000	3,652,127	229,500	3,825,000			1,504,680	218,480	1,691,209	845,605	8,770,711	1,040,698	3,122,095	5,648,616	7,730,013	1,546,003	$3,865,006
Kelly,Colin P	1,200,000	2,834,560	216,000	3,600,000			3,009,360	436,959	1,774,659	887,330	7,974,849	1,165,270	3,495,810	4,479,039	6,809,579	1,361,916	$3,404,789
Harvey,Kenneth M	1,150,000	316,428	207,000	3,450,000	290,040	203,028	3,009,360	436,959	945,463	472,731	5,086,146	952,469	2,857,408	2,228,738	4,133,677	826,735	$2,066,838
DeLuca,Michael A	540,000	896,373	97,200	1,620,000					560,844	280,422	2,893,995	603,990	1,811,969	1,082,026	2,290,005	458,001	$1,145,003
TOTALS	$21,165,000	$41,644,524	$3,809,700	$63,495,000	$290,040	$203,028	$49,654,800	$7,209,877	$29,759,776	$14,879,888	$131,242,017	$19,724,972	$59,174,916	$72,067,100	$111,517,045	$22,303,409	$55,758,522

*Includes $200,000 for retiree/medical

HHS-E 0019468.0003

PSA491

From: HFS165 --HFCVM01 Date and time 07/11/02 07:15:51
To: HFC0100 --HFCVM01 Stockdale, Dave
cc: HIB003 --HFCVM01 Makowski, Paul A.

From: Dave Schoenholz - DSCHOENH
Subject: Reage Meeting Summary 7/9/2002
After further discussion with Gilmer I want to modify conclusions some., Gary's concern is that if we find that the results are worse than we though we will not have time to modify before creating a big finacial impact. I'm not willing to run the risk that we blow our second quarter forecast. Let's do this. Continue the steps already in place to reduce the June stock numbers. This will continue to reduce the reliance on reage. I also want to tighten up the 12 months on RE. Let's run the tests in CL for a few more months before we roll out full scale. Also let's revisit the tests to make sure we can read them properly. Please send out a revised communication.

*** Forwarding note from HFC0100 --HFCVM01 07/10/02 16:04 ***

To: HIB003	--HFCVM01	Makowski, Paul A.	HIB045	--HFCVM01	Harman, Gary X.
HIB002	--HFCVM01	Pantelis, D J.	HFC702	--HFCVM01	Rybak, Walt
EMP362	--HFCVM01	Vozar, Joe A	HI0965	--HFCVM01	Hoff, Joseph W
HRSI41	--HFCVM01	Connaughton, James	HFS165	--HFCVM01	Schoenholz, Dave

From: Dave Stockdale - DXSTOCKD
847-564-6102 Fax 501-423-3872
Subject: Reage Meeting Summary 7/9/2002

I wanted to summarize yesterday's meeting.

We walked through the methodology of CCM and the businesses on the impact. While there were variances, we ended up with the following agreements.
1) Consumer lending is OK with the policies, but noted that the financial impact was uncertain. They will implement a 2 payment policy. Two payments will be required within a 60 day period. Lifetime caps will not be imposed until 7/1/2003. The policy will be implmented on 8/1/2002. Also, RE reages will immediately be done no more frequently than 12 months.
**** We agreed to continue to measure the test. Although it was not brought up in the meeting, a small population of a 1 pay policy will need to continue after 8/1/2002 to ensure proper measurement of the impact of the 2 pay policy.

2) Retail agreed to a policy requiring 2 payments for the first reage and 3 payments for subsequent reages. Due to system constraints, the policy will be implemented in the August/September timeframe and reage counters will need to begin at 0. That will mean that Retail Services will not be requiring 3 payments until 3Q, 2003. Immediately, reages will be done no more frequently than 9 months between reages.

CCM will continue to work with Consumer Lending and Retail Services to refine the impact of the new policies, so we have a better idea of the 2003 impact by the time we announce the new policies in Oct, 2002.

From: HFC0136 --HFCVM01 Date and time 08/30/02 08:11:37
To: HI0031 --HFCVM01 Streem, Craig A.
cc: HFC1204 --HFCVM01 Detelich, Thomas M

From: Donna L. Taillon - DXTAILLO
847/564-6970 847/205-7452 FAX
Secretary: Tom Detelich, Gary Gilmer, Jim Kauffman, D.Garr
Subject: Tom

Craig, Tom phoned:

Would like the price history of Households's stock as he wants to measure the decrease in the stock price from various points in time in the announcements of the Washington report. He'd like to use in arguing that we've already paid a good price to the states in the loss of our stock value. Can we get daily quotes from the year or just from the date WA released their report (May 15, 2002).

THANKS

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1156

Streem
DEP. EXH. #30
Date: 2/21/07

Goldman Sachs Presentation
December 4, 2001

HOUSEHOLD

Helping everyday people. Everyday.SM

Bill Aldinger
Chairman and
Chief Executive Officer

Goldman Sachs • December 4, 2001

Household

Company Profile

- Founded in 1878
- 48 million customers
- $105 billion in managed assets
- Approximately $2 billion in net income in 2001
- $28 billion market capitalization

HOUSEHOLD 2

Goldman Sachs Presentation
December 4, 2001

Diversified Consumer Lender

- Multiple products
- Multiple distribution channels
  - Over 40% of receivables originated through partners
  - Well known brands – Best Buy, GMCard®
- Broad geographic reach
- Strong market share in all businesses

HOUSEHOLD 3

Consumer Focus

Characteristics of Consumer Market

- Our core customer is middle income market
  - Average income of $45,000-$60,000 per year
- 60% of our portfolio is prime
- 44% of portfolio is real estate secured
  - 72% in first lien position

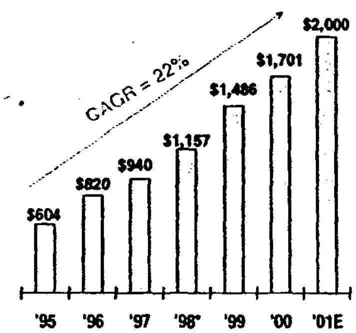
HOUSEHOLD 4

Goldman Sachs Presentation
December 4, 2001

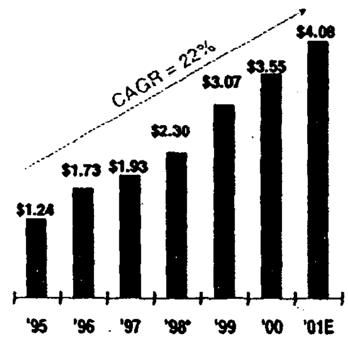
Quality Growth

Results of Superior Execution

Net Income ($ Millions)



Earnings Per Share

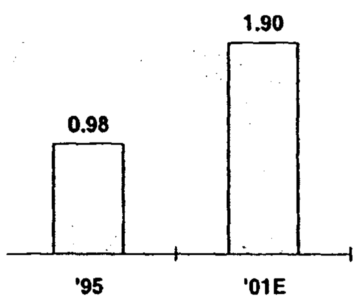


* *Excludes merger-related items*

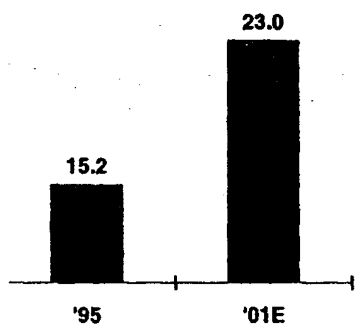
5

Superior Returns

Return on Managed Assets (%)



Return on Average Common Equity (%)



6

Goldman Sachs Presentation
December 4, 2001

"Ahead of the Curve"

- **Manufactured Housing**
- **Commercial Lending**
- **Low Margin Credit Card Loans**

HOUSEHOLD 7

2001 Credit Losses

We Are Not Immune to a Softening Economy

- **Losses up 3 consecutive quarters**
- **Up 33 basis points through 3Q**
- **Expect to be up in 4Q and into 2002**

HOUSEHOLD 8

Goldman Sachs Presentation
December 4, 2001

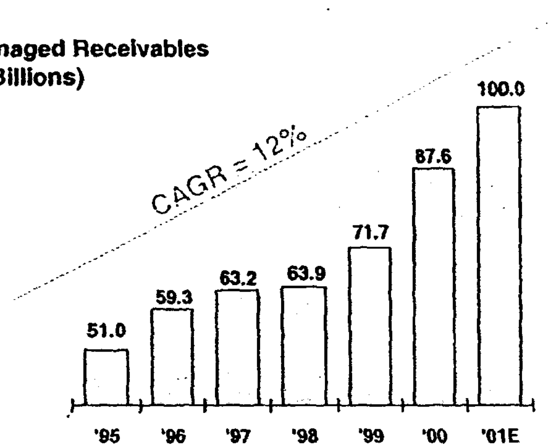
Why are Household's Credit Losses Better?

- **Prudent growth rates**
- **Lower risk portfolio mix**
- **Better credit skills**

HOUSEHOLD

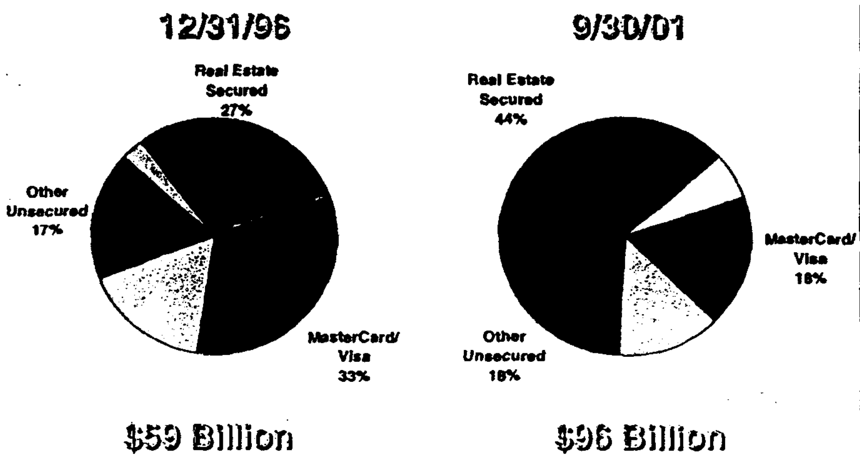
Prudent Growth

Managed Receivables
($ Billions)



Goldman Sachs Presentation
December 4, 2001

Lowering The Risk Profile



11

Why are HI's Real Estate Losses Lower?

- 72% of real estate portfolio is first lien versus 53% in '96
- Centralized underwriting
- Centralized appraisal control
- No broker loans in branches
- Real estate values in our market are holding up

HOUSEHOLD 12

Goldman Sachs Presentation
December 4, 2001

Better Credit Skills

Prepared for Slowdown Over Last 2 Years

- **Emphasized real estate secured loans**
- **Doubled collectors**
- **Raised cutoff scores**
- **Reduced credit lines in U.S. credit card businesses**
- **Eliminated unsecured loans to renters in U.S. HFC and Beneficial branches**
- **Continuous strengthening of risk modeling capabilities**
- **Real-time monitoring of account performance**

HOUSEHOLD 13

Are Household Reserves Adequate?

- **Reserves at an all-time high of $3.6 billion**
- **Grown reserves by $2.1 billion since 1996**
- **Reserve ratio increased from 3.50% in '96 to 3.72% at 9/01**
- **Built reserves for 9 consecutive quarters**
- **Over the last 12 months:**
  - Added $430 million of owned provision in excess of chargeoff ($.58 per share)
  - Reserves now at 107% of chargeoff

HOUSEHOLD 14

Goldman Sachs Presentation
December 4, 2001

Capital Growth

- **TETMA increased from 6.20% at 12/96 to 7.82% at 9/01**
- **Generated $7.7 billion in capital from cash flow in last 5 years**
- **Will generate $2.8 billion in 2001 to fund:**
  - Dividends
  - Receivable growth
  - Stock buybacks
  - TETMA increases
- **Maintain stable "A" rating**

HOUSEHOLD 15

EPS Target

[illegible], we established a goal of 13-15% EPS growth for the three-year period 2000-2002

HOUSEHOLD 16

Goldman Sachs Presentation
December 4, 2001

Household's Performance in Strong Economy

2000

- **Receivables growth 22%**
- **Margins narrowed**
- **Chargeoffs improved**
- **Reserves increased $525 million**
- **Expenses up 20%**
- **Buybacks of $200 million**
- **EPS growth 16%**

HOUSEHOLD

17

Household's Performance in Weak Economy

Nine Months 2001

- **Receivables up 12%**
- **Margins expanded**
- **Losses increased**
- **Reserves increased $360 million, ratios up**
- **Expenses up 16%**
- **Buybacks of $775 million**
- **EPS growth 15%**

HOUSEHOLD

18

2002 Outlook

- Receivable growth 11-14%
- Margins expanding
- Losses increasing
- Reserves increasing
- Expenses up 10%
- Buybacks of $1 billion
- EPS growth of 13-15%

HOUSEHOLD 19

What is "Other Unsecured Loans"?

($ Billions)

	12/96	3/01
Branch Based Non-Real Estate	$ 7.2	$ 9.4
PHL	1.2	4.6
International	1.8	2.6
Union Privilege Loan Program	0.4	1.0
Student Loans	1.0	-
	$11.6	$17.6

HOUSEHOLD 20

Have Household's Accounting Policies Impacted Results?

- **Conformed unsecured loan and private label chargeoff policies to industry standards in 1996**
- **No significant changes made since 1996**
- **Chargeoff policies are appropriate for our target market and result in proper loss recognition**
- **All policies have been consistently applied and realistically report results**

HOUSEHOLD 21

Has Household "Hidden" Changes in Accounting Policies?

"Before we leave credit quality let me review one of the changes we've adopted in 1996 in our HFC consumer finance business.

As Bill will review with you, throughout 1995, we have been focused on better servicing our core customer. After extensive testing in 1995 we are returning to a recency chargeoff policy for HFC unsecured loans in the U.S. and Canada. We are not making any changes for secured or credit card loans. Delinquency will continue to be reported on a contractual basis.

Previously, we charged-off unsecured loans which were 9 months contractually past due. Going forward, accounts will be charged-off when an account is 9 months contractually past due and where essentially no payment has been made in 6 months.

The combined recency and contractual basis is fairly standard in the consumer finance industry."

D. Schoenholz
1/96 Investor Conference Call

HOUSEHOLD 22

Goldman Sachs Presentation
December 4, 2001

Has Household "Hidden" Changes in Accounting Policies?

"The application of the new procedure did not have a significant impact on the company's delinquency statistics in the first quarter of 1996, but positively impacted the first quarter chargeoff ratio by 8 basis points."

Household's 1Q '96 10-Q
In May 1996

HOUSEHOLD 23

Has Household "Hidden" Changes in Accounting Policies?

"Another area that I'm enthusiastic about is moving to recency for our HFC unsecured loans. This is more consistent with the rest of the industry and our core customers' expectations. By the way of background, I asked our team to test recency in a few markets during 1995. The results were very good; we are collecting more cash, the promises kept percent improved, our collectors are more productive, and <u>most importantly</u>, our customers are happier. That's why we are implementing the change in 1996."

W. F. Aldinger
1/96 Investor Conference Call

HOUSEHOLD 24

Goldman Sachs Presentation
December 4, 2001

Have Household's Accounting Policies Impacted Results?

- Conformed unsecured loan and private label chargeoff policies to industry standards in 1996
- No significant changes made since 1996
- Chargeoff policies are appropriate for our target market and result in proper loss recognition
- All policies have been consistently applied and realistically report results

HOUSEHOLD 25

Summary

- 6 years – 22% EPS growth*
- Superior ROE and ROMA
- Fortress balance sheet
- Lowest cost producer in industry
- Best technology and people
- Strong cash flow to support profitable growth and share repurchase

HOUSEHOLD 26

Goldman Sachs Presentation
December 4, 2001

Certain matters discussed today may constitute forward-looking statements within the meaning of the Private Litigation Reform act of 1995 and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Household to be materially different from those that have been expressed or applied. These forward-looking statements are based on the views and assumptions of Household as of today and they may not be correct for any subsequent date. You should review the list of important factors that could affect Household's results included in our filings with the SEC.

HOUSEHOLD 27

HOUSEHOLD

Helping everyday people. Everyday.SM

Goldman Sachs • December 4, 2001

Factiva

Dow Jones & Reuters

B&C News
Fed's predatory proposal supported by Household
by Brad Finkelstein
409 words
23 March 2001
Origination News
27
Vol. 10, No. 7
English

Prospect Heights, IL -- **Household International** here, one of the top subprime lenders in the nation, has sent a letter to the Federal Reserve Board in support of many of the changes to Regulation Z, the Truth in Lending Act.

The changes are designed to curb abusive lending practices. The letter also contains Household's specific comments on the proposed amendments.

Unlike many companies in the mortgage industry, Household said it actively supported the creation of the Home Owners Equity Protection Act back in 1993 and 1994.

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.

"We are encouraged that the Federal Reserve Board has taken a deliberate and inclusive review of the issue and has set the benchmark for guidelines that ensure consumers are protected from unscrupulous lenders while at the same time do not have their access to credit restricted."

Household has a long-standing history, the company noted, of working with legislators and regulators in the pursuit of responsible lending.

"Our goal is to help achieve a uniform, national solution to once and for all rid all unethical practices from the marketplace," Mr. Gilmer declared.

Household sent its letter to the Fed on March 9. The company refused to make a copy of the letter available to this publication.

In its statement in the Federal Register announcing the proposal back in December, the Fed said "the amendments would broaden the scope of mortgage loans subject to HOEPA by adjusting the price triggers used to determine coverage under the act. The rate-based trigger would be lowered by two percentage points and the fee-based trigger would be revised to include optional insurance premiums and similar credit protection products paid at closing.

"Certain acts and practices in

connection with home-secured loans would be prohibited, including rules to restrict creditors from engaging in repeated refinancings of their own HOEPA loans over a short time period when the transactions are not in the borrower's interest.

"HOEPA's prohibition against extending credit without regard to

consumers' repayment ability would be strengthened. Disclosures received by consumers before closing for HOEPA-covered loans would be enhanced." Copyright c 2001 Thomson Financial. All Rights Reserved.

Document bmmg000020010710dx3n0003i

Wells Fargo Bank
Corporate Consumer Credit Administration

Project Blazer
Executive Review Report

Summary – One Time Policy Adjustments

CCCA, in conjunction with various business units, conducted an executive review of Blazer on May 6 – 10, 2002. We found that Blazer historical accounting policies and extensive reaging of delinquent accounts delayed loss recognition and produced a "bubble" of latent credit losses. Blazer management has agreed to change delinquency and reaging rules and has estimated the impact of the "excess" loss already embedded in the portfolio. CCCA and the WFC business units have reviewed and agree with the following:

$mm	Accounting Policies	Reaging
Auto	70	
Private Label	250	100
Real Estate	250	100
Branch Unsecured	715	500
Total	1285	700

	Developed By	Adjustments Cover
Accounting Policy	Blazer Finance	• Charge-off inventory of seriously delinquent accounts • Charge-off BKs over 60 days
Reaging	WFC using Blazer inventory and loss data	• Value accounts reaged 3 or more times • Using Blazer recidivism (loss) data

Summary – Ongoing Impact of Policy Adjustments

In addition, there will be a future flow impact as current accounts become delinquent and will now be charged off sooner under the revised accounting policies. These estimates reflect agreement with Blazer management.

$mm	2003	2004	2005	2006
Increased Losses	500	500	250	0

The 2003 adjustment, for example, includes $350mm attributable to the revised accounting policy changes (including impacts on REO expenses and collections resources) and $150mm for changes to the reage policy. These impacts moderate after 24 months as Blazer staff fully implements the revised accounting policies and improves collections efficiency.

DEPOSITION EXHIBIT
Wells Fargo #31
Cmt 05/01/07

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1338

Summary – Reserve Coverage

WFC allowance policies require reserves covering 12 months projected losses in consumer loan portfolios. At Q1:02, Blazer actual reserves were $4146mm versus a full year loss forecast of $4360mm, a difference of $214mm. In addition, Blazer, based on executive review findings, is about $50mm under-reserved for their run-off commercial portfolio. These items will be reflected in Corporate Development's base year portfolio growth and provision expense.

CCCA and the various business units reviewed Blazer analysis and reports and produced independent loss forecasts based on modeling historical delinquency and loss trends using 3 and 6 month roll rate analysis. This technique puts more weight on recent trends compared to Blazer's 12 month average roll rate approach which uses prior year factors to forecast losses.

Product	Outstandings as of March 2002 ($millions)[1]	WFC's Recommended Loss Forecast ($millions) for Base Year	Base Year %	WFC's Recommended Loss Forecast ($millions) for Year 1	Year 1 %
Consumer Lending	$41,387.8	$1,677.5	4.05%	$1,743.1	3.47%
Mortgage Services	$18,790.1	$175.5	0.93%	$250.0	1.20%
Direct Lending [2]	$522.1	$13.0	2.49%	$14.3	2.49%
Credit Cards	$16,194.8	$1,441.0	8.90%	$1,737.0	9.03%
Auto Finance	$6,614.1	$599.0	9.06%	$626.0	8.00%
Retail Services (Private Label)	$11,312.7	$770.0	6.81%	$850.0	5.81%
Canada	$1,375.2	$50.8	3.69%	$51.3	3.39%
UK [3]	$5,625.4	$160.0	2.84%	pending	pending
Commercial	$429.4	$15.0	3.49%	$15.0	3.49%
Portfolio Total	**$102,251.6**	**$4,901.8**	**4.79%**	**$5,286.7**	**4.59%**

1. Balances based on Business Unit Report.
2. Based on the lack of information we projected a 10% growth for balances and losses and used Blazer's forecasted losses.
3. The projection for year 1 excludes UK due to pending KPMG report. UK results for base year are Blazer's forecasted losses.
4. All of WFC's forecasts were based on our own roll rate analysis / approach vs. Blazer's approach.

In addition, our growth rates may differ from Blazer.

The detailed credit reports are included with each business units' Executive Review.

CONSUMER FINANCE

DEPOSITION EXHIBIT
Wells Fargo #33
Cmt 05/01/07

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1351

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ATTORNEYS' EYES ONLY
WF 00219

WFF Due Diligence
Blazer Executive Summary by the Business Team
May 9, 2002

Blazer has a reputation in the industry as an efficient, high-growth and well managed company. Blazer's operating model of centralization and strong analytics is similar to the transition we are undertaking in our consumer businesses. Our due diligence solidified our belief in adopting a similar operational model. On the surface, a merger with Blazer would help accelerate our consumer restructuring and system support needs (from a lead generation, tracking and reporting perspective).

Blazer is more liberal with their underwriting guidelines compared to WFF's standards and in fact Blazer purchases some of WFF's high LTV correspondent loans. **But**, we believe that certain of Blazer's products and higher LTV real estate loans make economic sense and would be a source of profitable growth in our business.

Unfortunately, our investigation revealed some major systemic issues in Blazer's policies and procedures. To say the least, Blazer's write-off, expense deferral and re-aging policies are aggressive. These issues appear to be pervasive in the businesses we reviewed.

The impact of converting Blazer's policies to something more in line with acceptable industry standards is hard to predict with precision but is estimated as a one-time charge of $2 billion and an ongoing annual charge of $500 million (compared to historical loss rates). Their re-aging and write-off policies coupled with their rate of receivable growth (approximately 14% in 2001) mask the true run rate of Blazer's losses. Blazer's financial maneuvering over the past few years has resulted in a clear disconnect between 1) the field approach to management and 2) the policies created by the finance group which were espoused to be a solution to the issues created by the Beneficial acquisition, but it is hard to imagine that they are not also being employed to boost earnings.

Attached as Exhibit I are our observations of Blazer's consumer finance business segments. Exhibit II is a summary of the policy impacts to earnings.

HIGHLY CONFIDENTIAL

Exhibit I – Summary of Business Segments
Blazer Executive Summary by the Business Team
May 9, 2002

<u>Retail Services ($12 billion in receivables and $255 million in earnings)</u>

- Good management team with quality merchants
- Aggressive re-aging (automatic account re-aging if one payment is received over a six-month period and no lifetime maximum re-agings)
- Write-offs occur when accounts are 10 months contractually delinquent

<u>Refund Anticipation Loans ($15.2 billion in funding and $88 million in earnings)</u>

- Highly profitable
- Long relationship with H&R Block
- Long-term viability of business is in question:
  - Contract with H&R Block and patent on the process expire in 2006 and 2007, respectively
  - Product heavily criticized by consumer groups

<u>Consumer Lending ($41 billion in receivables and $810 million in earnings)</u>

- Good business model executed by experienced/knowledgeable management team
- Accounting policies significantly overstate earnings:
  - Aggressive re-aging
  - 10 month contractual and 6 month no payment before non real estate accounts are written off
  - Cost to maintain and sell real estate loans not recognized at the time of foreclosure (no contractual or recency write-off policy in place for real estate loans)
  - Aggressive use of FASB #91 to defer expenses (well beyond WFF policies)

– 279 mill sou

Exhibit I – Summary of Business Segments
Blazer Executive Summary by the Business Team
May 9, 2002

Canadian Operations ($1.5 billion in receivables and $30 million in earnings)

- Merger of WFF with Blazer operations would result in a strong presence in Canada (with only one strong competitor)
- Weak management team
- Aggressive accounting policies

Auto ($6.2 billion in receivables and $130 million in earnings)

- Unit has struggled financially and a new management team is in the process of restructuring the business.
- Inefficient relative to size
- High charge-off rates
- Uncertain as to management's ability to turn this operation around
- 2002 plan is at risk

Exhibit II – Earnings Impact of Policy Changes
Blazer Executive Summary by the Business Team
May 9, 2002

I. Blazer CFO agrees that:

A. Changing consumer write-off policies and
B. Changing re-aging policies

Will produce two distinct impacts:

1. A one-time write-off and
2. An increased run rate for losses

II. Blazer CFO also agrees that the impact of (A) (write-off policy changes) would produce:

1. One-time charge of $1.2 to $1.3 billion and
2. A loss run-rate increase of $350 to $374 million

[These numbers reflect a minor gross-up for the impact in Canada and the UK which are not comprehended in Blazer's analysis (Blazer CFO agrees). The numbers also take into account a positive impact of REO expenses.]

III. Blazer CFO agrees:

1. With the necessity of a one-time write-off for (B) (re-aging policies) and has suggested the following:
   A. A total or partial write-down of the 3 and 4 times re-aged accounts which have a year-end balance of $3 billion. This balance increased by $1 billion during 2001 and is projected by Blazer to increase by an additional $1 billion during 2002.
2. There will be an on-going increase in losses due to changing (B) but has yet to arrive at a number. He believes it will be difficult/impossible to calculate.

Exhibit II – Earnings Impact of Policy Changes
Blazer Executive Summary by the Business Team
May 9, 2002

IV. Following are the WFC teams best estimates of the impact to the above noted changes:

	One-time Charges	Increased loss run-rate
A. Write-off policies	$1.285 billion	$350 million
B. Re-aging policies	$ .7 billion	$150 million
	$1.985 billion	$500 million

The above adjustments do not include any loan allowance adjustment.

WELLS FARGO FINANCIAL

Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Retail Services

Executive Summary

- 2nd Largest third party private label provider
- $11.6 Billion, 10% market share
- 2001 Net Income of $255 million with a ROMA of 2.47% and an ROE of 32.89%
- 10 million active accounts
- 70 active merchants including Best Buy, Yamaha, Mitsubishi, Rhodes Furniture and Levitz Furniture
- Top 10 merchants make up 51% of portfolio
- State of the art technology and automated credit decisions with 95% of applications returned within 5 seconds
- 45% to 50% of portfolio on promotion with 90-day to 24-month free or same as cash periods
- Business appears to be well-managed
- Major concern relates to loss accounting as detailed below

Definitive or Contractual Issues

- Existing write-off policy is 10 months contractual. Cost of moving this to 6 month contractual to bring in line with FFIEC standards is approximately $260 million.
- Currently bankrupt accounts are written off at 90 days. Moving this to 60 days is a one time expense of approximately $25 million. Blazer does not have an automatic system in place to identify bankrupt customers, and as a result we estimate a very rough estimate of 10% of bankrupt customers are not identified. This is a compliance concern as well as a financial issue that is difficult to quantify.
- Re-aging policy is a concern. Accounts are re-aged up to one time every six months upon receipt of one payment with no limit on the number of reages.

Transition Issues

- We would close WFF's Retailer operation and merge the accounts to Retail Services and Consumer Sales Finance with about 40% going to Retail Services. The majority of WFF's Retailer employees would be eliminated with cost saves detailed below.

Financial Impacts

- Total expense save of approximately $15 million as a result of moving WFF Retailer accounts.
- Additional reserve of $49.6 million required primarily due to differences in growth assumptions.
- Additional expense as a result of above write-off, bankrupt and re-age policies is estimated at $285 million.

See attached report from John Turpen for additional detail on above assumptions.

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ATTORNEYS' EYES ONLY
WF 00225

Inter-Office Memo

Date: May 9, 2002

To: Distribution

From: John Turpen

Cc: Project Blazer Team Members

Subject: Project Blazer – Retail Services (Private Label)

Background

Retail Services (Private Label) assets at February 2002 were $11.6 Billion, up 21% year over year. Growth for 2002 is projected at 16% according Blazer's operating plan. Historical trends suggest asset growth for 2002 to be approximately 18%. The portfolio segments include furniture (32%), consumer electronics (30%), power sport vehicles (16%), home products (13%), discount retail (5%) and miscellaneous. Major partners include Best Buy, CompUSA, Costco, and Rhodes Furniture among others (60 active relationships in total).

The remainder of this document will focus primarily on loss forecasting and reserve sufficiency.

Data Requested

- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Whiskey resulted in no additional data provided.

Data Received

- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Summary / Methodology

- Whiskey recommends a reserve of $770MM, which is $49.6MM above Blazer's current reserve of $720.4MM, as illustrated by the table below.

	CCM Hard	Reserve	KPMG	Whiskey Est.	Diff. From Res.
Dollars in Millions	628.4	720.4	710.0	770.0	(49.6)
% of Avg. Rec.	6.34%	6.27%	Not Provided	6.15%	0.12%

- The $49.6MM difference is primarily attributable to differences in receivable growth assumptions.
- Losses as a percentage of receivables are within an acceptable tolerance. If Blazer's receivable growth assumptions hold true, no adjustment to the reserve is recommended. If historical growth patterns hold true, an adjustment may be necessary, but could be adjusted on a quarterly basis based on actual growth.

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- Losses on both 6 & 9 month-lagged basis do not indicate material credit deterioration as illustrated below:

6-Month Lag	6.68%
9-Month Lag	7.01%
Whiskey Est.	6.15%
Actual Reserve	6.27%

- Whiskey loss model assumptions are presented below in table format:

Roll Rates	Prior 12-Months Blazer - Actual	Forward Looking Whiskey - Modeled	Diff
30 to 60	60.93%	59.69%	1.23%
60 to 90	80.06%	78.84%	1.23%
90 to 120	87.74%	87.05%	0.69%
121 to 150	90.17%	89.98%	0.19%
151 to 180	91.83%	91.94%	-0.11%
181 to 210	93.51%	93.38%	0.13%
211 to 240	94.97%	94.69%	0.28%
241 to 270	86.49%	87.17%	-0.68%
271 to 300	3.01%	3.06%	-0.05%

Roll to Loss	Prior 12-Months Blazer - Actual	Forward Looking Whiskey - Modeled	Diff
61+%	8.24%	8.31%	-0.08%
91+%	10.33%	10.48%	-0.15%
121+%	12.89%	13.15%	-0.26%
151+%	16.30%	16.72%	-0.43%
181+%	21.29%	21.56%	-0.27%
211+%	29.64%	29.83%	-0.20%
241+%	46.60%	46.66%	-0.06%
271+%	100.45%	98.97%	1.48%

<u>36 Month Loss Forecast</u>

Whiskey	Net Losses	% Of Avg. Rec.
Year 1	$770.0	6.15%
Year 2	$850.0	5.81%
Year 3	$988.7	5.84%

<u>Conversion to FFIEC</u>

- The following assumptions / observations were made with respect to the documentation provided and attempt to quantify the impact of compliance to FFIEC:

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1. The impact of changing the re-age policy could not be reconciled with the documentation provided.

2. In absence of detailed extension reports, it was assumed non-qualifying extensions are distributed proportionally across all delinquency buckets. This is accomplished by multiplying the percentage of total delinquent dollars in each bucket by the total amount of extensions.

3. Based on the product life of most credit card like products, it was assumed that re-ages greater than two were non-compliant with FFIEC. This assumption was made in absence of detailed reports that indicated otherwise.

4. Non-written off bankruptcy distributions within delinquency stage was not provided. The non-written off BK pool was assumed to follow a similar distribution as Whiskey's revolving sales finance portfolio. This assumption was used in absence of detailed Blazer reports.

5. Roll rate assumptions after such a policy change were based on simulating Whiskey's consumer loan roll rates in comparison to Blazer's. This comparison is made possible as a result of Whisky's recency rules, which provide some asset flows into delinquency buckets greater than 180 days.

- The following table illustrates the initial impact to comply with FFIEC:

Initial Impact	
181+ Day Write Off	$248.1
> 60 BK Write Off	$30.0
Total Impact	$278.1

- Ongoing impact of complying with FFIEC is illustrated below:

Whiskey	No Policy Changes	FFIEC	Diff
Year 1	$770.0	$806.5	($36.5)
Year 2	$850.0	$965.6	($115.6)
Year 3	$988.7	$1,120.2	($131.5)

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Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Consumer Lending

Overview
The Consumer business has 1,400 branches with $41 billion in outstandings and 13,000 employees. There are 3.5 million accounts and managed across several regional processing centers. Centralized operations focus on gaining efficiencies in credit underwriting, customer service, collections, payment processing, documentation preparation, and appraisal and title ordering. The branch employees focus on outbound sales and loan closure and are compensated on a commission basis.

All credit approval is controlled centrally, and strongly influenced by custom scoring across each product. Their exclusive use of custom scoring versus Whiskey's generic FICO score experience makes general FICO distribution comparisons difficult to interpret; swapsets exist at every interval.

Blazer's centralized philosophy drives an operating efficiency ratio of around 28% versus Whiskey's decentralized ratio of around 55%. Blazer's merger experience suggests a year 1 reduction in the efficiency ratio to the range of 40 to 45%.

Product categories are similar to Whiskey's except for the high ltv PHL product. The mix of Blazer originations is more heavily skewed to real estate secured products as a percent of total receivables:

	Blazer	Whiskey
RE Secured:	65%	56%
PHL (high LTV*)	10%	0%
Personal Non RE	24%	26%
Sales	1%	18%

* 25K max loan, stated value, max 115% ltv, underwritten as unsecured.

Credit Cycle Management
Overall management team is experienced and knowledgeable. Gary Gilmer is a strong dynamic leader. Walt Rybak, the senior credit risk manager is very analytical. The team manages the business by the numbers, however pushes the envelope in terms of charge-offs, re-writes, extensions etc. The managers verbally acknowledge a strong commitment to responsible lending practices, however they also acknowledge they have not tested adherence to policy.

The components of originations (who, price and amount) are determined by Risk Management, and center around custom scoring for each product. From a infrastructure standpoint, Blazer

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has an established champion/challenger process to test front-end origination strategies, which is consistent with Whiskey's infrastructure development efforts.

Collections policy and strategies are centrally developed and managed by a Risk Management team that reports to the senior credit risk manager, but apparently resides inside the collection operation. Risk Management and Collections Management are aligned in the strategic direction for collections. Collection management focuses on managing the shop statistics (ie. roll rates, right party contact, promises to pay, etc.), training, and staffing. The strategies are executed via a superior systems infrastructure that integrates custom modeling, right time to call software and TRIAD champion/challenger capabilities.

Integration Opportunities

- Blazer's collection productivity management system drives an incentive program that is superior to Whiskey's salary based system, and should be adopted as a best practice.
- All recent developments of custom scoring for each Whiskey product should allow for quick and compatible integration into Blazer's infrastructure.
- Blazer's proprietary platforms are perceived as superior to all Whiskey operating platforms in credit origination, collections, customer service and portfolio management.
- Whiskey would convert all underwriting functions to Blazer's centralized model.
- Whiskey would convert all collection functions to Blazer's centralized cradle to grave model.
- Whiskey would convert all branch operations to sales offices with their commission structure.
- Introduce Blazer's high ltv product (PHL) to Whiskey's branch offering once the appropriate infrastructure is in place. In addition to considering the risk/reward trade-off for expanding real estate policy into lower scores and higher ltv's using Blazer's experiences.
- Credit scorecard development and management was not evaluated, but is assumed to be well managed given the resource allocation.
- Conversion to Blazer's platforms, business model and product set should increase productivity significantly.

Financial Impact

Financial savings result from eliminating 310 stores.

- FTE's reduced by 760 -- $53 MM annually
- Other expenses -- $19 MM annually

Reduction in home office costs are estimated to be between $40 MM and $60 MM (use $50MM).

According to the CFO of Consumer Lending, costs deferred under FASB 91 are $360 MM in the 2002 plan, while FASB 91 cost amortization is $192 MM; a net increase in pre-tax income of $168 MM. A more appropriate net improvement in pre-tax income should be $30 MM. Therefore, base pre-tax income should be reduced by $138 MM.

Refer to Portfolio Management and Reporting's report for loss reserve and policy impacts.

Inter-Office Memo

Date: May 7, 2002

To: Project Blazer Team Members

From: Stephen Peletz

Subject: Project Blazer – Non Real Estate

Background
Non Real Estate portfolio consists of three different business lines, consumer loans, Personal Homeowner Loans (PHL), and Direct Marketing. For tracking purposes, the Consumer Loans & Direct Marketing roll into the "Non-Real Estate" portfolio. The Non-Real estate portfolio has assets of $9.09 billion and the PHL has assets of $4.80 billion. Receivable growth has been flat in the Non-RE portfolio while the PHL portfolio is growing at a 15% annualized rate. HFC forecasts growth in both portfolios to remain flat during the next 12 months.

Data Requested
- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Risk Management resulted in no additional data provided.

Data Received
- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Methodology
Using historical data provided by Blazer, losses & delinquency were forecasted using historical roll rates for delinquency and losses. Adjustments to roll rates were made to account for special one-time charge off events in the portfolio that distorted forecast.

Losses were forecasted for each individual business line, Non-RE, PHL, and Direct Mail, and then aggregated to produce total net loss dollars for the next 12 months. Table below outlines each portfolio and total loss rates.

Non Real Estate Loans - 3 Year Forecast		No Policy Changes					
		Blazer Forecast			Whiskey Forecast		
Non Real Estate	Avg Net	Loss Reserve	Hard Landing	%	Avg Net	Net Losses	%
Year1	13,859.0	1155.9	1325.3	9.56%	15,319.2	1,433.3	9.36%
Year2	14,081.0	N/A	1201.1	8.53%	15,810.3	1,441.1	9.11%
Year3	14,698.0	N/A	1330.7	9.05%	16,470.5	1,484.2	9.01%

Difference in average net OS is result of Operational reporting versus financial reporting. Balances include interest accrual & fees and other small miscellaneous portfolios. Per Gary Harman, difference in receivables will amount to an additional $50 million in losses over loss reserve figures.

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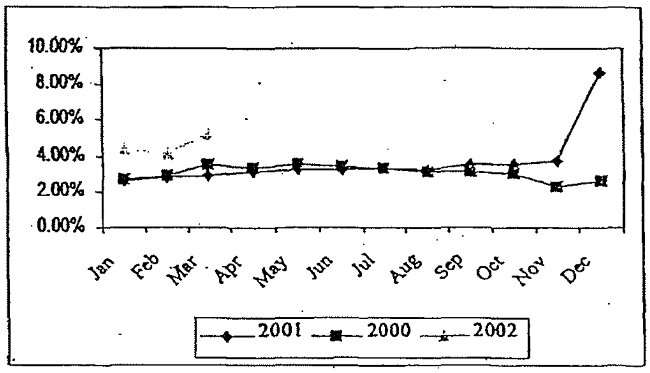
Loss Forecast Summary

Losses were forecasted based on existing Blazer credit policies and assume no change to charge off policy.

- Blazer Loss Reserve document shows a total loss of $1.155B for 2002. Blazer CCM hard landing scenario estimates losses of $1.325B for 2002. Difference between loss reserve and CCM Hard Landing is $170 million dollars and needs to be clarified.
- Whiskey forecasted losses are $108M above Blazer Hard Landing forecast & $277.4 million above Blazer loss reserve. For Year1. Year 2 & Year3 loss reserves were not available.
- Whiskey forecast Net Losses in Year2 decline slightly from Year1 but remain $240 million above the Blazer CCM forecasted losses. Both Whiskey & Blazer losses numbers decline in Year2.
- Whiskey forecast Net Losses in Year3 decline slightly from Year2 (9.01% vs. 9.11% of average net OS) and remain $150 million above the Blazer CCM forecasted losses. The Blazer CCM forecast shows an increase of almost 50 bps over Year 2. No explanation was provided as to the sharp increase in forecasted numbers.
- PHL portfolio losses are forecasted to be $239 million. $50 million more than the Blazer loss reserves. Portfolio has experienced a significant increase in losses over the 5 months which impacts the Whiskey loss forecast going forward. In addition, it appears Blazer took a "special charge off" in Dec01 on this portfolio.



Potential write-off policy changes

- Current charge off policy is 270 days contractual *and* 180 days recency delinquent.
- Moving to a straight 180-day contractual charge off policy would result in a one-time charge of $500 million dollars.
- Charging off Bankrupts at 60 days - $350 million initial impact. Estimated that $50 million in BK's will be accounted for in change to 180 CD charge off policy.

Impact of Blazer's Re-Aging Policies on Loss Recognition

As noted, Blazer has a very liberal re-aging policy with respect to the Non Real Estate portfolio. We have tried to understand the impact of this policy on roll rates, and recognition of losses.

The Re-Age Analysis of April 26, 2002 shows that 21.3% of account balances are re-aged on an annual basis, or 1.8% of outstandings each month. Adjusting the roll rates for the impact of *not* performing re-ages increases net loss rates significantly in Years1-3; Forecast assumes there would be no change in current charge off policy of 270 days contractually delinquent.

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Table illustrates the impact to forecasted losses on Non Real Estate Portfolio.

Re-Age Policy Change

	Whiskey Forecast			Whiskey Forecast				
Non Real Estate	Avg Net	Net Losses	%	Avg Net	Net Losses	%	% Inc	Dollar Impact
Year1	15,319.2	1,433.3	9.36%	15,060.8	1,645.0	10.92%	14.77%	211.70
Year2	15,810.3	1,441.1	9.11%	14,724.0	1,804.2	12.25%	25.20%	363.10
Year3	16,470.5	1,484.2	9.01%	14,366.5	1,778.2	12.38%	19.81%	294.00
								868.80

- Average net receivables are forecasted to decrease due to the elimination of re-writes/re-aging of accounts and subsequent charge off of these loans. Average receivables decline by 12.77% over the 36-month forecast.
- Impact on net losses is substantial. Year 1 increase is $211M, Year2 increase is $363M and Year3 increase is $294M over original forecast. Total impact is $868M for the next 3 years.

Conversion to FFIEC Policies

It is difficult to quantify the impact of re-aging policy and conversion to FFIEC policies due to 1) limited data received concerning re-aged accounts 2) delinquency status and 3) number of times re-aged of those accounts.

- Converting to a straight 180-day contractual delinquency will result in a one-time change of approximately $500 million dollars.
- Assuming a normal distribution of accounts re-aged 3x&4x, $80M in re-aged accounts are 181+ CD and would be included in the initial one-time $500 million dollar charge off.

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Inter-Office Memo

Date: May 7, 2002

To: Project Blazer Team Members

From: Stephen Peletz

Subject: Project Blazer – Consumer Real Estate

Background
Branch Real Estate portfolio assets were $27.14B as of Mar-02. Receivables have been growing at close to a 20% annualized rate over the last 12 months. Forecasted growth is expected to be 17% in Year 1, slightly lower than the historical rate. For Year 2 & Year 3, growth rate is expected to slow to around 13% per year. These forecasted growth is in line with Blazers forecast for the next 3 years.

Loss Forecast Methodology
Using historical data provided by Blazer, losses & delinquency were forecasted using historical roll rates for delinquency and losses. In addition, a 12-month regression was performed to validate roll rate forecast.

Losses were forecasted for a 3 years assuming no changes to current policy. Table below outlines the Branch Real Estate portfolio loss rates and provides comparison to Blazers 12 month loss reserve & Blazers CCM loss forecast.

	Blazer Forecast				Whiskey Forecast		
Branch Real Estate	Avg Net	Loss Reserve	Hard Landing	%	Avg Net	Net Losses	%
Year1	28,075.0	184.4	205.2	0.73%	29,813.8	244.2	0.82%
Year2	32,566.0	N/A	232.7	0.71%	34,371.5	302.0	0.88%
Year3	37,080.0	N/A	277.8	0.75%	39,202.5	360.7	0.92%

Loss Forecast Summary
- Blazer loan losses have begun to increase over the past 12 months. On a 12 month lagged basis, losses have increased from 0.65% in Apr-01 to 1.05% in Mar-02. (Chart)
- Whiskey forecasted losses are $39M (19%) above the Blazer Hard Landing forecast & $60M above Blazer loss reserve in Year 1, $70M above hard landing for Year 2, and $82M over hard landing scenario in Year 3. Tom Hassinger of Whiskey Mortgage, who approached his estimate from a different perspective, validated our loss estimates.
- Late stage delinquency buckets have begun to increase, contributing to the expected increase in loss dollars going forward.

Re-aging
Current Blazer policy allows for only 1 re-age/restructure per year. Re-aging activity increased from 13.0% to 14.4% from 2000 to 2001. The largest increase coming in accounts with more than 1 re-age. Portfolio now has 14.8% of units that have been re-aged 3x or more. Blazer estimates write-offs on these accounts will total $340+ million dollars assuming a 20% loss severity. Assuming a 30% loss severity, which is more likely given the higher LTV's on the portfolio, estimated one-time charge off impact to be $510 million dollars. As policy is changed, a future impact of higher than historically losses will occur.

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Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Canadian Operations

Overview

The unit has 3 core businesses. First, there is a 112 consumer branch network with outandings of 1.5 billion, which supports the typical finance company array of products, Home Equity loans, Personal Home loans (secured by household goods), Unsecured personal loans, Insurance products and sales finance contracts. Whiskey has 162 similar type branches with similar products (except for 7% or about $200MM in high ltv products).

The second core business is Private Label, which has $736 MM in outandings and is marginal in terms of profitability. Their largest merchant here is the Brick, who we also service. Salesmen are strategically placed throughout Canada to support the merchants and collections and customer service are centralized in Montreal.

The third core business is an Indirect channel where they will take turndown referrals (mostly real estate or home equity) from Bank of Montreal, CIBC, RBC and MBNA. The volumes generated are reflected in the consumer totals above.

Credit Cycle Management

In the branch network most decisions utilize automated decisioning centrally except real estate loans. Consumer loans are entered into their Vision system and decision tree matrices lead to a system recommendation. Very few exceptions allowed. 70 % of all consumer loans are decisioned via the system.

Blazer maintains a strong risk management culture. Both custom and generic credit scoring is used extensively throughout the credit cycle to support manual and auto decision strategies. There is extensive use of TRIAD adaptive control software to support portfolio management.

Collections are done in the branches for the first 60 days and then centrally in Montreal. Collection analytics drive account treatment via TRIAD strategies. Charge-off occurs in consumer and retailer at 10 months contractual and 7 months recency. Real estate is 6 months contractual.

Transition/Integration Oportunities

- There is 162 Whiskey branches and 112 Blazer branches. Recommendation would be to look to close 70 branches.
- Whiskey branches would benefit from Blazer's strong Real Estate product culture and Blazer would benefit from Whiskey's strong consumer focus.

- Neither Retailer business is doing well financially. Strong recommendation to combine Retailer businesses into a much larger unit.
- Blazer's management team appeared to be weak. The combination of entities will make it the dominant consumer finance company in Canada.

Financial Impact

Financial savings result from eliminating 70 stores and certain centralized service and home office staff.

- Reduce FTE's by 290 -- $8.2 MM ($US)
- Other savings from store closing -- $3 MM ($US)

Refer to Portfolio Management and Reporting's report for loss reserve and policy impacts.

Inter-Office Memo

Date: May 9, 2002

To: Distribution

From: John Turpen

Cc: Project Blazer Team Members

Subject: Project Blazer – Canada

Background

The Canadian operation assets at February 2002 were $1.3 Billion, up 11% year over year. Growth for 2002 is projected at 10.7% according Blazer's operating plan. Historical trends and Whiskey's forecast validate Blazer's asset growth assumptions. The portfolio segments include real estate (36%), unsecured loans (33%), and private label credit cards (31%). Blazer's target market is middle to low income families in both urban and rural areas.

The remainder of this document will focus primarily on loss forecasting and reserve sufficiency.

Data Requested

- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Whiskey resulted in no additional data provided.

Data Received

- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Summary / Methodology

- Whiskey recommends a reserve of $50.8MM, which is within $3.1MM above Blazer's current reserve of $47.7MM, as illustrated by the table below.

	CCM Hard	Actual Reserve	KPMG	Whisky Est.	Diff. From Res.
Dollars in Millions	56.1	47.7	50.9	50.8	(3.1)

36 Month Loss Forecast

Whiskey	Net Losses
Year 1	$50.8
Year 2	$51.3
Year 3	$57.1

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Inter-Office Memo

WELLS FARGO FINANCIAL

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Refund Anticipation Loans

Executive Summary

- $88 million Net Income in 2001 and $100 million plan for 2002.
- Refund Anticipation Loans to individuals expected to receive tax returns.
- Blazer is able to obtain data from IRS to "clear" refunds before issued against potential child support and student loan liability and losses are controlled to less than 1%.
- Fee based business with fees of $24.95 to $89.95 based on size of loan.
- 7.4 million customers and $15.2 billion volume in 2002.
- 95 full time employees, 800 seasonal employees.
- 10-year contract with H&R Block expires in 2006.
- H&R Block participates in program and receives 49% of profit. Highly regulated business and 49% is maximum law allows H&R Block to receive.
- Blazer owns patent on the process which expires in 2007.

Definitive or Contractual Issues

- Potential downside risk is loss of total business at expiration of contract in 2006. This is unlikely since Blazer has dealt with H&R Block since 1983 although the patent expires ikn 2007.
- Additional downside risk of loss of business to on-line services and regulatory pressure. The product is constantly criticized by consumer activist groups. Blazer expects this business to eventually go away.

Transition Issues

- Do not appear to be any immediate issues. Business would continue to operate status quo.

Financial Impacts

- No cost saves. No risk to 2002 Net Income. Potential risk to income in future years.

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From: Roe, Paula - HR <roepa01@norwest.com>
Sent: Monday, April 22, 2002 4:24 PM
To: May, Todd <mayto01@norwest.com>
Subject: FW: Project Blazer

Todd,
An extremely rough estimate of the liability under the contracts is

Tier I name 300%* multiplied x 3**
Aldinger $18.0 million $54.0 million
Fabiano 7.5 22.5
Gilmer 9.0 27.0
Harvey 5.7 17.1
Hill 3.9 11.7
Kelly 3.6 10.8
Mehta 8.25 24.75
Robin 9.9 29.7
Schoenholz 9.0 27.0
Total $74.85 $224.55
* the 300% value is a guess because, except for the top 5, we don't have comp data on Blazer
** the 3 x multiple is simply a guess based on the value of the other contract provisions and 280G liability (Employment contracts for the Tier I group have a walk away provision so the challenge would be to structure the deal so these executives are retained if that is the goal. Tier II execs do not appear to have a walk away provision in their contracts and many of them would appear to be in positions where they would be retained.)

Estimated Tier II liability:Assuming an average salary plus bonus of $358,000 for the group, the 150% payout =

$15,573,000 for the 29. Assuming a multiple of 2 x for the balance of the contract payments, the total would = $31,146,000.

With regard to benefits conversion, I believe we could make it work both from an employee relations standpoint as well as from an expense standpoint provided we consider the possibility of capping certified comp under the Wells Fargo Cash Balance Plan. Expense saves elsewhere might pay for the increase in cash balance benefits but we'd need to review carefully before a final conclusion.

-----Original Message-----
From: Ganoe, John E.
Sent: Monday, April 22, 2002 9:42 AM
To: Roe, Paula - HR; May, Todd
Cc: Callahan, Patricia HR-WF
Subject: FW: Project Blazer

see dk 's comments todd work with paula jeg

-----Original Message-----
From: Kovacevich, Dick M. [mailto:kovacedm@imc.wellsfargo.com]
Sent: Monday, April 22, 2002 7:35 AM
To: Ganoe, John E.-NW; Kovacevich, Dick M.; Atkins, Howard I.
Subject: RE: Project Blazer

DEPOSITION EXHIBIT
Wells Fargo #42
Cmt 05/01/07

ask Paula what would the cost/problems be if they plus financial all went on our plan.Does it work for the stockholder? does it work for the team membaer?Let's try to determine how much employment contracts could costs in worst case and most likely?

-----Original Message-----
From: Ganoe, John E. [mailto:John.E.Ganoe@Norwest.com]
Sent: Monday, April 22, 2002 7:30 AM
To: Kovacevich, Dick M.-WF; Atkins, Howard I.-WF
Subject: FW: Project Blazer

the contracts issues will have to be dealt with for the management team during negotiations jeg

-----Original Message-----
From: Roe, Paula - HR
Sent: Monday, April 22, 2002 6:54 AM
To: Ganoe, John E.; May, Todd
Cc: Callahan, Patricia HR-WF
Subject: Project Blazer

John/Todd,

I've reviewed the materials forwarded to me and have the following comments:

Employment Contracts are very rich.(They were rewritten March 1, 2002---unclear to me why they were amended.) They cover 9 execs under Tier I and 29 execs under Tier II. Normally the contracts provide for payment of 150% of pay (Aldinger =200%) if exec is terminated. However in the case of a change of control where an exec position is adversely impacted, the payment is 300% (execs have 60 day period following CIC during which they can resign for any reason and receive payment and Aldinger has 36 mo period during which he can resign for any reason). Also provide 3 years of continued benefits and perks.Contracts require company to pay 280G excess payments and grossup. All options vest upon CIC

Benefit plans at Blazer are very comprehensive and very progressive:
401(k) plan is "front loaded" $3 match on the first 1% of pay contributed and $1 match on 2nd, 3rd and 4th percent of pay contributed (total of 6% match on 4% of pay contributed) compared to 6% match on 6% of pay contributed at WF
Cash Balance Plan was implemented 1/1/2000 (former ees grandfathered under old FAP plan). New plan provides pay contribution of 2% of pay VS our 4%-8% depending on EE age plus service.
Retirement plans at Blazer cover salary and bonuses as certified compensation
Medical Plans at Blazer are similar to WF but EE contributions (which also cover dental and vision) appear to be lower. Blazer has retiree medical (including retiree dental and vision) with similar eligibility to WF; unclear as to amount of company subsidy
LTD is company paid at Blazer. WF EES pay 50% of the premium. WF benefit level is more generous
Blazer provides company paid life insurance of 2 x pay; WF provides 1 x pay up to $50,000
Blazer has very progressive work/life benefits including a legal benefit, senior advocate plan, section 529 college savings plan, auto/homeowners insurance as well as long term care, transportation benefits etc.
also have an EE Stock Purchase Plan with a 15% discount

Severance benefits at Blazer are based on "career band" and pay 2 weeks for ees with less than 6 mos of service, and 1 week per year of service (minimum of 4 weeks for career band B, and minimum of 12 weeks for career band A and minimum of 18 weeks for career band N) and 2 weeks per year of service (minimum 26 weeks maximum 52) for career bands D and S. Appear they had special severance benefits in effect due to recent merger (expired 7/1/2000)

Time Off Program (TOP) at Blazer is based on career band and service with minimum of 13 days and maximum of 33. TOP days are used for vacations, non company core holidays, appointments and short term illnesses (STD starts on the 6th day). TOP days may also be bought and sold.

Comments on Integration of Benefits:
John and Todd, keep in mind that Wells Fargo Financial is on a separate payroll and benefits structure than the rest of Wells Fargo. Effective 1/1/03 WFF will move to the Wells Fargo corporate payroll (Peoplesoft) and adopt some of the corporate benefits and policies including PTO (paid time off) similar to TOP. However WFF does not, at this time, plan to adopt the corporate retirement plans. However, if this merger moves forward it would provide a compelling opportunity to reconsider that decision given the fact that Blazer adopted a cash balance plan on 1/1/00 (leaving all preexisting EES grandfathered) and Wells Fargo adopted a cash balance plan on 7/1/99 as part of the merger between Norwest and Wells Fargo.

Overall the Blazer plans are very good. However, the fact that the WF Cash Balance Plan formula is considerably more generous, would help offset some of the reductions/takeaways. Also WF is currently reviewing the feasibility of some of the programs Blazer already offers particularly employee paid optional programs.

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
07/30/99	$42.94	1,517,500	-0.15%	-0.91%	-2.34%	-2.20%	2.05%	$0.88	1.47		New Securities Issues (WSJ)
08/02/99	$41.88	1,275,700	-2.47%	-0.05%	-0.19%	-0.08%	-2.39%	-$1.03	-1.73	***	CORPORATE PERFORMANCE 1999 REVIEW: 2ND QUARTER --- Second-Quarter 1999 Profits for 654 Companies . (WSJ)
08/03/99	$40.00	2,084,600	-4.48%	-0.44%	-1.35%	-1.24%	-3.24%	-$1.36	-2.34	***	
08/04/99	$40.31	1,938,800	0.78%	-1.27%	-1.70%	-1.44%	2.22%	$0.89	1.60		
08/05/99	$40.56	1,431,200	0.62%	0.65%	0.49%	0.50%	0.12%	$0.05	0.09		New Securities Issues (WSJ)
08/06/99	$40.25	1,144,100	-0.77%	-1.02%	-2.78%	-2.64%	1.87%	$0.76	1.34		
08/09/99	$40.88	1,294,400	1.55%	-0.19%	0.54%	0.72%	0.83%	$0.33	0.60		
08/10/99	$39.50	1,473,700	-3.36%	-1.26%	-1.62%	-1.35%	-2.01%	-$0.82	-1.45		
08/11/99	$40.25	1,220,800	1.90%	1.61%	1.98%	1.89%	0.01%	$0.00	0.00		
08/12/99	$40.19	819,200	-0.16%	-0.28%	-0.25%	-0.09%	-0.07%	-$0.03	-0.05		
08/13/99	$40.75	1,512,300	1.40%	2.28%	3.76%	3.65%	-2.25%	-$0.91	-1.61		
08/16/99	$39.75	1,347,800	-2.45%	0.24%	0.04%	0.10%	-2.56%	-$1.04	-1.85	***	
08/17/99	$41.50	2,313,600	4.40%	1.01%	3.07%	3.18%	1.22%	$0.49	0.87		
08/18/99	$42.00	1,247,400	1.20%	-0.84%	-0.61%	-0.37%	1.57%	$0.65	1.14		
08/19/99	$41.69	1,351,600	-0.74%	-0.69%	-1.44%	-1.28%	0.54%	$0.23	0.39		NYSE Short Interest: First Union Re Eqty - IMS Health Inc (DJNS 11:11 PM)
08/20/99	$41.88	939,000	0.45%	0.99%	1.30%	1.29%	-0.84%	-$0.35	-0.61		Companies In Dow Jones Industry Group Indexes -3- (DJNS 6:06 PM)
08/23/99	$42.94	1,169,000	2.54%	1.77%	2.36%	2.26%	0.28%	$0.12	0.20		
08/24/99	$42.44	1,498,500	-1.16%	0.25%	0.38%	0.47%	-1.64%	-$0.70	-1.18		
08/25/99	$41.19	2,720,400	-2.95%	1.35%	-0.90%	-1.13%	-1.81%	-$0.77	-1.29		
08/26/99	$39.81	2,192,100	-3.34%	-1.43%	-1.85%	-1.56%	-1.77%	-$0.73	-1.28		
08/27/99	$37.81	3,438,700	-5.02%	-1.00%	-1.46%	-1.24%	-3.79%	-$1.51	-2.74	***	
08/30/99	$37.44	2,934,700	-0.99%	-1.79%	-3.94%	-3.72%	2.73%	$1.03	1.94	+++	
08/31/99	$37.75	3,654,000	0.83%	-0.27%	-0.28%	-0.13%	0.97%	$0.36	0.70		
09/01/99	$39.56	1,937,299	4.80%	0.81%	0.89%	0.89%	3.91%	$1.48	2.83	+++	Insider Trading Spotlight (WSJ)
											Household Intl Hires ABN, Deutsche, For 5-Yr Euro Issue (DJNS 4:26 AM)
09/02/99	$38.50	2,852,500	-2.69%	-0.89%	-1.65%	-1.47%	-1.22%	-$0.48	-0.88		
09/03/99	$39.94	2,029,199	3.73%	2.90%	4.30%	4.09%	-0.36%	-$0.14	-0.25		
09/07/99	$39.94	1,521,000	0.00%	-0.50%	-2.13%	-2.06%	2.06%	$0.82	1.48		Household Bank Offers EUR500 Mln Eurobonds Due 2004 >HI (DJNS 5:00 AM)
											Hot Stocks To Watch: Cited On Wall $treet Week (DJNS 8:41 AM)
09/08/99	$39.56	973,500	-0.94%	-0.46%	-0.83%	-0.67%	-0.26%	-$0.11	-0.19		
09/09/99	$39.88	1,931,000	0.79%	0.27%	-1.28%	-1.31%	2.10%	$0.83	1.51		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
09/10/99	$40.63	2,201,000	1.88%	0.30%	0.56%	0.65%	1.23%	$0.49	0.89		Dividend Meetings For Week Of Sept. 13 (DJNS 1:55 PM)
09/13/99	$41.50	1,531,199	2.15%	-0.55%	-0.57%	-0.38%	2.53%	$1.03	1.83	+++	
09/14/99	$41.13	1,161,500	-0.90%	-0.58%	-1.81%	-1.69%	0.79%	$0.33	0.57		Payless Cashways Earnings-2: In Pact With Household Intl (DJNS 6:39 PM)
09/15/99	$40.44	1,265,899	-1.67%	-1.37%	-0.62%	-0.26%	-1.41%	-$0.58	-1.02		Dividends Reported September 15 (DJNS 5:12 PM)
09/16/99	$40.25	1,195,799	-0.46%	0.04%	-0.37%	-0.29%	-0.17%	-$0.07	-0.12		Dividend Declarations: ANA, BOY, XRAY, FCF, GGC, HLGCF, HI, JXVL, KTCO, NCH, OHSL, PMFG, PTZ, SFBC . (DJNS 8:09 AM)
09/17/99	$41.13	776,600	2.17%	1.29%	1.50%	1.44%	0.73%	$0.30	0.53		
09/20/99	$41.75	737,200	1.52%	0.01%	-0.32%	-0.23%	1.75%	$0.72	1.26		New Securities Issues (WSJ) Hot Stocks To Watch In Forbes Streetwalker:ANN HI EZPW OMX (DJNS 10:38 AM)
09/21/99	$40.50	926,200	-2.99%	-2.09%	-2.25%	-1.85%	-1.14%	-$0.48	-0.82		NYSE Short Interest: Firstenergy Corp - Ingersoll-Rand Co (DJNS 11:03 PM)
09/22/99	$41.44	1,419,399	2.31%	0.23%	-0.11%	-0.05%	2.37%	$0.96	1.71	+++	
09/23/99	$40.00	1,399,699	-3.47%	-2.29%	-0.64%	-0.09%	-3.38%	-$1.40	-2.42	***	
09/24/99	$39.44	1,571,500	-1.41%	-0.23%	0.56%	0.75%	-2.16%	-$0.86	-1.56		Stocks Ex-Dividend September 28 (DJNS 4:46 PM)
09/27/99	$40.38	1,042,200	2.38%	0.47%	-1.69%	-1.79%	4.16%	$1.64	2.98	+++	Stocks Ex-Dividend September 28 (WSJ)
09/28/99	$39.69	1,653,099	-1.28%	-0.08%	0.29%	0.44%	-1.72%	-$0.70	-1.25		
09/29/99	$40.63	1,282,099	2.36%	-1.07%	-0.82%	-0.54%	2.90%	$1.15	2.10	+++	
09/30/99	$40.13	1,092,300	-1.23%	1.14%	1.72%	1.71%	-2.94%	-$1.20	-2.12	***	
10/01/99	$39.38	1,190,399	-1.87%	0.01%	-1.26%	-1.24%	-0.63%	-$0.25	-0.45		Clinton Fund-Raiser McAuliffe Cashed In on Labor Ties (WSJ)
10/04/99	$40.44	1,187,500	2.70%	1.70%	3.18%	3.15%	-0.45%	-$0.18	-0.32		
10/05/99	$41.06	1,347,399	1.55%	-0.24%	0.47%	0.67%	0.88%	$0.36	0.63		
10/06/99	$42.88	779,700	4.41%	1.85%	2.47%	2.36%	2.05%	$0.84	1.48		Household Intl U.K. Unit To Launch Internet Credit Card (DJNS 12:26 AM)
10/07/99	$42.38	1,249,299	-1.17%	-0.58%	-1.09%	-0.93%	-0.24%	-$0.10	-0.17		
10/08/99	$44.31	1,458,199	4.57%	1.40%	2.00%	1.95%	2.62%	$1.11	1.89	+++	
10/11/99	$42.69	979,500	-3.67%	-0.06%	-1.34%	-1.30%	-2.37%	-$1.05	-1.70	***	Healthy 3Q Seen At Credit-Card Cos; Assets Still Clean (DJNS 6:27 PM)
10/12/99	$41.69	1,579,500	-2.34%	-1.66%	-1.64%	-1.29%	-1.05%	-$0.45	-0.76		
10/13/99	$39.75	1,038,300	-4.65%	-2.09%	-3.17%	-2.83%	-1.81%	-$0.76	-1.30		
10/14/99	$38.94	906,600	-2.04%	-0.16%	-0.44%	-0.32%	-1.72%	-$0.68	-1.24		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
10/15/99	$37.00	809,700	-4.98%	-2.80%	-3.99%	-3.57%	-1.41%	-$0.55	-1.01		
10/18/99	$37.88	1,199,299	2.36%	0.54%	2.22%	2.36%	0.00%	$0.00	0.00		
10/19/99	$38.94	1,823,299	2.81%	0.58%	2.52%	2.68%	0.13%	$0.05	0.09		Household International 3rd Quarter Net 83 Cents A Diluted Share Vs 63 Cents . (DJNS 8:11 AM) As Expected, First USA Snag Hurt Bank One's 3rd Quarter Profits (DJNS 3:36 PM)
10/20/99	$39.56	890,800	1.61%	2.23%	1.89%	1.66%	-0.05%	-$0.02	-0.04		
10/21/99	$39.00	1,605,199	-1.42%	-0.45%	0.19%	0.40%	-1.83%	-$0.72	-1.32		NYSE Short Interest: Florida Progress - Input/Output Inc (DJNS 11:03 PM)
10/22/99	$39.75	1,487,299	1.92%	1.41%	4.49%	4.60%	-2.68%	-$1.05	-1.89	***	
10/25/99	$38.88	816,500	-2.20%	-0.61%	-1.29%	-1.13%	-1.07%	-$0.42	-0.77		
10/26/99	$39.06	1,429,599	0.48%	-0.90%	-0.73%	-0.48%	0.96%	$0.37	0.70		
10/27/99	$41.56	1,633,899	6.40%	1.16%	4.75%	4.94%	1.47%	$0.57	1.02		
10/28/99	$45.69	2,608,399	9.92%	3.53%	6.72%	6.54%	3.38%	$1.40	2.35	+++	
10/29/99	$44.63	1,387,100	-2.33%	1.53%	0.12%	-0.08%	-2.24%	-$1.03	-1.61		
11/01/99	$45.00	1,227,699	0.84%	-0.64%	-1.51%	-1.37%	2.21%	$0.98	1.59		
11/02/99	$45.31	2,015,099	0.69%	-0.47%	0.17%	0.39%	0.30%	$0.14	0.22		
11/03/99	$44.56	1,187,299	-1.66%	0.54%	-1.00%	-1.07%	-0.59%	-$0.27	-0.42		
11/04/99	$45.63	1,523,099	2.38%	0.57%	1.51%	1.61%	0.78%	$0.35	0.56		
11/05/99	$46.06	1,207,199	0.96%	0.56%	1.79%	1.91%	-0.95%	-$0.43	-0.69		Congress Passes Financial-Services Bill --- Late Requests for Favors And Fixes Precede Votes On Landmark Overhaul . (WSJ) Mixing It Up: In Biggest Hostile Bid, Pfizer Offers $80 Billion For Warner-Lambert --- It Acts as Target Confirms Its Own Plan to Merge With . (WSJ) Dividend Meetings For Week Of Nov. 8 (DJNS 3:41 PM)
11/08/99	$44.63	1,103,500	-3.12%	0.50%	-0.58%	-0.62%	-2.50%	-$1.15	-1.81	***	
11/09/99	$43.06	1,837,000	-3.50%	-0.85%	-1.68%	-1.50%	-2.00%	-$0.89	-1.44		Anatomy of a Drug Merger: How Two Leaders Courted and Struck (WSJ) Today's Calendar - Tuesday, Nov. 9 (DJNS 7:00 AM) Dividends Reported November 9 (DJNS 4:58 PM)
11/10/99	$42.56	965,200	-1.16%	0.60%	-1.22%	-1.31%	0.15%	$0.06	0.11		
11/11/99	$41.31	2,028,399	-2.94%	0.59%	-0.75%	-0.81%	-2.13%	-$0.91	-1.53		Household International 'Fully Expects' To Achieve 4th Quarter Objectives . (DJNS 2:41 PM)
11/12/99	$44.13	1,239,500	6.81%	1.06%	4.16%	4.33%	2.47%	$1.02	1.75	+++	

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
11/15/99	$44.13	705,400	0.00%	-0.12%	0.06%	0.20%	-0.20%	-$0.09	-0.14		
11/16/99	$45.13	1,159,199	2.27%	1.85%	2.93%	2.86%	-0.59%	-$0.26	-0.42		
11/17/99	$43.25	1,060,399	-4.16%	-0.65%	-2.65%	-2.58%	-1.58%	-$0.71	-1.13		General Motors Unveils GM Card EasyPay Wallet (DJNS 8:09 AM)
11/18/99	$42.50	1,037,800	-1.73%	1.01%	-0.04%	-0.15%	-1.59%	-$0.69	-1.14		
11/19/99	$41.88	1,030,900	-1.47%	-0.20%	-0.83%	-0.73%	-0.74%	-$0.31	-0.53		
11/21/99											NYSE Short Interest: Fort James Corp - Intimate Brands Inc (DJNS 11:03 PM)
11/22/99	$41.25	879,300	-1.49%	-0.07%	-1.17%	-1.13%	-0.37%	-$0.15	-0.26		
11/23/99	$40.94	1,231,899	-0.76%	-1.14%	-1.74%	-1.51%	0.75%	$0.31	0.54		
11/24/99	$40.38	695,400	-1.37%	0.89%	-0.90%	-1.03%	-0.34%	-$0.14	-0.25		
11/26/99	$40.25	214,600	-0.31%	-0.03%	-0.20%	-0.10%	-0.21%	-$0.08	-0.15		
11/29/99	$39.38	1,144,199	-2.17%	-0.62%	-2.42%	-2.34%	0.17%	$0.07	0.12		Hot Stocks To Watch in Barron's: HI DELL CSCO FNM PYX (DJNS 8:57 AM) HOT STOCKS TO WATCH -2- (DJNS 9:17 AM)
11/30/99	$39.56	1,834,699	0.48%	-1.34%	1.22%	1.70%	-1.22%	-$0.48	-0.87		A Special News Report About Life On the Job -- and Trends Taking Shape There . (WSJ)
12/01/99	$39.56	1,864,899	0.00%	0.64%	-0.37%	-0.42%	0.42%	$0.17	0.30		
12/02/99	$40.31	1,695,099	1.90%	0.81%	-0.13%	-0.20%	2.09%	$0.83	1.51		Household International To Buy Credit Card Issuer For $300 Million (DJNS 8:29 AM) News Highlights: Kmart Nov. Same-Store Sales Rose 1.4% (DJNS 9:00 AM)
12/03/99	$41.00	1,280,299	1.71%	1.73%	2.70%	2.64%	-0.93%	-$0.38	-0.67		Business Brief -- HOUSEHOLD INTERNATIONAL INC.: Accord Is Set to Purchase Renaissance Holdings Inc. . (WSJ)
12/06/99	$39.50	1,413,099	-3.66%	-0.69%	-2.83%	-2.77%	-0.89%	-$0.37	-0.64		
12/07/99	$38.25	1,269,399	-3.16%	-0.99%	-0.90%	-0.64%	-2.53%	-$1.00	-1.83	***	
12/08/99	$38.69	1,119,199	1.14%	-0.37%	-1.55%	-1.46%	2.61%	$1.00	1.88	+++	
12/09/99	$39.50	846,500	2.10%	0.31%	1.14%	1.27%	0.83%	$0.32	0.60		
12/10/99	$39.06	964,800	-1.11%	0.64%	1.74%	1.83%	-2.94%	-$1.16	-2.12	***	
12/13/99	$38.25	865,200	-2.08%	-0.12%	-1.25%	-1.19%	-0.89%	-$0.35	-0.64		
12/14/99	$37.94	944,700	-0.82%	-0.85%	-1.88%	-1.72%	0.91%	$0.35	0.65		
12/15/99	$37.63	1,194,899	-0.82%	0.73%	-0.85%	-0.94%	0.12%	$0.05	0.09		
12/16/99	$38.31	1,940,399	1.83%	0.39%	-1.62%	-1.70%	3.52%	$1.33	2.52	+++	
12/17/99	$38.13	2,548,399	-0.49%	0.16%	-0.19%	-0.12%	-0.37%	-$0.14	-0.27		
12/20/99	$37.94	1,522,799	-0.49%	-0.20%	-0.54%	-0.43%	-0.07%	-$0.03	-0.05		
12/21/99	$37.25	2,411,599	-1.81%	1.09%	2.05%	2.08%	-3.89%	-$1.48	-2.80	***	NYSE Short Interest: Firstar Corp - Infinity Brdcst Corp (DJNS 11:03 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/22/99	$36.63	1,751,699	-1.68%	0.19%	-0.09%	-0.03%	-1.65%	-$0.61	-1.19		
12/23/99	$37.50	1,176,199	2.39%	1.55%	1.63%	1.52%	0.87%	$0.32	0.63		
12/27/99	$36.88	1,113,000	-1.67%	-0.08%	-1.29%	-1.25%	-0.42%	-$0.16	-0.30		Stocks Ex-Dividend December 29 -2- (DJNS 5:39 PM)
12/28/99	$36.19	1,101,099	-1.86%	0.04%	0.32%	0.45%	-2.31%	-$0.85	-1.67	***	Stocks Ex-Dividend December 29 (WSJ)
12/29/99	$35.94	975,300	-0.22%	0.40%	1.17%	1.28%	-1.50%	-$0.54	-1.08		
12/30/99	$36.56	1,042,000	1.74%	0.07%	0.65%	0.80%	0.94%	$0.34	0.68		
12/31/99	$37.25	607,900	1.88%	0.33%	0.10%	0.15%	1.73%	$0.63	1.25		
01/03/00	$34.69	2,439,599	-6.88%	-0.95%	-4.51%	-4.51%	-2.37%	-$0.88	-1.66	***	
01/04/00	$35.00	2,914,299	0.90%	-3.83%	-4.12%	-3.49%	4.39%	$1.52	3.13	+++	
01/05/00	$34.38	1,194,599	-1.79%	0.20%	-0.67%	-0.65%	-1.14%	-$0.40	-0.82		
01/06/00	$36.00	1,215,399	4.73%	0.10%	3.94%	4.30%	0.43%	$0.15	0.30		PRESS RELEASE:American Access Gets Order From Sun Microsys (DJNS 2:48 PM)
01/07/00	$36.38	1,030,400	1.04%	2.71%	2.18%	1.87%	-0.83%	-$0.30	-0.60		
01/10/00	$36.50	842,000	0.34%	1.12%	-1.78%	-2.03%	2.37%	$0.86	1.68	+++	
01/11/00	$36.00	1,267,199	-1.37%	-1.30%	-1.17%	-0.87%	-0.50%	-$0.18	-0.36		
01/12/00	$36.75	1,602,699	2.08%	-0.43%	1.41%	1.71%	0.38%	$0.14	0.27		
01/13/00	$37.69	2,279,199	2.55%	1.22%	2.63%	2.67%	-0.11%	-$0.04	-0.08		Early Antitrust Clearances Approved By FTC (DJNS 3:38 PM)
01/14/00	$37.31	1,678,299	-1.00%	1.07%	2.74%	2.82%	-3.81%	-$1.44	-2.73	***	Agency.com To Help With Household International Web Site Devt (DJNS 8:05 AM) Household International To Use Computer Assoc.'s Unicenter TNG (DJNS 2:04 PM)
01/18/00	$36.50	1,228,099	-2.18%	-0.68%	-3.27%	-3.23%	1.06%	$0.39	0.75		
01/19/00	$36.81	1,756,599	0.86%	0.06%	-0.52%	-0.46%	1.31%	$0.48	0.95		Household International 4th Quarter Net 92 Cents A Share Vs 71 Cents (DJNS 8:12 AM) Calendar Of Corporate Conference Calls Scheduled For Jan.19 (DJNS 9:01 AM)
01/20/00	$36.00	1,886,399	-2.21%	-0.71%	-2.07%	-1.95%	-0.26%	-$0.09	-0.18		
01/21/00	$35.63	1,487,399	-1.04%	-0.29%	-1.23%	-1.15%	0.10%	$0.04	0.07		
01/23/00											NYSE Short Interest: Fort James Corp - Intimate Brands Inc (DJNS 11:01 PM)
01/24/00	$34.50	1,845,899	-3.16%	-2.76%	-1.56%	-0.98%	-2.18%	-$0.78	-1.56		
01/25/00	$33.94	1,828,399	-1.63%	0.61%	1.16%	1.22%	-2.85%	-$0.98	-2.06	***	
01/26/00	$35.63	2,081,000	4.97%	-0.42%	3.52%	3.96%	1.01%	$0.34	0.71		
01/27/00	$35.69	1,341,000	0.18%	-0.39%	1.00%	1.26%	-1.09%	-$0.39	-0.78		PRESS RELEASE: American Access To Create Internet Portal (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											2:58 PM)
01/28/00	$34.19	1,704,599	-4.20%	-2.74%	-3.73%	-3.29%	-0.91%	-$0.32	-0.65		
01/31/00	$35.25	994,000	3.11%	2.53%	3.39%	3.20%	-0.09%	-$0.03	-0.07		
02/01/00	$35.25	811,300	0.00%	1.07%	0.19%	0.09%	-0.09%	-$0.03	-0.06		Household International Names Margaret Sprude Unit Financial Chief (DJNS 2:40 PM)
02/02/00	$36.13	1,026,500	2.48%	-0.01%	-1.06%	-1.01%	3.50%	$1.23	2.52	+++	
02/03/00	$35.63	1,237,899	-1.38%	1.13%	-0.24%	-0.38%	-1.00%	-$0.36	-0.72		
02/04/00	$35.38	1,491,699	-0.70%	-0.04%	-1.53%	-1.51%	0.81%	$0.29	0.58		
02/07/00	$35.06	752,000	-0.88%	0.00%	-0.94%	-0.89%	0.01%	$0.00	0.01		
02/08/00	$35.75	1,217,699	1.96%	1.23%	1.16%	1.09%	0.87%	$0.30	0.63		
02/09/00	$33.88	2,161,599	-5.24%	-2.08%	-2.74%	-2.38%	-2.86%	-$1.02	-2.06	***	
02/10/00	$33.88	1,461,599	0.00%	0.37%	-2.10%	-2.21%	2.21%	$0.75	1.57		
02/11/00	$31.88	1,957,099	-5.90%	-2.09%	-0.07%	0.47%	-6.38%	-$2.16	-4.55	***	
02/14/00	$31.31	1,286,699	-1.76%	0.21%	-1.58%	-1.62%	-0.14%	-$0.05	-0.10		
02/15/00	$32.94	3,740,299	5.19%	0.88%	2.37%	2.46%	2.73%	$0.86	1.97	+++	
02/16/00	$30.88	2,639,199	-6.26%	-1.02%	-1.62%	-1.40%	-4.86%	-$1.60	-3.51	***	
02/17/00	$31.69	2,851,000	2.63%	0.05%	-1.66%	-1.67%	4.30%	$1.33	3.09	+++	
02/18/00	$30.88	2,465,500	-2.56%	-3.03%	-3.38%	-2.86%	0.30%	$0.09	0.21		
02/22/00	$31.06	1,877,500	0.61%	0.46%	0.71%	0.77%	-0.17%	-$0.05	-0.12		Treasury Market Fears Rocky Road This Week Amid Note Auction, Uncertainty About Stocks . (WSJ)
											NYSE Short Interest: Fleetwood Enter - Inacom Corp (DJNS 11:00 PM)
02/23/00	$30.69	1,294,599	-1.21%	0.63%	-0.50%	-0.55%	-0.66%	-$0.20	-0.47		Bond Traders in Wonderland: Typical Day Means Looking at an Upside-Down World . (WSJ)
02/24/00	$30.63	1,942,199	-0.20%	-0.53%	-1.33%	-1.20%	1.00%	$0.31	0.72		New Securities Issues (WSJ)
											Treasurys Post First Decline in Four Sessions As Corporate Debt, Rising Stocks Sap Demand . (WSJ)
											SMARTMONEY.COM: I Have Some Bad News, Dear... (DJNS 7:24 PM)
02/25/00	$30.88	1,565,399	0.82%	-1.48%	-1.03%	-0.68%	1.50%	$0.46	1.08		SMARTMONEY.COM: I Have Some Bad News, Dear... (DJNS 8:00 AM)
02/28/00	$31.88	1,375,600	3.24%	1.11%	3.02%	3.10%	0.13%	$0.04	0.10		
02/29/00	$31.94	2,156,500	0.20%	1.37%	1.00%	0.89%	-0.69%	-$0.22	-0.50		New Citigroup Strategy Aims for No. 1 Spot With Citibank Unit, Using GE Chief's Maxim . (WSJ)
03/01/00	$33.25	1,809,000	4.11%	0.94%	1.41%	1.42%	2.69%	$0.86	1.94	+++	
03/02/00	$35.13	2,666,599	5.64%	0.19%	-0.98%	-0.97%	6.61%	$2.20	4.76	+++	

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
03/03/00	$36.63	2,393,099	4.27%	1.99%	1.32%	1.10%	3.17%	$1.11	2.28	+++	
03/06/00	$34.81	1,191,099	-4.95%	-1.27%	-1.10%	-0.79%	-4.15%	-$1.52	-3.00	***	
03/07/00	$32.88	1,439,699	-5.57%	-2.56%	-3.34%	-2.91%	-2.65%	-$0.92	-1.90	***	Your Career Matters: The Jungle (WSJ)
03/08/00	$31.81	2,169,500	-3.23%	0.82%	-1.04%	-1.17%	-2.06%	-$0.68	-1.48		
03/09/00	$32.44	1,485,599	1.96%	2.56%	1.32%	0.98%	0.98%	$0.31	0.70		
03/10/00	$32.75	1,231,199	0.96%	-0.47%	0.13%	0.34%	0.62%	$0.20	0.45		
03/13/00	$32.44	960,100	-0.95%	-0.82%	0.59%	0.91%	-1.86%	-$0.61	-1.34		
03/14/00	$32.13	1,106,199	-0.96%	-1.76%	-0.58%	-0.14%	-0.82%	-$0.27	-0.59		TALES OF THE TAPE: CEO Search Keeps Bank One On Hold (DJNS 2:00 PM) Household International Declares 17 Cents Regular Quarterly Dividend (DJNS 4:59 PM)
03/15/00	$34.25	2,048,699	6.61%	2.43%	6.38%	6.42%	0.20%	$0.06	0.14		Dividends Reported March 15 (DJNS 4:44 PM)
03/16/00	$36.81	2,674,199	7.48%	4.77%	8.75%	8.45%	-0.97%	-$0.33	-0.66		
03/17/00	$36.88	1,930,399	0.17%	0.42%	0.15%	0.19%	-0.02%	-$0.01	-0.01		
03/20/00	$35.56	1,306,899	-3.56%	-0.53%	-2.24%	-2.17%	-1.39%	-$0.51	-1.00		
03/21/00	$37.88	1,747,899	6.50%	2.56%	3.76%	3.59%	2.92%	$1.04	2.09	+++	NYSE Short Interest: Financial Federal - Household International (DJNS 11:03 PM)
03/22/00	$37.75	1,344,099	-0.33%	0.46%	1.07%	1.15%	-1.48%	-$0.56	-1.07		Household International To Buy $2.15 Billion Banc One Rl Estate Portfolio . (DJNS 7:32 AM) News Highlights: US MBA Market Index Rises 0.2% To 301.3 (DJNS 8:00 AM) News Highlights: Microsoft, Reuters Form Web Initiatives (DJNS 9:00 AM) Hot Stocks To Watch: CYT PEP YHOO HI ONE (DJNS 9:08 AM) News Highlights: Goldman's Cohen Ups Year-End S&P Target (DJNS 10:00 AM) News Highlights: Wal-Wart Win In High Court Trademark Case (DJNS 11:02 AM) News Highlights: US To Pay $508 Million In Discrimination Case (DJNS 12:00 PM) News Highlights: OPEC: Can't Assume Oil Output Will Rise (DJNS 1:00 PM)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											News Highlights: Quebecor World Gets $500 Million Pac Bell Pact (DJNS 2:00 PM)
											News Highlights:US Can Mgmt,Berkshire Offer Holders $21/Shr (DJNS 3:00 PM)
											News Highlights: GE's NBC Acquires Min Stake In Space.com (DJNS 4:01 PM)
											News Highlights:Laidlaw Inc:Some Fincls May Be Unreliable (DJNS 5:00 PM)
											Household International Unit Files To Offer $300 Million Of Preferred Shares . (DJNS 7:08 PM)
03/23/00	$38.88	1,257,899	2.98%	1.78%	4.09%	4.10%	-1.12%	-$0.42	-0.80		Business and Finance (WSJ)
											Household to Buy Subprime Portfolio From Bank One (WSJ)
											New Securities Issues (WSJ)
											Treasury Official's Warning Rocks Bond Market, Challenging Fannie Mae's Goal to Be Benchmark . (WSJ)
											GM Unveils New Versions Of GM Credit Card (DJNS 1:02 PM)
03/24/00	$37.94	1,310,500	-2.41%	0.01%	-0.02%	0.09%	-2.50%	-$0.97	-1.81	***	TIP SHEET: Salomon's Cohen Stands By Value Stocks (DJNS 3:00 PM)
											Household Finance Files $10 Billion Debt Securities Shelf (DJNS 3:33 PM)
03/27/00	$36.13	1,281,000	-4.78%	-0.23%	-2.57%	-2.58%	-2.20%	-$0.83	-1.57		Stocks Ex-Dividend March 29 (DJNS 4:20 PM)
											Stocks Ex-Dividend March 29 -2- (DJNS 4:20 PM)
03/28/00	$36.69	1,065,399	1.56%	-1.05%	0.65%	1.03%	0.53%	$0.19	0.38		Stocks Ex-Dividend March 29 (WSJ)
03/29/00	$36.50	1,351,699	-0.05%	0.06%	-0.71%	-0.66%	0.61%	$0.22	0.44		
03/30/00	$36.38	1,311,899	-0.34%	-1.36%	-0.63%	-0.28%	-0.07%	-$0.02	-0.05		
03/31/00	$37.31	1,674,500	2.58%	0.72%	1.29%	1.34%	1.24%	$0.45	0.89		Household International Names John Vella Auto Finance Unit CEO (DJNS 11:48 AM)
04/03/00	$39.13	1,466,199	4.86%	0.50%	4.85%	5.19%	-0.33%	-$0.12	-0.23		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
04/04/00	$38.13	2,239,500	-2.56%	-0.74%	-3.76%	-3.75%	1.19%	$0.47	0.84		
04/05/00	$39.06	2,667,399	2.46%	-0.49%	-0.92%	-0.77%	3.23%	$1.23	2.34	+++	N.Y. Stocks End Mixed; Wall Street Barkers Stir Techs (DJNS 4:22 PM) SkyMall Unit, General Motors Division In Pact >SKYM GM (DJNS 7:07 PM)
04/06/00	$40.38	2,813,399	3.36%	0.94%	0.85%	0.82%	2.54%	$0.99	1.84	+++	VeriSign, Micron Rise as Investors Cautiously Approach Tech Stocks (WSJ) U.S. Credit-Card Companies 1st Quarter Earns Not Hurt By Rate Increases . (DJNS 1:03 PM)
04/07/00	$38.88	2,025,799	-3.72%	1.00%	-2.05%	-2.29%	-1.43%	-$0.58	-1.01		
04/10/00	$40.00	2,405,699	2.89%	-0.78%	2.66%	3.12%	-0.22%	-$0.09	-0.16		Deals & Deal Makers: The Pipeline / Securities Offering Calendar (WSJ)
04/11/00	$40.63	1,598,599	1.56%	-0.25%	0.46%	0.66%	0.91%	$0.36	0.65		
04/12/00	$44.00	4,559,099	8.31%	-2.22%	1.28%	1.94%	6.37%	$2.59	4.46	+++	
04/13/00	$42.06	1,854,199	-4.40%	-1.81%	-2.28%	-1.94%	-2.46%	-$1.08	-1.78	***	
04/14/00	$38.06	2,192,299	-9.51%	-5.82%	-7.73%	-6.92%	-2.59%	-$1.09	-1.80	***	
04/17/00	$39.63	1,500,299	4.11%	3.31%	0.82%	0.30%	3.81%	$1.45	2.69	+++	
04/18/00	$39.69	1,218,599	0.16%	2.87%	3.92%	3.69%	-3.54%	-$1.40	-2.53	***	WRAP: Bank One Net Slides, As Wells Fargo Posts Solid 1st Quarter (DJNS 2:39 PM)
04/19/00	$39.94	1,171,899	0.63%	-0.98%	-2.02%	-1.84%	2.47%	$0.98	1.78	+++	Household International 1st Quarter Net 78 Cents A Diluted Share Vs 65 Cents . (DJNS 8:08 AM) Calendar Of Corporate Conference Calls Scheduled For Apr. 19 (DJNS 9:00 AM)
04/20/00	$41.81	1,254,899	4.69%	0.50%	1.99%	2.13%	2.57%	$1.02	1.85	+++	NYSE Short Interest:Fila Hold (Ads) - Huntington Life Sci (DJNS 11:03 PM)
04/21/00											Deals & Deal Makers: Upstart Firm Rolls Out Commercial Paper on Web (WSJ) Companies In Dow Jones Industry Group Indexes -3- (DJNS 11:16 AM)
04/24/00	$43.38	1,878,099	3.74%	-0.32%	2.14%	2.46%	1.27%	$0.53	0.91		Deals & Deal Makers: The Pipeline / Securities Offering Calendar (WSJ) N.Y. Stocks End Mixed; Techs Battered With Microsoft (DJNS 4:20

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											PM)
04/25/00	$44.69	1,823,099	3.03%	3.33%	3.30%	2.93%	0.09%	$0.04	0.07		Microsoft Slides to Low for Year, Dragging Down the Tech Sector (WSJ)
04/26/00	$43.63	1,371,899	-2.38%	-1.11%	-1.86%	-1.64%	-0.73%	-$0.33	-0.53		
04/27/00	$42.00	1,955,299	-3.72%	0.27%	-2.10%	-2.18%	-1.54%	-$0.67	-1.10		
04/28/00	$41.75	1,990,800	-0.60%	-0.85%	-2.06%	-1.91%	1.32%	$0.55	0.95		
05/01/00	$42.00	2,039,899	0.60%	1.09%	1.52%	1.50%	-0.90%	-$0.38	-0.65		Household Finance To Sell $1 Billion 5-Yr Global This Week (DJNS 11:47 AM)
											News Highlights: Lehman Raises $1 Bln For Mezzanine Fund (DJNS 12:00 PM)
05/02/00	$42.06	2,633,299	0.15%	-1.49%	-0.29%	0.12%	0.03%	$0.01	0.02		Treasury Prices Fall as Investors Stay Worried About Further Tightening by Federal Reserve . (WSJ)
											US Corporates: Two Deals Price; Shorter Debt Is A Focus (DJNS 4:45 PM)
05/03/00	$40.75	2,834,899	-3.12%	-2.15%	-2.51%	-2.12%	-1.00%	-$0.42	-0.72		New Securities Issues (WSJ)
											Ring in a New Bond Bellwether: 10-Year --- Wall Street Journal Changes Its Measure, Reflecting End of 30-Year's Reign . (WSJ)
05/04/00	$39.13	1,853,599	-3.99%	-0.39%	-1.27%	-1.17%	-2.82%	-$1.15	-2.04	***	
05/05/00	$39.75	1,692,399	1.60%	1.64%	0.52%	0.33%	1.27%	$0.50	0.92		
05/08/00	$41.13	1,253,199	3.46%	-0.59%	2.06%	2.43%	1.03%	$0.41	0.73		
05/09/00	$40.25	1,372,000	-2.13%	-0.84%	-0.54%	-0.29%	-1.84%	-$0.76	-1.33		Corporate-Bond Issuance Slowed Markedly in April (WSJ)
05/10/00	$39.38	697,500	-2.17%	-2.06%	-1.97%	-1.56%	-0.61%	-$0.25	-0.44		Household International Boosts Quarterly Dividend To 19 Cents From 17 Cents . (DJNS 4:17 PM)
											Dividends Reported May 10 (DJNS 6:25 PM)
05/11/00	$39.94	2,405,599	1.43%	1.79%	2.47%	2.37%	-0.95%	-$0.37	-0.68		U.S. Treasury Bond Prices Continue to Advance On Steep Decline in Stocks and Strong Note Sale . (WSJ)
											Companies In Dow Jones Industry Group Indexes -3- (DJNS 12:37 AM)
05/12/00	$40.38	2,113,299	1.10%	0.94%	1.84%	1.88%	-0.78%	-$0.31	-0.57		
05/15/00	$41.94	1,830,699	3.87%	2.21%	3.91%	3.83%	0.04%	$0.02	0.03		
05/16/00	$42.81	1,046,900	2.09%	0.95%	-0.60%	-0.72%	2.81%	$1.18	2.02	+++	

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
05/17/00	$41.69	1,151,799	-2.63%	-1.24%	-1.16%	-0.86%	-1.76%	-$0.76	-1.27		
05/18/00	$42.81	1,065,799	2.70%	-0.73%	1.23%	1.57%	1.13%	$0.47	0.81		
05/19/00	$41.44	1,391,099	-3.21%	-2.10%	-2.48%	-2.10%	-1.11%	-$0.48	-0.80		
05/21/00											NYSE Short Interest: Fleming Companies - Input/Output Inc (DJNS 11:03 PM)
05/22/00	$41.88	961,200	1.06%	-0.44%	1.29%	1.58%	-0.53%	-$0.22	-0.38		
05/23/00	$43.00	808,200	2.69%	-1.91%	0.35%	0.89%	1.80%	$0.75	1.28		Technology Stocks, Led by Sun, Adobe, Recover From Day's Lows (WSJ)
05/24/00	$45.75	3,625,699	6.40%	1.84%	1.44%	1.26%	5.13%	$2.21	3.70	+++	
05/25/00	$45.38	2,302,500	-0.82%	-1.25%	-2.46%	-2.26%	1.44%	$0.66	1.03		
05/26/00	$45.38	1,177,599	0.00%	-0.25%	0.02%	0.19%	-0.19%	-$0.08	-0.14		
05/30/00	$46.56	2,278,500	2.62%	3.23%	2.06%	1.63%	0.98%	$0.45	0.70		
05/31/00	$47.00	2,346,899	0.94%	-0.13%	1.22%	1.44%	-0.50%	-$0.23	-0.36		
06/01/00	$47.13	1,216,000	0.27%	1.99%	2.66%	2.54%	-2.27%	-$1.07	-1.63		
06/02/00	$47.00	2,166,299	-0.27%	1.97%	4.37%	4.37%	-4.63%	-$2.18	-3.29	***	New Securities Issues (WSJ)
06/05/00	$47.13	1,820,599	0.27%	-0.65%	-2.29%	-2.20%	2.46%	$1.16	1.77	+++	NYSE Most Actives-Composite Trades 4-6:30 p.m. (DJNS 6:41 PM)
06/06/00	$46.38	1,051,399	-1.59%	-0.66%	-1.89%	-1.77%	0.17%	$0.08	0.13		
06/07/00	$47.25	1,027,100	1.89%	0.93%	1.58%	1.60%	0.29%	$0.13	0.21		N.Y. Stocks Finish Higher; Goldman Stirs IBM, Techs (DJNS 4:23 PM)
06/08/00	$46.19	677,700	-2.25%	-0.65%	-1.79%	-1.66%	-0.59%	-$0.28	-0.42		
06/09/00	$44.44	985,800	-3.79%	-0.32%	-1.82%	-1.77%	-2.02%	-$0.93	-1.45		
06/12/00	$43.56	1,699,000	-1.97%	-0.75%	0.43%	0.73%	-2.70%	-$1.20	-1.95	***	
06/13/00	$44.69	1,072,599	2.58%	1.63%	0.93%	0.76%	1.82%	$0.79	1.31		Bond Prices Rise Amid Hopes Economic Reports Due This Week Contain Signs of a Slowdown . (WSJ)
06/14/00	$45.38	1,530,799	1.54%	0.08%	1.48%	1.68%	-0.14%	-$0.06	-0.10		
06/15/00	$43.06	2,247,199	-5.10%	0.56%	-3.01%	-3.22%	-1.87%	-$0.85	-1.31		
06/16/00	$42.44	1,999,699	-1.45%	-0.96%	-4.46%	-4.44%	2.99%	$1.29	2.09	+++	
06/19/00	$42.75	1,379,799	0.74%	1.48%	2.23%	2.18%	-1.45%	-$0.61	-1.04		
06/20/00	$43.94	1,548,299	2.78%	-0.67%	-0.53%	-0.32%	3.09%	$1.32	2.24	+++	
06/21/00	$44.06	1,650,399	0.28%	0.22%	-1.43%	-1.46%	1.74%	$0.76	1.25		Anti-Fannie Mae Lobby Shapes Debate Behind The Scenes (DJNS 11:22 AM)
											REPEAT:Anti-Fannie Mae Lobby Shapes Debate Behind Scenes (DJNS 12:05 PM)
											NYSE Short Interest: Fila Holding (Ads) - Idex Corp (DJNS 11:03 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
06/22/00	$43.19	2,947,799	-1.99%	-1.82%	-0.24%	0.23%	-2.22%	-$0.98	-1.59		Household International: Not Subj Of DOJ Proceeding Vs Competitor (DJNS 2:46 PM)
											N.Y. Stocks End Weaker; Nasdaq Composite Fails Key Test (DJNS 4:27 PM)
06/23/00	$42.13	2,289,899	-2.46%	-0.73%	-0.05%	0.22%	-2.68%	-$1.16	-1.93	***	Intel, PMC-Sierra, Xilinx Drop As Chip Sector Spoils Nasdaq Run (WSJ)
06/26/00	$42.13	976,600	0.00%	0.96%	1.50%	1.51%	-1.51%	-$0.64	-1.09		Stocks Ex-Dividend June 28 (DJNS 4:55 PM)
06/27/00	$41.81	2,580,500	-0.74%	-0.32%	0.24%	0.44%	-1.18%	-$0.50	-0.85		Stocks Ex-Dividend June 28 (WSJ)
06/28/00	$42.81	1,943,599	2.85%	0.30%	-0.32%	-0.29%	3.14%	$1.31	2.27	+++	
06/29/00	$43.00	1,142,899	0.44%	-0.85%	-0.45%	-0.19%	0.63%	$0.27	0.45		
06/30/00	$41.56	2,111,699	-3.34%	0.85%	-3.02%	-3.29%	-0.05%	-$0.02	-0.03		Household International (HI) Market On Close Sell Imbalance: Shares 118300 f/te n/djwer . (DJNS 4:35 PM)
07/03/00	$41.88	1,203,799	0.75%	1.03%	2.62%	2.69%	-1.94%	-$0.81	-1.40		
07/05/00	$42.00	1,243,099	0.30%	-1.58%	1.00%	1.51%	-1.21%	-$0.51	-0.86		Credit Card Cos' 2nd Quarter Results Expected To Remain Favorable (DJNS 1:02 PM)
07/06/00	$41.63	1,611,399	-0.89%	0.73%	0.85%	0.87%	-1.76%	-$0.74	-1.28		
07/07/00	$42.75	1,622,599	2.70%	1.53%	2.18%	2.11%	0.59%	$0.25	0.42		New Securities Issues (WSJ)
07/10/00	$42.69	1,165,299	-0.15%	-0.22%	0.15%	0.32%	-0.47%	-$0.20	-0.34		Deals & Deal Makers: The Pipeline / Securities Offering Calendar (WSJ)
											U.S. Treasury Prices Finish Higher on Jobs Data; Some Analysts Say Bond Yields Could Go Lower . (WSJ)
07/11/00	$43.50	1,465,799	1.90%	0.36%	0.82%	0.91%	0.99%	$0.42	0.72		Strong Demand For Dlr Bonds While Euros Take a Breather (DJNS 8:16 AM)
07/12/00	$43.94	1,137,799	1.01%	0.82%	0.78%	0.77%	0.24%	$0.10	0.17		Fannie Mae, Freddie Mac Face Pressure --- Top Financial Executives To Seek Tighter Reins On Mortgage Lenders . (WSJ)
											New Securities Issues (WSJ)
											Treasury Bond Prices End Lower as Investors Turn to a Heavy Issuance of Corporate Bonds . (WSJ)
											Bank Chiefs Call For Curbs On Fannie Mae, Freddie Mac (DJNS 8:15 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
07/13/00	$44.00	693,100	0.14%	0.20%	-0.57%	-0.53%	0.68%	$0.30	0.49		
07/14/00	$44.88	923,700	1.99%	0.95%	1.89%	1.93%	0.06%	$0.03	0.04		
07/17/00	$42.81	1,475,599	-4.60%	0.04%	-1.93%	-1.95%	-2.64%	-$1.19	-1.89	***	
07/18/00	$43.44	975,000	1.46%	-1.10%	-0.68%	-0.39%	1.85%	$0.79	1.34		Media Barred From Household International 2nd Quarter Conf Call (DJNS 10:35 AM) News Highlights:Treasurys Steady After Near-Consensus CPI (DJNS 11:00 AM) News Highlights: Guidant 2nd Quarter Net 40 Cents/Diluted Share (DJNS 12:02 PM) News Highlights: FirstEnergy 2nd Quarter Net 60 Cents A Share Vs 55 Cents . (DJNS 1:00 PM) News Highlights: PNC Financial Exploring Sale Of Mortgage Co (DJNS 2:00 PM) News Highlights:Public Svc Enterprises 2nd Quarter Net 66 Cents Vs Operating Net 83 Cents . (DJNS 3:01 PM) News Highlights: US Reserve Assets Down $491 Million To $67.04 Billion (DJNS 4:00 PM) News Highlights: Microsoft 4th Quarter Net 44 Cents/Diluted Share Vs 40 Cents . (DJNS 5:04 PM) Recap of Dow Jones Special Reports For Tuesday, July 18 (DJNS 5:06 PM)
07/19/00	$45.25	2,150,000	4.17%	-0.78%	-0.10%	0.17%	4.00%	$1.74	2.89	+++	Household International 2nd Quarter Net 80 Cents/Diluted Share Vs 67 Cents . (DJNS 8:11 AM) Calendar Of Corporate Conference Calls Scheduled For Jul. 19 (DJNS 9:10 AM) Household International CEO: Could Exceed 15% EPS Growth in 2000 (DJNS 10:17 AM)
07/20/00	$46.38	1,776,500	2.49%	0.92%	3.16%	3.30%	-0.81%	-$0.37	-0.58		NYSE Short Interest: Financial Federal Corp - Idex Corp (DJNS 11:03 PM) NYSE Short Interest: Financial Federal Corp - Idex Corp (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											11:34 PM)
07/21/00	$45.81	984,200	-1.21%	-1.02%	-0.48%	-0.18%	-1.03%	-$0.48	-0.74		
07/24/00	$45.94	719,700	0.27%	-1.07%	-0.07%	0.26%	0.01%	$0.01	0.01		
07/25/00	$45.50	775,700	-0.95%	0.70%	1.04%	1.08%	-2.03%	-$0.93	-1.47		
07/26/00	$44.25	876,400	-2.75%	-1.49%	-1.71%	-1.40%	-1.35%	-$0.61	-0.97		
07/27/00	$44.69	897,800	0.99%	-0.19%	1.56%	1.82%	-0.83%	-$0.37	-0.60		
07/28/00	$43.75	779,400	-2.10%	-2.05%	-2.19%	-1.80%	-0.30%	-$0.14	-0.22		
07/31/00	$44.56	957,100	1.86%	0.78%	1.60%	1.65%	0.20%	$0.09	0.15		
08/01/00	$44.56	1,161,099	0.00%	0.51%	0.73%	0.79%	-0.79%	-$0.35	-0.57		
08/02/00	$44.44	1,142,899	-0.28%	0.05%	-0.41%	-0.33%	0.05%	$0.02	0.04		
08/03/00	$46.63	1,609,599	4.92%	0.97%	2.38%	2.45%	2.47%	$1.10	1.78	+++	CBOE To List Options On 5 Companies >ADAP HI KBL MTHA R (DJNS 1:35 PM)
08/04/00	$49.63	3,656,199	6.43%	0.72%	3.66%	3.87%	2.56%	$1.20	1.81	+++	
08/07/00	$49.88	2,213,699	0.50%	1.12%	0.35%	0.25%	0.26%	$0.13	0.19		New Stock Listings (WSJ)
08/08/00	$50.00	1,461,299	0.25%	0.24%	-0.20%	-0.15%	0.40%	$0.20	0.29		Fannie Mae, Freddie Mac Building Broad Counteroffensive (DJNS 5:06 PM)
08/09/00	$48.88	1,660,599	-2.25%	-0.67%	-0.07%	0.18%	-2.43%	-$1.21	-1.75	***	
08/10/00	$48.19	679,100	-1.41%	-0.85%	-1.02%	-0.80%	-0.61%	-$0.30	-0.44		
08/11/00	$49.06	924,100	1.82%	0.80%	1.60%	1.65%	0.17%	$0.08	0.12		
08/14/00	$49.19	497,700	0.25%	1.34%	1.24%	1.16%	-0.90%	-$0.44	-0.65		
08/15/00	$47.88	1,243,099	-2.67%	-0.47%	-1.49%	-1.37%	-1.29%	-$0.64	-0.93		Companies In Dow Jones Industry Group Indexes -3- (DJNS 12:12 AM)
08/16/00	$46.75	2,245,000	-2.35%	-0.30%	-1.60%	-1.53%	-0.82%	-$0.39	-0.59		
08/17/00	$46.38	1,495,799	-0.80%	1.10%	1.44%	1.42%	-2.22%	-$1.04	-1.60		New Securities Issues (WSJ)
08/18/00	$46.94	1,094,799	1.21%	-0.29%	-0.66%	-0.53%	1.75%	$0.81	1.26		
08/21/00	$46.63	680,400	-0.67%	0.52%	1.17%	1.25%	-1.92%	-$0.90	-1.38		
08/22/00	$47.31	855,200	1.47%	-0.09%	0.78%	0.97%	0.51%	$0.24	0.37		AMEX Short Interest: Alterra Healthcare - Xcelera.Com Inc (DJNS 1:12 PM)
08/23/00	$47.25	789,100	-0.13%	0.53%	-0.92%	-0.98%	0.85%	$0.40	0.61		
08/24/00	$47.44	871,300	0.40%	0.16%	-0.73%	-0.70%	1.10%	$0.52	0.80		
08/25/00	$47.75	908,300	0.66%	-0.12%	-0.77%	-0.68%	1.34%	$0.64	0.97		
08/28/00	$48.25	1,010,100	1.05%	0.51%	1.43%	1.53%	-0.49%	-$0.23	-0.35		
08/29/00	$48.00	1,049,199	-0.52%	-0.28%	-0.62%	-0.49%	-0.02%	-$0.01	-0.02		
08/30/00	$48.00	1,717,099	0.00%	-0.48%	0.64%	0.89%	-0.89%	-$0.43	-0.64		
08/31/00	$48.00	1,309,399	0.00%	1.01%	2.24%	2.30%	-2.30%	-$1.10	-1.65	***	
09/01/00	$47.38	817,100	-1.30%	0.21%	-0.98%	-0.98%	-0.32%	-$0.16	-0.23		
09/05/00	$47.63	591,500	0.53%	-0.90%	0.53%	0.86%	-0.34%	-$0.16	-0.24		

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
09/06/00	$50.19	6,273,199	5.38%	-0.98%	0.68%	1.05%	4.33%	$2.06	3.11	+++	WRAP: Citigroup to Acquire Assoc First In Stock Deal (DJNS 12:12 PM)
											N.Y. Stocks End Mixed; Techs Sag Again; Financials Score (DJNS 4:22 PM)
09/07/00	$50.56	2,121,899	0.75%	0.69%	0.00%	-0.04%	0.78%	$0.39	0.57		Micron Technology and Intel Fall; Financials Lift Industrial Average (WSJ)
											Household International Names Derickson CEO Household Retail Svc (DJNS 4:31 PM)
09/08/00	$52.44	1,888,099	3.71%	-0.53%	1.97%	2.32%	1.39%	$0.70	0.99		Dividend Meetings For Week Of Sept. 11 (DJNS 4:12 PM)
09/11/00	$51.63	1,626,500	-1.55%	-0.35%	1.74%	2.04%	-3.59%	-$1.88	-2.57	***	
09/12/00	$51.13	1,855,699	-0.97%	-0.48%	0.02%	0.23%	-1.20%	-$0.62	-0.87		Today's Calendar - Tuesday, Sept. 12 (DJNS 7:00 AM)
											Dividends Reported September 12 (DJNS 6:13 PM)
09/13/00	$51.25	1,068,099	0.24%	0.20%	-0.76%	-0.74%	0.99%	$0.50	0.71		Insider Trading Spotlight (WSJ)
											New Securities Issues (WSJ)
											Household International Unit Files $10 Billion Debt Securities Shelf (DJNS 5:59 PM)
09/14/00	$51.00	800,200	-0.49%	-0.27%	-0.14%	0.02%	-0.51%	-$0.26	-0.37		
09/15/00	$50.50	1,690,399	-0.98%	-1.01%	-2.02%	-1.83%	0.85%	$0.44	0.62		Companies In Dow Jones Industry Group Indexes -3- (DJNS 12:46 AM)
09/18/00	$50.75	2,807,599	0.50%	-1.45%	-3.12%	-2.92%	3.41%	$1.72	2.44	+++	
09/19/00	$51.56	2,074,500	1.60%	1.07%	1.90%	1.92%	-0.32%	-$0.16	-0.23		
09/20/00	$52.31	1,310,899	1.45%	-0.58%	-1.00%	-0.84%	2.29%	$1.18	1.66	+++	
09/21/00	$52.88	2,033,899	1.08%	-0.15%	-1.12%	-1.05%	2.13%	$1.11	1.54		
09/22/00	$52.00	1,712,599	-1.65%	-0.02%	1.82%	2.06%	-3.71%	-$1.96	-2.67	***	
09/25/00	$53.38	1,501,399	2.64%	-0.66%	1.39%	1.73%	0.91%	$0.48	0.66		Stocks Ex-Dividend September 27 (DJNS 4:46 PM)
09/26/00	$54.13	1,767,899	1.41%	-0.82%	-0.78%	-0.55%	1.96%	$1.04	1.41		A Florida Hopeful Banks on His Role in Bankruptcy Bill (WSJ)
											Stocks Ex-Dividend September 27 (WSJ)
09/27/00	$54.69	1,784,199	1.39%	-0.04%	-0.03%	0.08%	1.31%	$0.71	0.95		Business Brief -- H&R BLOCK INC.: Offer of $25 Million to Settle Suit Is Accepted by Judge . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
09/28/00	$56.44	2,376,799	3.20%	2.23%	2.78%	2.61%	0.59%	$0.32	0.43		
09/29/00	$56.63	2,300,800	0.33%	-1.49%	-0.37%	0.03%	0.30%	$0.17	0.21		
10/02/00	$55.19	2,356,599	-2.54%	-0.02%	1.59%	1.81%	-4.35%	-$2.46	-3.13	***	
10/03/00	$55.63	1,186,899	0.79%	-0.68%	-0.14%	0.10%	0.69%	$0.38	0.50		
10/04/00	$54.88	1,029,400	-1.35%	0.56%	-1.54%	-1.65%	0.30%	$0.17	0.22		
10/05/00	$55.69	1,153,000	1.48%	0.14%	0.92%	1.07%	0.41%	$0.23	0.30		
10/06/00	$52.63	3,055,199	-5.50%	-1.90%	-4.16%	-3.93%	-1.57%	-$0.87	-1.11		N.Y. Stocks Felled Again;Financials Join Tech In Selloff (DJNS 4:27 PM)
											Clean Assets, Receivables Bolster Credit Card Companies 3rd Quarter EPS . (DJNS 7:12 PM)
10/09/00	$52.19	1,101,799	-0.83%	-0.49%	-1.21%	-1.08%	0.25%	$0.13	0.18		Can the Nasdaq's Biggest Techs Survive the Recent Bear Mauling? (WSJ)
											Credit-Card Companies Are Expected to Announce Solid Earnings (WSJ)
10/10/00	$49.50	2,511,000	-5.15%	-1.07%	-2.87%	-2.73%	-2.42%	-$1.26	-1.73	***	
10/11/00	$47.94	3,220,500	-3.16%	-1.61%	-0.73%	-0.33%	-2.83%	-$1.40	-2.04	***	
10/12/00	$46.25	2,704,899	-3.52%	-2.55%	-5.00%	-4.69%	1.17%	$0.56	0.83		
10/13/00	$47.56	1,767,899	2.84%	3.34%	4.94%	4.68%	-1.84%	-$0.85	-1.31		
10/16/00	$49.13	1,037,800	3.29%	0.04%	0.69%	0.84%	2.45%	$1.16	1.77	+++	
10/17/00	$47.50	1,262,599	-3.31%	-1.79%	-2.69%	-2.39%	-0.92%	-$0.45	-0.66		
10/18/00	$48.75	1,616,299	2.63%	-0.58%	-0.19%	0.03%	2.61%	$1.24	1.89	+++	Companies In Dow Jones Industry Group Indexes -3- (DJNS 1:01 AM)
											Household International 3rd Quarter Net 94 Cents A Share (DJNS 8:04 AM)
											News Highlights: US Sep Consumer Prices +0.5%; Tops View (DJNS 9:00 AM)
											Calendar Of Corporate Conference Calls Scheduled For Oct. 18 (DJNS 9:09 AM)
10/19/00	$50.63	1,485,500	3.85%	3.48%	3.95%	3.60%	0.25%	$0.12	0.18		PRESS RELEASE: Kana Commun Reports 3rd Quarter Results (DJNS .)
											PRESS RELEASE: Kana Commun Reports 3rd Quarter Results (DJNS 5:54 PM)
											NYSE Short Interest: Fortune Brands - Kemet Corp. (DJNS 11:03 PM)
10/20/00	$50.44	1,171,299	-0.37%	0.59%	-0.01%	-0.02%	-0.35%	-$0.18	-0.25		New Securities Issues (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
10/23/00	$49.19	1,144,599	-2.48%	-0.08%	-1.17%	-1.12%	-1.36%	-$0.69	-0.98		
10/24/00	$50.25	931,300	2.16%	0.17%	2.86%	3.13%	-0.97%	-$0.48	-0.69		PRESS RELEASE:Avenue A Reports 3rd Quarter Results (DJNS 6:50 PM)
10/25/00	$49.50	1,209,899	-1.49%	-2.37%	-0.27%	0.32%	-1.81%	-$0.91	-1.29		
10/26/00	$47.44	3,877,000	-4.17%	-0.03%	-2.55%	-2.61%	-1.56%	-$0.77	-1.11		
10/27/00	$47.50	2,467,799	0.13%	1.11%	3.04%	3.12%	-2.99%	-$1.42	-2.14	***	
10/30/00	$49.38	1,021,300	3.95%	1.39%	3.88%	3.96%	-0.01%	-$0.01	-0.01		
10/31/00	$50.31	981,000	1.90%	2.20%	0.84%	0.54%	1.35%	$0.67	0.97		
11/01/00	$49.63	1,385,399	-1.37%	-0.57%	-0.90%	-0.73%	-0.64%	-$0.32	-0.46		
11/02/00	$51.50	2,478,000	3.78%	0.50%	0.25%	0.27%	3.51%	$1.74	2.54	+++	N.Y. Stocks Outlook: Bush Win Would Give Stocks A Boost (DJNS 3:40 PM) Tension Builds As Fannie Mae, Freddie Mac Go High Tech (DJNS 4:37 PM)
11/03/00	$51.50	1,314,899	0.00%	-0.11%	0.09%	0.23%	-0.23%	-$0.12	-0.17		
11/06/00	$52.50	928,800	1.94%	0.39%	1.23%	1.34%	0.60%	$0.31	0.44		
11/07/00	$51.88	1,289,199	-1.19%	-0.02%	-0.43%	-0.34%	-0.85%	-$0.45	-0.61		
11/08/00	$51.63	1,156,899	-0.48%	-1.57%	-1.59%	-1.26%	0.78%	$0.40	0.56		
11/09/00	$50.50	1,315,399	-2.18%	-0.64%	0.69%	0.98%	-3.16%	-$1.63	-2.28	***	
11/10/00	$50.75	1,960,099	0.50%	-2.44%	-1.49%	-0.97%	1.46%	$0.74	1.05		Dividend Meetings For Week Of Nov. 17 (DJNS 2:47 PM)
11/13/00	$49.13	1,231,000	-3.20%	-1.07%	-1.91%	-1.70%	-1.50%	-$0.76	-1.08		
11/14/00	$49.00	840,300	-0.25%	2.35%	0.58%	0.24%	-0.49%	-$0.24	-0.35		Dividends Reported November 14 (DJNS 5:11 PM)
11/15/00	$49.31	897,100	0.64%	0.50%	-1.25%	-1.33%	1.97%	$0.97	1.44		
11/16/00	$49.13	1,025,800	-0.38%	-1.25%	0.21%	0.60%	-0.98%	-$0.48	-0.71		
11/17/00	$48.19	1,281,000	-1.91%	-0.33%	-1.49%	-1.41%	-0.50%	-$0.25	-0.37		
11/20/00	$45.75	2,158,000	-5.06%	-1.83%	-2.45%	-2.12%	-2.94%	-$1.42	-2.14	***	Companies In Dow Jones Industry Group Indexes -3- (DJNS 11:23 AM)
11/21/00	$46.25	1,896,399	1.09%	0.36%	0.26%	0.31%	0.78%	$0.36	0.57		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
11/22/00	$44.06	1,893,799	-4.73%	-1.85%	-2.70%	-2.39%	-2.34%	-$1.08	-1.71	***	
11/24/00	$45.31	504,600	2.84%	1.47%	0.76%	0.61%	2.23%	$0.98	1.62		
11/27/00	$46.50	1,061,299	2.62%	0.54%	1.03%	1.10%	1.52%	$0.69	1.10		
11/28/00	$48.38	1,213,299	4.03%	-0.95%	1.06%	1.44%	2.59%	$1.20	1.90	+++	
11/29/00	$50.13	1,492,800	3.62%	0.44%	2.42%	2.60%	1.01%	$0.49	0.75		
11/30/00	$49.88	1,410,500	-0.50%	-2.00%	-0.46%	0.04%	-0.54%	-$0.27	-0.40		
12/01/00	$49.56	1,350,200	-0.63%	0.03%	-0.19%	-0.10%	-0.53%	-$0.26	-0.39		
12/04/00	$48.38	1,844,200	-2.40%	0.75%	-0.86%	-0.96%	-1.44%	-$0.71	-1.05		
12/05/00	$50.19	1,871,100	3.75%	3.90%	5.04%	4.68%	-0.93%	-$0.45	-0.69		

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/06/00	$50.75	2,553,400	1.12%	-1.82%	-1.19%	-0.78%	1.90%	$0.95	1.39		
12/07/00	$51.81	1,453,700	2.09%	-0.58%	0.33%	0.59%	1.51%	$0.76	1.10		
12/08/00	$53.06	1,669,900	2.41%	1.97%	2.73%	2.61%	-0.20%	-$0.10	-0.15		
12/11/00	$52.63	1,252,500	-0.82%	0.76%	1.52%	1.58%	-2.40%	-$1.27	-1.75	***	Hot Stks To Watch On Wall $treet Week With Louis Rukeyser (DJNS 2:33 PM)
12/12/00	$51.94	1,173,200	-1.31%	-0.65%	-1.14%	-0.97%	-0.33%	-$0.18	-0.24		
12/13/00	$50.94	1,231,700	-1.93%	-0.81%	-0.66%	-0.42%	-1.51%	-$0.78	-1.10		
12/14/00	$50.94	1,152,500	0.00%	-1.40%	-2.21%	-1.95%	1.95%	$0.99	1.42		
12/15/00	$50.25	1,948,400	-1.35%	-2.14%	-1.08%	-0.59%	-0.75%	-$0.38	-0.55		
12/18/00	$52.00	1,682,000	3.48%	0.81%	3.42%	3.60%	-0.11%	-$0.06	-0.08		
12/19/00	$53.63	3,061,700	3.13%	-1.29%	-1.02%	-0.70%	3.83%	$1.99	2.79	+++	
12/20/00	$51.94	1,439,100	-3.15%	-3.13%	-1.47%	-0.81%	-2.34%	-$1.26	-1.73	***	
12/21/00	$52.44	1,606,200	0.96%	0.81%	2.42%	2.53%	-1.56%	-$0.81	-1.14		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
12/22/00	$52.44	1,362,600	0.00%	2.45%	0.91%	0.57%	-0.57%	-$0.30	-0.42		Stocks Ex-Dividend December 27 -2- (DJNS 6:15 PM)
12/26/00	$53.25	1,055,800	1.55%	0.71%	1.45%	1.51%	0.04%	$0.02	0.03		Stocks Ex-Dividend Dec. 27 (WSJ)
12/27/00	$54.31	1,114,800	2.35%	1.05%	0.81%	0.76%	1.60%	$0.85	1.16		
12/28/00	$55.94	1,741,900	2.99%	0.40%	0.98%	1.07%	1.92%	$1.04	1.40		
12/29/00	$55.00	1,211,000	-1.68%	-1.04%	-0.86%	-0.59%	-1.09%	-$0.61	-0.79		
01/02/01	$53.69	1,508,800	-2.39%	-2.80%	-2.78%	-2.27%	-0.12%	-$0.06	-0.09		
01/03/01	$58.00	3,211,400	8.03%	5.01%	5.09%	4.50%	3.53%	$1.90	2.64	+++	
01/04/01	$57.13	4,169,800	-1.51%	-1.05%	-1.20%	-0.95%	-0.56%	-$0.33	-0.41		
01/05/01	$54.88	2,512,100	-3.94%	-2.62%	-2.65%	-2.17%	-1.77%	-$1.01	-1.30		
01/08/01	$54.06	1,432,000	-1.48%	-0.19%	-0.46%	-0.34%	-1.14%	-$0.63	-0.83		
01/09/01	$52.88	1,479,400	-2.20%	0.39%	-1.84%	-1.94%	-0.26%	-$0.14	-0.19		Credit Card Cos Seen Posting Solid 4Q Earnings (DJNS 3:05 PM)
01/10/01	$52.81	1,846,900	-0.12%	0.96%	1.57%	1.59%	-1.71%	-$0.90	-1.24		Insider Trading Spotlight (WSJ) Household Intl Options To Trade Thurs On Pacific Exchange (DJNS 3:28 PM)
01/11/01	$53.44	2,155,600	1.18%	1.04%	0.38%	0.31%	0.88%	$0.46	0.64		Canada Bonds Up Alongside Treasurys, Mkts Watching Stocks (DJNS 10:40 AM)
01/12/01	$53.69	1,138,700	0.47%	-0.64%	-1.88%	-1.76%	2.23%	$1.19	1.63		
01/16/01	$55.19	1,849,600	2.79%	0.64%	1.73%	1.83%	0.97%	$0.52	0.70		
01/17/01	$56.31	2,841,600	2.04%	0.22%	-0.36%	-0.32%	2.36%	$1.30	1.72	+++	GOP Visa Card? Party Study Sees Profit in Affinity (WSJ) More Worries About California's Electric Utilities Prompt Investors to Seek Safety in Treasurys . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Household Intl 4Q Net $1.03/Diluted Shr Vs 92c (DJNS 7:50 AM)
											Calendar Of Corporate Conference Calls Set For Jan. 17 (DJNS 9:00 AM)
											News Highlights:Boeing 4Q Op Net $1.01/Shr;First Call 91c (DJNS 9:00 AM)
01/18/01	$54.88	2,365,600	-2.55%	1.40%	-1.20%	-1.46%	-1.09%	-$0.62	-0.81		New Securities Issues (WSJ)
											Treasury Bond Prices Jump as More Indicators Continue to Point to Slower Economic Growth . (WSJ)
01/19/01	$54.50	1,689,600	-0.68%	-0.40%	-0.49%	-0.33%	-0.35%	-$0.19	-0.26		
01/21/01											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:33 PM)
01/22/01	$53.75	1,571,000	-1.38%	0.03%	1.04%	1.22%	-2.60%	-$1.41	-1.89	***	US High Court Won't Revive RICO Claims Vs Pipe Makers (DJNS 10:39 AM)
01/23/01	$55.50	1,590,900	3.26%	1.31%	1.67%	1.62%	1.63%	$0.88	1.19		
01/24/01	$56.63	1,646,100	2.03%	0.29%	0.82%	0.92%	1.10%	$0.61	0.80		FASB Names Union Carbide Fincl Chief Wulff To Bd (DJNS 11:51 AM)
01/25/01	$56.69	1,193,100	0.11%	-0.49%	0.15%	0.38%	-0.26%	-$0.15	-0.19		
01/26/01	$57.50	1,091,500	1.43%	-0.18%	0.42%	0.60%	0.84%	$0.47	0.61		
01/29/01	$59.10	2,254,000	2.78%	0.68%	0.42%	0.42%	2.36%	$1.36	1.72	+++	
01/30/01	$58.59	1,725,800	-0.86%	0.71%	0.64%	0.64%	-1.51%	-$0.89	-1.10		
01/31/01	$57.48	2,273,600	-1.89%	-0.56%	-1.20%	-1.05%	-0.84%	-$0.49	-0.61		New Securities Issues (WSJ)
02/01/01	$58.92	2,155,600	2.51%	0.55%	0.67%	0.71%	1.80%	$1.03	1.31		
02/02/01	$58.80	1,832,700	-0.20%	-1.74%	-0.33%	0.12%	-0.33%	-$0.19	-0.24		
02/05/01	$58.98	1,272,200	0.31%	0.36%	0.79%	0.88%	-0.57%	-$0.34	-0.42		Gridlock May Be Loosening On Chicago Airport Expansion (DJNS 2:11 PM)
02/06/01	$58.11	1,456,100	-1.48%	-0.15%	-1.92%	-1.91%	0.44%	$0.26	0.32		
02/07/01	$59.20	2,511,100	1.88%	-0.84%	-0.54%	-0.29%	2.17%	$1.26	1.57		
02/08/01	$58.78	2,161,200	-0.71%	-0.62%	-0.19%	0.04%	-0.75%	-$0.44	-0.54		
02/09/01	$59.20	1,103,300	0.71%	-1.33%	0.46%	0.88%	-0.17%	-$0.10	-0.12		
02/12/01	$60.33	1,764,400	1.91%	1.19%	1.71%	1.68%	0.22%	$0.13	0.16		
02/13/01	$60.25	1,538,900	-0.13%	-0.86%	-1.00%	-0.78%	0.64%	$0.39	0.47		Household Intl: 1315% EPS Growth Over Next 3 Years (DJNS 1:56 PM)
											News Highlights: BP Amoco Cuts Capital Expenditure Plan (DJNS 3:01 PM)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											News Highlights: Gates: PC Growth Slowing, Not Shrinking (DJNS 4:03 PM)
											News Highlights: ConAgra Sees 4Q Net Of 39c-41c/Share (DJNS 5:00 PM)
02/14/01	$59.45	1,031,200	-1.33%	-0.21%	-1.11%	-1.03%	-0.29%	-$0.18	-0.21		Insider Trading Spotlight (WSJ)
02/15/01	$58.26	1,946,700	-2.00%	0.82%	-0.24%	-0.31%	-1.69%	-$1.00	-1.23		
02/16/01	$59.09	1,679,900	1.42%	-1.89%	0.37%	0.90%	0.52%	$0.30	0.39		
02/20/01	$57.53	2,121,400	-2.64%	-1.73%	-3.30%	-3.04%	0.40%	$0.24	0.30		
02/21/01	$55.65	1,945,700	-3.27%	-1.85%	-3.02%	-2.72%	-0.54%	-$0.31	-0.40		
02/22/01	$55.76	2,390,300	0.20%	-0.19%	0.41%	0.59%	-0.39%	-$0.22	-0.28		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
02/23/01	$56.58	1,992,300	1.47%	-0.55%	-0.47%	-0.27%	1.74%	$0.97	1.27		Household Intl Unit Files $1B Debt Securities Shelf (DJNS 6:06 PM)
02/26/01	$58.00	2,266,700	2.51%	1.75%	2.09%	1.97%	0.54%	$0.31	0.39		
02/27/01	$59.11	1,751,700	1.91%	-0.76%	0.88%	1.21%	0.70%	$0.41	0.51		
02/28/01	$57.92	2,547,800	-2.01%	-1.43%	-1.99%	-1.72%	-0.30%	-$0.18	-0.22		
03/01/01	$58.40	2,098,100	0.83%	0.11%	-0.05%	0.03%	0.79%	$0.46	0.58		SMARTMONEY.COM: Gateway's Silver Lining (DJNS 8:38 PM)
03/02/01	$59.41	1,778,200	1.73%	-0.56%	0.04%	0.27%	1.46%	$0.85	1.06		
03/05/01	$59.08	1,422,400	-0.56%	0.59%	-0.12%	-0.14%	-0.41%	-$0.24	-0.30		
03/06/01	$59.87	1,690,000	1.34%	1.00%	0.25%	0.17%	1.17%	$0.69	0.85		
03/07/01	$61.50	2,507,500	2.72%	0.65%	2.18%	2.31%	0.42%	$0.25	0.30		
03/08/01	$61.11	1,963,300	-0.63%	0.23%	0.24%	0.32%	-0.96%	-$0.59	-0.69		
03/09/01	$60.27	1,296,200	-1.37%	-2.47%	-2.45%	-1.98%	0.61%	$0.37	0.44		
03/12/01	$58.43	1,977,700	-3.05%	-4.31%	-4.82%	-4.13%	1.07%	$0.65	0.80		
03/13/01	$60.45	2,284,100	3.46%	1.49%	2.56%	2.54%	0.92%	$0.54	0.67		
03/14/01	$59.69	2,576,400	-1.26%	-2.58%	-4.52%	-4.17%	2.92%	$1.76	2.16	+++	Dividends Reported March 14 (DJNS 4:50 PM)
03/15/01	$60.36	2,093,200	1.12%	0.59%	2.84%	3.02%	-1.90%	-$1.13	-1.40		Bally Total Sells 8% Of Membership Receivables Portfolio (DJNS 10:25 AM)
											Nasdaq, Small-Cap Stocks Fall After Early Gains Fade (DJNS 4:29 PM)
03/16/01	$60.01	3,219,400	-0.58%	-1.96%	-1.40%	-0.98%	0.40%	$0.24	0.29		Small-Stock Focus: Mind CTI and Avistar Plummet, As Nasdaq, Small-Caps Slip Again . (WSJ)
03/19/01	$59.90	2,525,200	-0.18%	1.77%	1.18%	1.00%	-1.19%	-$0.71	-0.87		
03/20/01	$57.88	1,739,000	-3.37%	-2.40%	-2.66%	-2.23%	-1.15%	-$0.69	-0.84		
03/21/01	$55.85	3,069,400	-3.51%	-1.79%	-2.96%	-2.67%	-0.84%	-$0.49	-0.61		Household Finance Launches $1B InterNotes Offer (DJNS 8:45 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
03/22/01	$54.72	3,557,800	-2.02%	-0.40%	-2.28%	-2.24%	0.22%	$0.12	0.16		
03/23/01	$58.12	2,998,300	6.21%	2.00%	3.85%	3.80%	2.41%	$1.32	1.78	+++	
03/26/01	$57.94	2,356,500	-0.31%	1.13%	1.59%	1.58%	-1.89%	-$1.10	-1.37		New Securities Issues (WSJ)
											Options Report: Stks Still Up But Traders Stay Cautious (DJNS 3:30 PM)
											Stocks Ex-Dividend March 28 (DJNS 5:08 PM)
											Stocks Ex-Dividend March 28 -2- (DJNS 5:11 PM)
03/27/01	$59.85	2,437,800	3.30%	2.56%	3.22%	3.01%	0.29%	$0.17	0.21		Some Buy Bullish Calls to Ride Stock Rally, As Others Warn of Higher Volatility Ahead . (WSJ)
											Household Intl Chmn's '00 Pay, Less Options, Was $13.4M (DJNS 11:57 AM)
											Stocks Ex-Dividend March 28 (WSJ)
03/28/01	$59.35	2,074,100	-0.52%	-2.44%	-0.87%	-0.30%	-0.21%	-$0.13	-0.16		Household CEO Saw Bonus Increase by 33% On Strong 2000 Results (WSJ)
											Insider Trading Spotlight (WSJ)
03/29/01	$58.15	1,889,500	-2.02%	-0.46%	-0.58%	-0.41%	-1.61%	-$0.96	-1.17		
03/30/01	$59.24	2,423,400	1.87%	1.08%	2.24%	2.28%	-0.40%	-$0.24	-0.30		
04/02/01	$59.50	2,097,600	0.44%	-1.24%	0.32%	0.71%	-0.27%	-$0.16	-0.20		
04/03/01	$58.92	2,723,200	-0.97%	-3.43%	-3.09%	-2.47%	1.49%	$0.89	1.10		
04/04/01	$58.45	2,536,300	-0.80%	-0.28%	-2.70%	-2.71%	1.91%	$1.13	1.41		
04/05/01	$59.73	3,224,500	2.19%	4.37%	3.72%	3.17%	-0.98%	-$0.57	-0.73		
04/06/01	$58.54	2,585,800	-1.99%	-1.99%	-2.56%	-2.20%	0.21%	$0.13	0.16		Credit Card Cos Enjoy Strong 1Q, But Credit Losses Rise (DJNS 7:09 PM)
04/09/01	$59.45	1,365,200	1.55%	0.82%	0.51%	0.48%	1.07%	$0.63	0.78		
04/10/01	$61.12	2,900,800	2.81%	2.71%	2.58%	2.30%	0.51%	$0.30	0.37		
04/11/01	$60.54	1,785,000	-0.95%	-0.21%	0.66%	0.86%	-1.81%	-$1.10	-1.32		
04/12/01	$61.40	1,644,300	1.42%	1.52%	0.95%	0.81%	0.61%	$0.37	0.45		New Securities Issues (WSJ)
04/16/01	$60.33	1,647,200	-1.74%	-0.32%	-0.54%	-0.40%	-1.34%	-$0.82	-0.97		Household Intl Names Gibson Oper Chief Of Mtge Svcs Unit (DJNS 12:38 PM)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
04/17/01	$60.91	1,468,400	0.96%	1.03%	0.54%	0.47%	0.49%	$0.29	0.35		TALES OF THE TAPE: Household Intl Sees Steady Growth (DJNS 2:00 PM) News Highlights: Hughes Electronics Sees $2B In '01 Rev (DJNS 3:00 PM) News Highlights: NY Times Boosts Qtr Div 8.7%, To 12.5c (DJNS 4:01 PM) News Highlights: Intel 1Q Net Before Items 16c/Share (DJNS 5:01 PM) Recap of Dow Jones Special Reports For Tuesday, April 17 (DJNS 5:18 PM)
04/18/01	$63.38	3,347,000	4.06%	3.89%	4.37%	3.96%	0.10%	$0.06	0.07		Household Intl 1Q Net 91c/Diluted Shr Vs 78c (DJNS 7:59 AM) Calendar Of Earnings Conference Calls Set For April 18 (DJNS 9:00 AM) News Highlights:General Motors 1Q Oper Net 50c/Dil Shr (DJNS 9:00 AM)
04/19/01	$63.05	1,583,200	-0.52%	1.26%	0.46%	0.34%	-0.86%	-$0.54	-0.63		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
04/20/01	$62.45	1,893,200	-0.95%	-0.85%	-1.75%	-1.58%	0.63%	$0.40	0.46		
04/23/01	$62.23	814,600	-0.35%	-1.49%	-1.28%	-0.94%	0.59%	$0.37	0.43		
04/24/01	$63.10	1,858,900	1.40%	-1.21%	-0.49%	-0.16%	1.56%	$0.97	1.13		
04/25/01	$64.75	1,938,900	2.61%	1.60%	1.01%	0.85%	1.76%	$1.11	1.29		
04/26/01	$63.40	2,580,100	-2.08%	0.47%	0.49%	0.54%	-2.63%	-$1.70	-1.91	***	
04/27/01	$64.38	1,421,800	1.55%	1.51%	2.16%	2.10%	-0.56%	-$0.35	-0.41		
04/30/01	$64.02	1,777,300	-0.56%	-0.28%	-1.45%	-1.38%	0.82%	$0.53	0.60		
05/01/01	$64.46	1,777,400	0.69%	1.36%	0.99%	0.88%	-0.19%	-$0.12	-0.14		
05/02/01	$65.46	2,484,800	1.55%	0.08%	0.55%	0.68%	0.87%	$0.56	0.64		WorldCom Inc. Plans Large Global-Bond Offering; Treasurys Rise on Signs Economy Remains Weak . (WSJ)
05/03/01	$65.29	2,009,200	-0.26%	-1.48%	-0.17%	0.25%	-0.51%	-$0.33	-0.37		New Securities Issues (WSJ) Treasury Plans Weekly Auction of 28-Day Bills; Fate of Inflation-Indexed Bonds Remains Unclear . (WSJ)
05/04/01	$65.70	1,538,300	0.63%	1.45%	1.26%	1.15%	-0.53%	-$0.34	-0.38		Stockholder Meetings For Week Of May 7 (DJNS 6:15 PM)
05/07/01	$65.50	1,200,300	-0.30%	-0.24%	-0.72%	-0.60%	0.30%	$0.20	0.22		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
05/08/01	$65.42	2,008,100	-0.12%	-0.18%	-0.83%	-0.74%	0.62%	$0.40	0.45		Today's Calendar - Tuesday, May 8 (DJNS 7:00 AM)
05/09/01	$66.05	2,836,700	0.96%	-0.44%	-0.35%	-0.17%	1.13%	$0.74	0.82		Household Intl To Buy Back Up To $2B In Stk (DJNS 2:03 PM)
											Household Intl Boosts Qtrly Div To 22c From 19c (DJNS 2:05 PM)
											Household Intl Files $495.5M Mixed Securities Shelf (DJNS 7:42 PM)
05/10/01	$65.08	1,573,700	-1.47%	-0.02%	0.25%	0.39%	-1.85%	-$1.22	-1.35		Household to Buy More Stock (WSJ)
											Dividends Reported May 10 (DJNS 5:30 PM)
05/11/01	$64.91	1,389,200	-0.26%	-0.75%	-1.18%	-0.99%	0.73%	$0.47	0.53		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/14/01	$65.22	1,527,100	0.48%	0.27%	1.03%	1.15%	-0.68%	-$0.44	-0.49		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/15/01	$66.94	2,414,400	2.64%	0.05%	0.69%	0.84%	1.80%	$1.17	1.31		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/16/01	$68.64	2,652,500	2.54%	2.85%	2.59%	2.28%	0.26%	$0.18	0.19		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/17/01	$68.20	3,114,400	-0.64%	0.28%	-0.62%	-0.61%	-0.03%	-$0.02	-0.02		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/18/01	$67.57	1,985,800	-0.92%	0.27%	-0.31%	-0.27%	-0.65%	-$0.44	-0.47		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/21/01	$67.67	1,341,600	0.15%	1.62%	1.20%	1.06%	-0.91%	-$0.62	-0.66		Table Of Recent Stock Buyback Announcements -2- (DJNS 10:00 AM)
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
05/22/01	$67.71	2,010,000	0.06%	-0.26%	1.27%	1.52%	-1.46%	-$0.99	-1.07		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/23/01	$66.48	2,157,100	-1.82%	-1.55%	-0.74%	-0.36%	-1.46%	-$0.99	-1.07		New Securities Issues (WSJ)
											Treasury Official's Meetings With Firms Underscore a Gray Area in Ethics Rules . (WSJ)
											Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/24/01	$66.44	1,525,300	-0.06%	0.32%	0.41%	0.48%	-0.54%	-$0.36	-0.39		Table Of Recent Stock Buyback Announcements (DJNS 10:00 AM)
05/25/01	$66.27	856,500	-0.26%	-1.18%	-1.10%	-0.81%	0.56%	$0.37	0.41		Table Of Recent Stock Buyback Announcements -2- (DJNS 10:00 AM)
05/29/01	$66.00	1,079,100	-0.41%	-0.77%	-0.04%	0.23%	-0.63%	-$0.42	-0.46		Table Of Recent Stock Buyback Announcements -2- (DJNS 10:00 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Prudential Securities Adopts New Stock Rating System (DJNS 2:00 PM)
05/30/01	$65.80	1,165,100	-0.30%	-1.56%	-0.85%	-0.47%	0.16%	$0.11	0.12		
05/31/01	$65.66	2,025,600	-0.21%	0.63%	0.52%	0.54%	-0.75%	-$0.49	-0.55		Household Finance Corp Files $15B Debt Securities Shelf (DJNS 3:36 PM)
06/01/01	$65.74	1,036,400	0.12%	0.39%	-0.23%	-0.22%	0.34%	$0.22	0.25		
06/04/01	$66.43	809,500	1.05%	0.52%	0.91%	0.98%	0.07%	$0.05	0.05		
06/05/01	$66.98	1,013,400	0.83%	1.30%	0.74%	0.63%	0.20%	$0.13	0.14		
06/06/01	$65.96	1,415,100	-1.52%	-1.05%	-1.06%	-0.80%	-0.72%	-$0.48	-0.52		
06/07/01	$65.82	1,536,900	-0.21%	0.55%	-0.36%	-0.39%	0.18%	$0.12	0.13		
06/08/01	$65.80	1,101,900	-0.03%	-0.94%	-0.85%	-0.60%	0.57%	$0.37	0.41		Household Intl Files $2.5B Mixed Securities Shelf (DJNS 8:32 PM)
06/11/01	$65.78	979,700	-0.03%	-0.83%	-0.52%	-0.27%	0.24%	$0.16	0.18		
06/12/01	$65.30	1,479,400	-0.73%	0.12%	-0.29%	-0.22%	-0.51%	-$0.33	-0.37		
06/13/01	$65.25	1,483,900	-0.08%	-1.13%	-0.62%	-0.31%	0.24%	$0.15	0.17		
06/14/01	$64.71	1,473,700	-0.83%	-1.75%	-1.63%	-1.27%	0.44%	$0.29	0.32		
06/15/01	$63.80	2,351,600	-1.41%	-0.45%	0.25%	0.47%	-1.88%	-$1.22	-1.37		
06/18/01	$63.65	1,864,100	-0.24%	-0.48%	0.34%	0.57%	-0.81%	-$0.52	-0.59		New Stock Listings (WSJ)
											AT&T, Vertical Networks Get Household Intl Pact >T HI (DJNS 8:11 AM)
06/19/01	$63.82	1,378,000	0.27%	0.35%	1.11%	1.23%	-0.96%	-$0.61	-0.70		
06/20/01	$64.61	2,074,600	1.24%	0.88%	0.90%	0.89%	0.34%	$0.22	0.25		
06/21/01	$66.71	2,378,800	3.25%	1.14%	3.28%	3.38%	-0.12%	-$0.08	-0.09		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
06/22/01	$67.01	2,077,000	0.45%	-0.94%	-0.70%	-0.44%	0.89%	$0.60	0.65		
06/25/01	$65.95	1,281,000	-1.58%	-0.55%	-1.20%	-1.06%	-0.53%	-$0.35	-0.38		Consumer-Privacy Issue Turns a Retired Professor Into a Hot Item (WSJ)
											New Stock Listings (WSJ)
											Stocks Ex-Dividend June 27 -2- (DJNS 5:41 PM)
06/26/01	$65.14	1,514,800	-1.23%	-0.15%	-0.91%	-0.83%	-0.40%	-$0.26	-0.29		Stocks Ex-Dividend June 27 (WSJ)
06/27/01	$65.70	2,449,300	1.20%	-0.46%	-0.27%	-0.07%	1.27%	$0.83	0.92		
06/28/01	$65.98	2,098,200	0.43%	1.25%	1.29%	1.23%	-0.80%	-$0.53	-0.58		CitiFincl Stops Selling Single Prem Cdt Insur On MtgLoans (DJNS 12:28 PM)
06/29/01	$66.70	2,470,500	1.09%	-0.14%	-0.18%	-0.05%	1.14%	$0.75	0.83		Citigroup Will Halt Home-Loan Product Criticized by Some as Predatory Lending . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
07/02/01	$66.60	1,351,300	-0.15%	1.01%	0.88%	0.84%	-0.99%	-$0.66	-0.72		SMARTMONEY.COM: What Will the Second Half Bring? (DJNS 7:30 PM)
07/03/01	$66.23	556,100	-0.56%	-0.18%	-0.19%	-0.06%	-0.50%	-$0.33	-0.36		
07/05/01	$66.95	1,752,500	1.09%	-1.23%	-0.71%	-0.39%	1.48%	$0.98	1.08		
07/06/01	$66.54	1,196,500	-0.61%	-2.34%	-2.04%	-1.58%	0.97%	$0.65	0.71		Healthy 2Q Seen At Credit-Card Cos. Even As Losses Rise (DJNS 6:30 PM)
07/09/01	$66.48	1,078,300	-0.09%	0.69%	0.28%	0.27%	-0.36%	-$0.24	-0.26		
07/10/01	$65.55	883,700	-1.40%	-1.43%	-2.18%	-1.91%	0.51%	$0.34	0.37		
07/11/01	$65.24	1,493,800	-0.47%	-0.11%	-0.56%	-0.47%	-0.01%	$0.00	0.00		Household Intl To Stop Insur Sales On R.E. Secured Loans (DJNS 2:14 PM) Household Intl To Stop Single Premium Credit Insur Sales (DJNS 2:14 PM) Household Intl/Pdt Offering -2: To Roll Out New Pdt By 1Q (DJNS 3:09 PM)
07/12/01	$66.40	2,040,500	1.78%	2.37%	2.15%	1.91%	-0.13%	-$0.09	-0.10		
07/13/01	$67.16	2,398,700	1.14%	0.63%	0.82%	0.86%	0.28%	$0.19	0.21		
07/16/01	$68.11	1,904,100	1.41%	-1.08%	-0.94%	-0.67%	2.08%	$1.40	1.51		
07/17/01	$68.95	1,388,700	1.23%	1.00%	1.38%	1.38%	-0.15%	-$0.10	-0.11		
07/18/01	$69.48	1,979,500	0.77%	-0.55%	0.22%	0.46%	0.31%	$0.21	0.22		In Light Trading, Treasurys Slip on Stock Rally; Investors Await Inflation Report, News From Fed . (WSJ) Household Intl 2Q Net 93c A Share (DJNS 8:15 AM) Calendar Of Corporate Earnings Conference Calls For July 18 (DJNS 9:00 AM) Excerpts From Household Intl's 2Q Conference Call (DJNS 12:11 PM)
07/19/01	$66.50	2,920,000	-4.29%	0.61%	-1.00%	-1.09%	-3.20%	-$2.23	-2.35	***	NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
07/20/01	$67.28	2,142,400	1.17%	-0.34%	-0.65%	-0.52%	1.69%	$1.12	1.23		
07/23/01	$67.50	1,585,100	0.33%	-1.63%	-0.64%	-0.23%	0.56%	$0.37	0.41		Household Intl Adopts Responsible Lending Intiatives (DJNS 10:37 AM)
07/24/01	$67.01	2,225,600	-0.73%	-1.62%	-0.97%	-0.59%	-0.14%	-$0.09	-0.10		Subprime Lender Household Unveils Plan to Trim Fees (WSJ)
07/25/01	$66.76	1,415,300	-0.37%	1.61%	0.51%	0.32%	-0.69%	-$0.46	-0.50		Household Intl Begins Zero-Coupon Conv Debt Offering (DJNS 6:45 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
07/26/01	$65.38	3,839,900	-2.07%	1.05%	0.76%	0.70%	-2.77%	-$1.85	-2.02	***	
07/27/01	$66.18	2,520,500	1.22%	0.25%	0.57%	0.67%	0.55%	$0.36	0.40		New Securities Issues (WSJ)
											Senate Panel Seeks Methods to Reduce Predatory Lending (WSJ)
07/30/01	$66.09	1,664,100	-0.14%	-0.10%	-0.10%	0.03%	-0.16%	-$0.11	-0.12		
07/31/01	$66.29	1,667,400	0.30%	0.56%	0.76%	0.80%	-0.50%	-$0.33	-0.36		Subprime Players Not Likely To Go Way Of Superior >C FTU (DJNS 4:44 PM)
08/01/01	$65.75	1,603,300	-0.81%	0.39%	0.59%	0.66%	-1.48%	-$0.98	-1.07		Home Bound: Nasty Surprise Haunts Some Folks' Mortgage: A Prepayment Penalty --- It Stalls Refinancings, Sales For Subprime Borrowers, And . (WSJ)
08/02/01	$66.00	1,173,900	0.38%	0.40%	0.18%	0.22%	0.16%	$0.11	0.12		
08/03/01	$65.99	728,400	-0.02%	-0.52%	-0.21%	-0.01%	-0.01%	-$0.01	-0.01		
08/06/01	$65.71	1,312,100	-0.42%	-1.14%	-0.92%	-0.63%	0.21%	$0.14	0.15		Household Intl, Centrica Agree To Settlement Terms (DJNS 8:22 AM)
											News Highlights: Armstrong 2Q Net Cont Ops 81c/Diluted (DJNS 9:00 AM)
08/07/01	$66.44	1,431,500	1.11%	0.33%	0.46%	0.53%	0.58%	$0.38	0.42		SMARTMONEY.COM: Prime Time For Subprime (DJNS 7:04 PM)
08/08/01	$65.86	1,918,500	-0.87%	-1.73%	-1.10%	-0.70%	-0.17%	-$0.11	-0.13		
08/09/01	$66.24	2,246,600	0.58%	0.00%	-0.24%	-0.14%	0.72%	$0.47	0.52		
08/10/01	$67.13	1,340,900	1.34%	0.57%	0.28%	0.29%	1.05%	$0.70	0.76		
08/13/01	$68.01	1,841,000	1.31%	0.10%	-0.05%	0.04%	1.27%	$0.85	0.92		
08/14/01	$68.00	1,157,600	-0.01%	-0.38%	-0.16%	0.02%	-0.03%	-$0.02	-0.02		
08/15/01	$67.95	2,018,100	-0.07%	-0.73%	-0.16%	0.10%	-0.17%	-$0.11	-0.12		
08/16/01	$66.87	2,221,800	-1.59%	0.31%	-0.36%	-0.34%	-1.25%	-$0.85	-0.91		Banker Beware: As Economy Slows, `Subprime' Lending Looks Even Riskier --- Bank of America Bails Out, Citing Rising Uncertainty And Worries Over . (WSJ)
08/17/01	$65.99	1,508,000	-1.32%	-1.66%	-1.46%	-1.10%	-0.22%	-$0.15	-0.16		Deals & Deal Makers: A Frenzy of Big Deals; a String of Losses --- No, It's Not the IPO Market of 1999-2000 -- It's Convertibles . (WSJ)
08/20/01	$65.50	1,548,900	-0.74%	0.82%	0.78%	0.77%	-1.52%	-$1.00	-1.10		Household Intl To Manage Microsoft Credit Card Pgm (DJNS 9:01 AM)
08/21/01	$64.86	3,224,500	-0.98%	-1.20%	-0.81%	-0.50%	-0.48%	-$0.31	-0.35		NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
08/22/01	$65.48	3,034,700	0.96%	0.70%	0.42%	0.41%	0.54%	$0.35	0.40		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
08/23/01	$64.72	1,853,200	-1.16%	-0.27%	-0.41%	-0.27%	-0.89%	-$0.58	-0.65		
08/24/01	$62.35	3,755,800	-3.66%	1.97%	0.22%	-0.07%	-3.60%	-$2.33	-2.64	***	
08/27/01	$61.96	2,308,700	-0.63%	-0.48%	-0.98%	-0.83%	0.21%	$0.13	0.15		
08/28/01	$61.34	3,497,100	-1.00%	-1.50%	-1.32%	-0.99%	-0.01%	-$0.01	-0.01		TALES OF THE TAPE: Bally Total Fitness Improves Physique (DJNS 2:00 PM)
08/29/01	$60.70	2,675,000	-1.04%	-1.11%	-0.95%	-0.67%	-0.38%	-$0.23	-0.27		
08/30/01	$59.31	3,971,600	-2.29%	-1.70%	-0.62%	-0.20%	-2.09%	-$1.27	-1.53		
08/31/01	$59.10	2,954,900	-0.35%	0.41%	0.43%	0.49%	-0.84%	-$0.50	-0.61		
09/04/01	$57.06	5,409,800	-3.45%	-0.05%	-0.50%	-0.41%	-3.04%	-$1.80	-2.21	***	
09/05/01	$57.22	5,015,500	0.28%	-0.10%	-1.17%	-1.12%	1.40%	$0.80	1.02		Treasury Prices Tumble on Manufacturing Data That Seem to Lower Chances of More Rate Cuts . (WSJ)
09/06/01	$57.00	3,268,100	-0.38%	-2.23%	-1.89%	-1.43%	1.05%	$0.60	0.77		Welcome Mat Is Rolled Out for Corporate Issues On Scent of Economy That May Have Bottomed . (WSJ)
09/07/01	$55.04	3,293,100	-3.44%	-1.86%	-2.19%	-1.83%	-1.61%	-$0.91	-1.17		
09/10/01	$56.31	2,792,000	2.31%	0.63%	0.38%	0.38%	1.92%	$1.06	1.40		
09/11/01											J.P. Morgan May Shop in the Retail Sector (WSJ)
											Hot Stocks To Watch: PRCS JPM HI EK PG SUNW RMBS (DJNS 9:35 AM)
09/17/01	$52.83	3,595,200	-6.18%	-4.92%	-5.10%	-4.30%	-1.88%	-$1.06	-1.40		
09/18/01	$52.64	3,410,100	-0.36%	-0.57%	-0.34%	-0.13%	-0.23%	-$0.12	-0.17		Dividends Reported September 18 (DJNS 5:05 PM)
09/19/01	$52.30	3,893,200	-0.65%	-1.61%	-1.63%	-1.29%	0.65%	$0.34	0.47		
09/20/01	$51.46	4,531,600	-1.61%	-3.10%	-3.72%	-3.21%	1.60%	$0.84	1.18		
09/21/01	$50.34	3,363,800	-2.18%	-1.90%	-1.48%	-1.07%	-1.10%	-$0.57	-0.80		
09/23/01											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
09/24/01	$52.85	2,982,400	4.99%	3.91%	5.21%	4.85%	0.13%	$0.07	0.10		Stocks Ex-Dividend September 26 (DJNS 4:57 PM)
											Stocks Ex-Dividend September 26 -2- (DJNS 4:57 PM)
09/25/01	$52.08	3,548,500	-1.46%	0.89%	1.55%	1.58%	-3.04%	-$1.61	-2.21	***	Household International Inc. (WSJ)
											Stocks Ex-Dividend Sept. 26 (WSJ)
											Household Intl Announces $1M Contribution to Relief Funds (DJNS 5:29 PM)
09/26/01	$53.60	2,656,000	3.34%	-0.51%	0.77%	1.04%	2.30%	$1.20	1.68	+++	
09/27/01	$54.49	2,543,700	1.66%	1.16%	1.67%	1.65%	0.01%	$0.00	0.00		
09/28/01	$56.38	2,277,400	3.47%	2.20%	2.69%	2.52%	0.95%	$0.52	0.69		

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
10/01/01	$57.50	2,414,700	1.99%	-0.22%	-0.14%	0.01%	1.98%	$1.11	1.44		
10/02/01	$57.83	1,992,200	0.57%	1.24%	1.48%	1.44%	-0.86%	-$0.50	-0.63		TIP SHEET: Stein Roe's Brady Casts For Consumer Havens (DJNS 3:00 PM)
10/03/01	$58.20	2,380,300	0.64%	2.00%	1.70%	1.51%	-0.87%	-$0.50	-0.63		
10/04/01	$59.63	3,909,000	2.46%	-0.24%	-1.13%	-1.05%	3.50%	$2.04	2.55	+++	
10/05/01	$58.35	3,339,000	-2.15%	0.17%	-2.55%	-2.64%	0.49%	$0.30	0.37		Card Cos.' 3Q Seen Solid, But '02 Views Matters Most (DJNS 1:44 PM)
10/08/01	$56.50	2,131,300	-3.17%	-0.83%	-2.48%	-2.36%	-0.81%	-$0.47	-0.60		Ad Notes.... (WSJ)
											Nestle Move on Fees Will Rattle Agencies (WSJ)
10/09/01	$56.59	1,839,900	0.16%	-0.53%	0.62%	0.88%	-0.72%	-$0.41	-0.53		
10/10/01	$58.22	2,188,200	2.88%	2.30%	1.72%	1.46%	1.42%	$0.80	1.04		
10/11/01	$56.95	3,633,900	-2.18%	1.53%	1.28%	1.15%	-3.34%	-$1.94	-2.43	***	Insurers Build Momentum For Federal Terrorism Insurance (DJNS 4:56 PM)
10/12/01	$54.89	6,686,900	-3.62%	-0.52%	-1.45%	-1.32%	-2.29%	-$1.31	-1.67	***	US Stocks Finish Mostly Lower, But Above Intraday Lows (DJNS 4:31 PM)
10/15/01	$55.91	1,287,700	1.86%	-0.15%	0.86%	1.06%	0.80%	$0.44	0.58		Rebound in Tech Stocks Prompts Skepticism on Rally's Durability (WSJ)
10/16/01	$56.00	2,610,300	0.16%	0.70%	1.52%	1.59%	-1.43%	-$0.80	-1.04		
10/17/01	$57.16	2,761,400	2.07%	-1.86%	-0.81%	-0.36%	2.43%	$1.36	1.78	+++	Insider Trading Spotlight (WSJ)
											Household Intl 3Q Net $1.07 A Shr (DJNS 8:06 AM)
											Calendar Of Earnings Conference Calls Set For October 17 (DJNS 9:30 AM)
											WRAP: Loan Growth Helps Household Intl 3Q Net Up 12% (DJNS 1:43 PM)
											News Highlights: McDonald's USA Unit To Streamline Ops (DJNS 2:00 PM)
											Summary Of Corporate Outlooks Wednesday (DJNS 2:39 PM)
											News Highlights: Teppco Partners 3Q Net 35c/Unit Vs 41c (DJNS 3:01 PM)
											3Q Shows Household International Poised For Downturn (DJNS 3:53

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											PM)
											News Highlights: Siebel Sys 3Q Net 7c/Shr Vs 13c (DJNS 4:00 PM)
											News Highlights: Sprint To Cut 6,000 Jobs (DJNS 5:22 PM)
10/18/01	$57.53	2,340,400	0.65%	-0.78%	-0.98%	-0.77%	1.42%	$0.81	1.03		
10/19/01	$56.91	4,248,100	-1.08%	0.46%	-1.16%	-1.22%	0.15%	$0.08	0.11		New Securities Issues (WSJ)
10/21/01											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
10/22/01	$56.92	2,714,700	0.02%	1.54%	2.63%	2.59%	-2.58%	-$1.47	-1.88	***	
10/23/01	$57.25	1,807,700	0.58%	-0.46%	0.00%	0.21%	0.37%	$0.21	0.27		
10/24/01	$55.44	3,208,200	-3.16%	0.04%	-0.08%	0.02%	-3.18%	-$1.82	-2.31	***	
10/25/01	$57.19	4,157,200	3.16%	1.38%	1.49%	1.42%	1.74%	$0.96	1.27		
10/26/01	$57.48	2,311,600	0.51%	0.42%	0.49%	0.55%	-0.04%	-$0.02	-0.03		
10/29/01	$54.49	3,249,000	-5.20%	-2.38%	-2.80%	-2.38%	-2.82%	-$1.62	-2.07	***	
10/30/01	$53.52	3,478,100	-1.78%	-1.71%	-0.90%	-0.49%	-1.29%	-$0.70	-0.94		
10/31/01	$52.30	3,863,200	-2.28%	0.01%	-1.08%	-1.04%	-1.24%	-$0.66	-0.90		
11/01/01	$52.90	3,557,800	1.15%	2.30%	1.91%	1.67%	-0.53%	-$0.28	-0.38		There's A New Game Book For Card Issuers, Analyst Says (DJNS 1:47 PM)
11/02/01	$52.76	3,257,100	-0.26%	0.29%	0.79%	0.89%	-1.16%	-$0.61	-0.84		Hot Stocks To Watch: HI ACDO (DJNS 8:53 AM)
											HOT STOCKS TO WATCH -2 (DJNS 9:17 AM)
11/05/01	$53.75	1,998,200	1.88%	1.44%	1.73%	1.65%	0.23%	$0.12	0.16		New Securities Issues (WSJ)
11/06/01	$56.53	3,630,600	5.17%	1.46%	1.51%	1.42%	3.75%	$2.02	2.73	+++	US Stocks Climb Wall Of Worry Again; DJIA Ahead 1.6% (DJNS 4:36 PM)
11/07/01	$58.72	3,703,600	3.87%	-0.27%	0.49%	0.69%	3.18%	$1.80	2.31	+++	Caterpillar, GE, DuPont Advance, As Markets Climb `Wall of Worry' (WSJ)
11/08/01	$57.79	2,978,100	-1.58%	0.25%	-0.01%	0.05%	-1.63%	-$0.96	-1.19		
11/09/01	$57.98	1,837,500	0.33%	0.16%	-0.52%	-0.48%	0.80%	$0.47	0.59		
11/12/01	$58.21	1,692,800	0.40%	-0.17%	-0.15%	-0.02%	0.41%	$0.24	0.30		
11/13/01	$60.00	1,970,300	3.08%	1.86%	2.01%	1.87%	1.21%	$0.70	0.88		Household, Bally Total Fitness Extend Credit Card Pact (DJNS 8:06 AM)
											Dividends Reported November 13 (DJNS 5:02 PM)
11/14/01	$60.90	3,280,600	1.50%	0.19%	0.50%	0.61%	0.89%	$0.53	0.65		Insider Trading Spotlight (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
11/15/01	$58.90	3,700,100	-3.28%	0.10%	-0.30%	-0.23%	-3.06%	-$1.86	-2.21	***	Household Responds to Calif.Department Lawsuit (DJNS 1:40 PM)
											News Highlights: Alcoa Names Ricardo Belda Exec VP (DJNS 2:00 PM)
											Dividends Reported November 15 (DJNS 4:58 PM)
11/16/01	$57.80	2,102,800	-1.87%	-0.31%	-1.16%	-1.06%	-0.80%	-$0.47	-0.58		Stock Rating Reiterations: DELL MRX APHT WFHC (DJNS 10:38 AM)
11/19/01	$58.75	1,501,500	1.64%	1.10%	1.48%	1.46%	0.18%	$0.11	0.13		Best Buy, Household Intl Sign Credit Card Alliance (DJNS 9:00 AM)
11/20/01	$58.37	1,512,300	-0.65%	-0.72%	-0.55%	-0.32%	-0.32%	-$0.19	-0.23		
11/21/01	$58.56	2,161,100	0.33%	-0.49%	-0.67%	-0.51%	0.83%	$0.49	0.60		Insider Selling Remained Mild Last Month (WSJ)
											Companies In Dow Jones Industry Group Indexes -3- (DJNS 5:02 AM)
11/22/01											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
11/23/01	$59.62	355,600	1.81%	1.18%	1.63%	1.61%	0.20%	$0.12	0.15		
11/26/01	$60.18	1,561,700	0.94%	0.62%	0.89%	0.93%	0.01%	$0.01	0.01		WRAP: Providian Names Fleet's Saunders As CEO, President (DJNS 11:48 AM)
11/27/01	$60.76	1,881,200	0.96%	-0.68%	-0.36%	-0.13%	1.10%	$0.66	0.79		Providian Taps Fleet's Saunders As New CEO (WSJ)
11/28/01	$60.34	2,454,600	-0.69%	-1.82%	-2.48%	-2.16%	1.47%	$0.89	1.06		
11/29/01	$59.80	1,930,400	-0.89%	1.04%	0.98%	0.94%	-1.83%	-$1.11	-1.32		
11/30/01	$58.99	1,706,300	-1.35%	-0.06%	-0.82%	-0.75%	-0.60%	-$0.36	-0.43		
12/03/01	$56.29	7,643,800	-4.58%	-0.83%	-1.54%	-1.35%	-3.22%	-$1.90	-2.33	***	Hot Stocks To Watch In Barron's: AOL CVC HI MKSI LRCX (DJNS 8:55 AM)
											Stock Rating Reiterations: LBRT INTC MU PLCM SCOR HI AXL (DJNS 10:35 AM)
12/04/01	$58.23	3,903,900	3.45%	1.32%	1.25%	1.17%	2.27%	$1.28	1.64		Stock Rating Reiterations: SNPS RFMD AHMH GMH (DJNS 10:36 AM)
12/05/01	$61.00	4,219,000	4.76%	2.24%	1.81%	1.58%	3.18%	$1.85	2.29	+++	Home Depot and Caterpillar Rise, As Bellwether Sectors Show Gains (WSJ)
12/06/01	$60.66	3,458,400	-0.56%	-0.27%	0.58%	0.79%	-1.35%	-$0.82	-0.97		
12/07/01	$59.66	2,744,000	-1.65%	-0.75%	-0.20%	0.06%	-1.71%	-$1.04	-1.23		Best Interests: How Big Lenders Sell A Pricier Refinancing To Poor Homeowners --- People Give Up Low Rates To Pay Off Other Debts, Putting . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/10/01	$57.60	2,755,300	-3.45%	-1.58%	-1.58%	-1.25%	-2.21%	-$1.32	-1.59		
12/11/01	$56.66	4,226,200	-1.63%	-0.27%	0.37%	0.56%	-2.20%	-$1.26	-1.59		
12/12/01	$54.15	6,885,500	-4.43%	0.03%	-0.29%	-0.21%	-4.22%	-$2.39	-3.06	***	US Late Market Comment -2- NYSE Volume At 1.40B Shares (DJNS 4:45 PM)
12/13/01	$54.23	3,299,200	0.15%	-1.55%	-1.43%	-1.09%	1.24%	$0.67	0.89		Stocks Overcome Early Torpidity As P&G, Toll Brothers See Gains (WSJ)
12/14/01	$53.35	3,536,400	-1.62%	0.34%	-0.57%	-0.57%	-1.05%	-$0.57	-0.76		
12/17/01	$54.57	2,795,900	2.29%	1.01%	0.90%	0.86%	1.42%	$0.76	1.03		
12/18/01	$56.12	3,269,700	2.84%	0.76%	1.03%	1.05%	1.79%	$0.98	1.29		Household Finance Files $3B Debt Securities Shelf (DJNS 12:10 PM) News Highlights: Household Finance Files $3B Debt Shelf (DJNS 1:00 PM) News Highlights: Suiza, Dean Foods To Sell 11 Plants (DJNS 2:00 PM) News Highlights: Duke Energy 'Committed' To Growth Goals (DJNS 3:00 PM) News Highlights: Archer-Daniels-Midland President Resigns (DJNS 4:00 PM) News Highlights: Alcoa To Take 4Q Charge Of $225M (DJNS 5:03 PM) Recap Of Dow Jones Special Reports For Tuesday, Dec. 18 (DJNS 5:55 PM)
12/19/01	$56.87	2,339,900	1.34%	0.59%	1.63%	1.73%	-0.39%	-$0.22	-0.28		Stock Rating Reiterations: C COMS SYMC CTEC ALKS (DJNS 10:30 AM)
12/20/01	$56.50	1,556,000	-0.65%	-0.83%	-0.40%	-0.14%	-0.51%	-$0.29	-0.37		NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
12/21/01	$55.90	2,117,000	-1.06%	0.44%	-0.50%	-0.51%	-0.55%	-$0.31	-0.40		
12/24/01	$56.09	441,100	0.34%	-0.02%	-0.11%	0.00%	0.34%	$0.19	0.25		Stocks Ex-Dividend December 27 (DJNS 2:41 PM)
12/26/01	$56.38	1,707,100	0.52%	0.42%	0.26%	0.30%	0.22%	$0.12	0.16		Stocks Ex-Dividend Dec. 27 (WSJ)
12/27/01	$57.83	1,677,300	2.96%	0.68%	0.67%	0.68%	2.28%	$1.28	1.65	+++	Bank of Montreal Says It Has Found Its Footing in the U.S. --- Purchase of CSFB Unit Is Seen as Boost for Discount Brokerage, Wealth Management . (WSJ)
12/28/01	$58.88	2,347,100	1.82%	0.34%	0.93%	1.04%	0.78%	$0.45	0.56		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/31/01	$57.94	2,071,500	-1.60%	-1.11%	-0.73%	-0.43%	-1.17%	-$0.69	-0.84		
01/02/02	$57.09	2,033,700	-1.47%	0.58%	-0.31%	-0.34%	-1.12%	-$0.65	-0.81		
01/03/02	$57.05	2,192,200	-0.07%	0.92%	0.54%	0.50%	-0.57%	-$0.32	-0.41		Credit-Card Issuers Seen Posting Mixed 4Q Results (DJNS 8:05 PM)
01/04/02	$59.19	1,687,900	3.75%	0.63%	1.44%	1.51%	2.24%	$1.28	1.62		Household Intl To Launch $12M National Ad Campaign (DJNS 8:48 AM)
											News Highlights: Dec Nonfarm Payrolls -124K; View -125K (DJNS 9:00 AM)
01/07/02	$58.10	3,547,200	-1.84%	-0.64%	-0.71%	-0.51%	-1.33%	-$0.79	-0.96		
01/08/02	$56.74	2,290,500	-2.34%	-0.35%	-1.29%	-1.19%	-1.15%	-$0.67	-0.83		
01/09/02	$57.10	1,670,600	0.63%	-0.48%	0.51%	0.76%	-0.13%	-$0.07	-0.09		
01/10/02	$56.54	2,203,400	-0.98%	0.13%	0.46%	0.58%	-1.56%	-$0.89	-1.13		
01/11/02	$54.38	4,743,300	-3.82%	-0.94%	-1.02%	-0.78%	-3.04%	-$1.72	-2.20	***	Household Responds To Rating Change Issued By Fitch Inc (DJNS 2:03 PM)
											US Stocks Find Greenspan's Economic Reading Unwelcome (DJNS 4:27 PM)
01/13/02											Household Intl Units Settle Calif. Lending Allegations (DJNS 4:45 PM)
01/14/02	$52.78	3,763,200	-2.94%	-0.62%	-0.88%	-0.70%	-2.24%	-$1.22	-1.62		Calendar Of Earnings Expected; First Call Estimates (DJNS 7:00 AM)
01/15/02	$55.20	3,982,800	4.59%	0.69%	1.96%	2.06%	2.53%	$1.33	1.82	+++	
01/16/02	$54.45	4,023,900	-1.36%	-1.62%	-1.23%	-0.86%	-0.50%	-$0.28	-0.36		News Highlights: JP Morgan 4Q Op Earnings Misses Views (DJNS 8:01 AM)
											Household Intl 4Q Net $1.17 A Share (DJNS 8:21 AM)
											Calendar Of Corporate Conference Calls For Jan. 16 (DJNS 9:46 AM)
											Stock Rating Reiterations: SRDX CPS CVG UNH PCS (DJNS 10:30 AM)
01/17/02	$53.76	3,481,700	-1.27%	1.01%	0.96%	0.93%	-2.19%	-$1.19	-1.59		Calendar Of Corporate Conference Calls For Jan. 17 (DJNS 9:25 AM)
											Stock Rating Reiterations: DNA CPQ CPN JPM (DJNS 10:32 AM)
											Fidelity's Magellan Ups Cash To 6.5% As Of Dec. 31 (DJNS 12:17 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Fidelity's Magellan -3: Other Big Funds Cautious On Tech (DJNS 3:11 PM)
01/18/02	$54.85	3,216,500	2.03%	-0.99%	-0.30%	0.00%	2.03%	$1.09	1.47		
01/22/02	$54.05	1,772,000	-1.46%	-0.73%	-0.16%	0.10%	-1.55%	-$0.85	-1.12		News Highlights: Kmart Files For Chapter 11 (DJNS 10:00 AM)
											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
01/23/02	$53.35	2,249,700	-1.30%	0.80%	0.00%	-0.05%	-1.24%	-$0.67	-0.90		
01/24/02	$53.75	2,868,100	0.75%	0.36%	0.45%	0.51%	0.24%	$0.13	0.17		New Securities Issues (WSJ)
01/25/02	$54.71	1,738,300	1.79%	0.11%	0.32%	0.43%	1.35%	$0.73	0.98		
01/28/02	$52.85	4,616,600	-3.40%	-0.01%	-0.70%	-0.63%	-2.77%	-$1.51	-2.00	***	Hot Stks To Watch In Barrons: TYC COF BFT HI MXT (DJNS 8:52 AM)
											US Stocks End Marginally Higher; Mood Turns Cautious (DJNS 4:30 PM)
01/29/02	$49.85	8,237,100	-5.68%	-2.86%	-4.54%	-4.14%	-1.54%	-$0.81	-1.10		Roadway, Navistar, Other Cyclicals Rise on Hope That Economy Is Well (WSJ)
01/30/02	$49.35	8,440,000	-1.00%	1.18%	1.14%	1.08%	-2.09%	-$1.04	-1.51		Insider Trading Spotlight (WSJ)
01/31/02	$51.24	5,451,300	3.83%	1.50%	1.76%	1.68%	2.15%	$1.06	1.55		
02/01/02	$51.10	6,376,900	-0.27%	-0.70%	-1.13%	-0.95%	0.67%	$0.34	0.49		TIP SHEET: Tice's Prudent Bear Fund Bets On Bad News (DJNS 3:00 PM)
02/04/02	$48.80	6,262,500	-4.50%	-2.47%	-3.32%	-2.92%	-1.58%	-$0.81	-1.14		
02/05/02	$47.53	7,783,600	-2.60%	-0.40%	-0.65%	-0.50%	-2.10%	-$1.03	-1.52		
02/06/02	$44.71	9,456,000	-5.93%	-0.59%	-0.97%	-0.80%	-5.13%	-$2.44	-3.71	***	Options Report: Defensive Puts Trade In Energy, Fincls (DJNS 3:30 PM)
											WSJ:Household International Sued For Loan Practices (DJNS 4:03 PM)
											News Highlights: Cisco Posts 2Q Net Of 9 Cents A Share (DJNS 5:00 PM)
02/07/02	$48.01	12,103,800	7.38%	-0.30%	0.56%	0.77%	6.61%	$2.96	4.78	+++	Business Brief -- Household International Inc.: Acorn Suit Says Borrowers Are Misled and Defrauded . (WSJ)
											Defensive Trades Dominate Options Market, Investor Jitters Push Volatility Index Above 28 . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Hot Stocks To Watch: CSCO JWN JHF CD BCR TYC HI (DJNS 7:47 AM)
											HOT STOCKS TO WATCH (DJNS 8:32 AM)
											Household CFO: No Problem In Raising Commercial Paper (DJNS 11:42 AM)
											Household Intl-3: Short-Sellers Have Pressured Stk, Bonds (DJNS 2:03 PM)
											Stock Rating Reiterations Closing Update: NWBT ICTG GPS (DJNS 4:25 PM)
											US Stocks Wobbled Again; Nasdaq Falls To 3-Month Low (DJNS 4:37 PM)
02/08/02	$52.00	7,904,500	8.31%	1.49%	2.72%	2.70%	5.61%	$2.69	4.04	+++	Jittery Investor Mood Sinks Indexes But Cendant, WorldCom Group Rise (WSJ)
											US Stocks Reverse Course; Late Rally Lifts Nasdaq 2% (DJNS 4:29 PM)
02/11/02	$51.45	5,330,400	-1.06%	1.44%	0.88%	0.75%	-1.81%	-$0.94	-1.31		
02/12/02	$50.80	4,447,800	-1.26%	-0.39%	-0.61%	-0.46%	-0.80%	-$0.41	-0.58		
02/13/02	$52.15	2,290,300	2.66%	1.00%	1.54%	1.55%	1.11%	$0.56	0.80		
02/14/02	$51.92	3,897,500	-0.44%	-0.18%	0.21%	0.37%	-0.81%	-$0.42	-0.59		
02/15/02	$50.89	4,004,300	-1.98%	-1.10%	-2.96%	-2.81%	0.83%	$0.43	0.59		
02/19/02	$50.35	2,502,800	-1.06%	-1.88%	-1.46%	-1.05%	-0.01%	-$0.01	-0.01		
02/20/02	$50.65	3,312,000	0.60%	1.36%	1.48%	1.41%	-0.81%	-$0.41	-0.59		
02/21/02	$48.50	3,370,000	-4.24%	-1.55%	-1.52%	-1.18%	-3.06%	-$1.55	-2.21	***	NYSE Most Actives- Composite Trades 4-6:30 p.m. EST (DJNS 6:47 PM)
02/22/02	$48.65	3,886,200	0.31%	0.83%	-0.11%	-0.17%	0.48%	$0.23	0.35		Options Report: Defensive Puts, TRW Options Are Active (DJNS 3:32 PM)
02/24/02											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
02/25/02	$49.58	3,560,300	1.91%	1.80%	2.45%	2.35%	-0.44%	-$0.21	-0.31		Shareholder Scoreboard (A Special Report) --- The 100 Biggest Companies in This Year's Scoreboard . (WSJ)
02/26/02	$49.98	2,961,600	0.81%	0.00%	0.35%	0.49%	0.32%	$0.16	0.23		
02/27/02	$52.08	4,127,000	4.20%	0.05%	0.76%	0.92%	3.29%	$1.64	2.38	+++	
02/28/02	$51.50	2,553,400	-1.11%	-0.28%	0.41%	0.61%	-1.72%	-$0.90	-1.24		
03/01/02	$53.00	2,478,700	2.91%	2.27%	1.24%	0.96%	1.95%	$1.00	1.40		

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
03/04/02	$57.25	5,679,200	8.02%	1.95%	3.29%	3.22%	4.80%	$2.54	3.44	+++	US Stocks Rally Again; On Second Thought, More Is Better (DJNS 4:36 PM)
03/05/02	$56.28	6,430,000	-1.69%	-0.66%	0.07%	0.32%	-2.02%	-$1.16	-1.46		New Securities Issues (WSJ)
03/06/02	$57.77	2,683,800	2.65%	1.46%	1.60%	1.52%	1.13%	$0.64	0.82		
03/07/02	$58.36	3,108,600	1.02%	-0.44%	-0.73%	-0.57%	1.59%	$0.92	1.15		
03/08/02	$59.90	4,414,600	2.64%	0.59%	0.44%	0.46%	2.18%	$1.27	1.58		
03/11/02	$59.73	4,531,900	-0.28%	0.34%	0.56%	0.64%	-0.92%	-$0.55	-0.66		
03/12/02	$59.16	2,700,700	-0.95%	-0.22%	0.26%	0.43%	-1.39%	-$0.83	-1.00		
03/13/02	$58.40	2,759,000	-1.28%	-0.98%	-0.85%	-0.59%	-0.70%	-$0.41	-0.50		Dividends Reported March 13 (DJNS 5:09 PM)
											Household Intl Appoints KPMG LLP as Independent Auditor (DJNS 5:30 PM)
											Deloitte Touche Tohmatsu Won't Pursue Andersen Deal (DJNS 8:17 PM)
03/14/02	$57.48	2,642,500	-1.58%	-0.09%	0.17%	0.31%	-1.89%	-$1.10	-1.37		Andersen's Hopes to Avoid Indictment Dim --- Deloitte, Ernst & Young End Merger Discussions Over Liability Concerns . (WSJ)
											SouthTrust Board's Audit Committee Requests Audit Proposals (DJNS 6:58 PM)
03/15/02	$58.95	4,348,400	2.56%	1.14%	1.94%	1.94%	0.62%	$0.35	0.45		Summary Of Cos. With Audit-Related Andersen News (DJNS 2:08 PM)
03/18/02	$58.98	2,500,000	0.05%	-0.05%	-0.56%	-0.47%	0.52%	$0.31	0.38		Deals & Deal Makers: The Pipeline / Securities Offering Calendar (WSJ)
03/19/02	$58.98	2,465,500	0.00%	0.41%	0.51%	0.57%	-0.57%	-$0.34	-0.41		Investors Come to the Defense of Securitization, Special-Purpose Entities Tainted by Enron's Fall . (WSJ)
											Moody's Liquidity Reports Make Early Mark On Corporates (DJNS 4:22 PM)
											Moody's Liquidity Reports Make Early Mark On Corporates (DJNS 4:30 PM)
03/20/02	$57.61	2,104,100	-2.32%	-1.57%	-1.67%	-1.34%	-0.98%	-$0.58	-0.71		Treasurys End Mostly Higher After Interest Rates Are Left Untouched at Federal Reserve Meeting . (WSJ)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 1:51 PM)
03/21/02	$57.90	2,044,800	0.50%	0.16%	-0.01%	0.07%	0.43%	$0.25	0.31		New Securities Issues (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
03/22/02	$58.14	1,589,800	0.41%	-0.42%	0.13%	0.34%	0.07%	$0.04	0.05		Short Interest Highlights (WSJ)
											Stocks Ex-Dividend March 26 (DJNS 4:10 PM)
03/25/02	$56.30	2,388,400	-3.16%	-1.46%	-1.62%	-1.31%	-1.85%	-$1.08	-1.34		Stocks Ex-Dividend March 26 (WSJ)
03/26/02	$57.00	1,765,500	1.63%	0.59%	0.97%	1.02%	0.61%	$0.35	0.44		
03/27/02	$57.50	1,723,900	0.88%	0.54%	1.05%	1.12%	-0.24%	-$0.14	-0.18		
03/28/02	$56.80	1,362,100	-1.22%	0.25%	-0.34%	-0.30%	-0.92%	-$0.53	-0.66		Cash Drought: A Dwindling Supply Of Short-Term Credit Plagues Corporations --- Market in Commercial Paper Is Hurt by Enron Fears, . (WSJ)
											Summary of Cos. With Audit-Related Andersen News (DJNS 5:19 PM)
03/29/02											Summary of Cos. With Audit-Related Andersen News (DJNS 3:07 PM)
04/01/02	$57.03	1,752,700	0.40%	-0.07%	-0.56%	-0.47%	0.87%	$0.50	0.63		Summary of Cos. With Audit-Related Andersen News (DJNS 4:14 PM)
04/02/02	$57.05	1,749,600	0.04%	-0.85%	0.31%	0.62%	-0.59%	-$0.34	-0.42		
04/03/02	$55.75	2,312,100	-2.28%	-0.99%	-1.02%	-0.77%	-1.51%	-$0.86	-1.09		Summary Of Cos. With Audit-Related Andersen News (DJNS 1:52 PM)
04/04/02	$56.83	2,962,200	1.94%	0.09%	0.62%	0.75%	1.19%	$0.66	0.86		Credit-Card Cos' 1Q Seen Stable With Economy On Mend (DJNS 7:19 PM)
04/05/02	$57.98	2,663,300	2.02%	-0.31%	0.61%	0.83%	1.19%	$0.68	0.86		Summary Of Cos. With Audit-Related Andersen News (DJNS 3:24 PM)
04/08/02	$59.06	3,048,600	1.86%	0.23%	0.37%	0.46%	1.41%	$0.81	1.02		
04/09/02	$59.25	4,657,800	0.32%	-0.66%	0.57%	0.86%	-0.54%	-$0.32	-0.39		News Highlights: Household Intl Files $10B Debt Shelf (DJNS 3:59 PM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 4:23 PM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 4:25 PM)
											News Highlights:Nortel Bank Grp Seen Renewing $1.8B Credit (DJNS 5:00 PM)
04/10/02	$59.35	3,189,000	0.17%	1.14%	0.31%	0.20%	-0.03%	-$0.02	-0.02		Power Play: Deals That Took Enron Under Had Many Supporters --- Big-Name Lobbying Stymied FASB Push to Disclose Off-Balance-Sheet Entities . (WSJ)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Household Intl: $10B Shelf To Support Internotes Program (DJNS 9:10 AM)
											Stock Rating Reiterations: SONS WEBX SEAC CSR (DJNS 10:30 AM)
04/11/02	$57.05	2,894,600	-3.88%	-2.36%	-2.55%	-2.11%	-1.76%	-$1.05	-1.27		
04/12/02	$58.10	1,572,600	1.84%	0.67%	1.14%	1.18%	0.66%	$0.37	0.47		Summary Of Cos. With Audit-Related Andersen News (DJNS 5:21 PM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 5:23 PM)
04/15/02	$57.48	1,382,300	-1.07%	-0.76%	-1.36%	-1.18%	0.11%	$0.06	0.08		
04/16/02	$59.52	2,004,400	3.55%	2.35%	2.13%	1.90%	1.65%	$0.95	1.19		Summary Of Cos. With Audit-Related Andersen News (DJNS 12:32 PM)
04/17/02	$60.70	4,668,400	1.98%	-0.20%	0.47%	0.65%	1.33%	$0.79	0.96		Household Intl 1Q EPS $1.09 (DJNS 7:24 AM)
											Calendar Of Corporate Conference Calls For April 17 (DJNS 10:00 AM)
											Summary Of Corporate Outlooks Wednesday (DJNS 3:42 PM)
04/18/02	$61.20	3,336,400	0.82%	-0.14%	-0.42%	-0.30%	1.13%	$0.68	0.82		Business Brief -- Household International Inc.: First-Period Profit Rose 18% Amid Higher Number of Loans . (WSJ)
											Stock Rating Reiterations: BRCM WM SEIC ACMR MXT CD TZIX (DJNS 10:30 AM)
04/19/02	$62.44	2,614,800	2.03%	0.07%	0.04%	0.14%	1.89%	$1.16	1.37		News on Household Finance Corp. Ltd. Now Under Symbol HI (DJNS 4:09 PM)
04/21/02											NYSE Short Interest: Forest Oil Corp - Kemet Corp (DJNS 11:03 PM)
04/22/02	$60.90	2,803,900	-2.47%	-1.54%	-1.40%	-1.06%	-1.40%	-$0.88	-1.01		
04/23/02	$61.80	2,567,800	1.48%	-0.61%	-0.51%	-0.30%	1.78%	$1.09	1.29		Summary Of Cos. With Audit-Related Andersen News (DJNS 2:16 PM)
											Summary Of Cos. With Audit-Related -2- (DJNS 2:26 PM)
04/24/02	$61.36	1,671,400	-0.71%	-0.70%	-0.48%	-0.25%	-0.46%	-$0.28	-0.33		
04/25/02	$59.18	2,095,700	-3.55%	-0.15%	-0.95%	-0.87%	-2.68%	-$1.64	-1.94	***	
04/26/02	$59.60	3,505,700	0.71%	-1.38%	-0.50%	-0.13%	0.84%	$0.50	0.61		New Securities Issues (WSJ)
											Summary of Cos. With Audit-Related Andersen News (DJNS 6:19 PM)
04/29/02	$57.25	3,423,500	-3.94%	-1.00%	-0.84%	-0.58%	-3.36%	-$2.00	-2.43	***	

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
04/30/02	$58.29	2,950,000	1.82%	1.08%	1.30%	1.27%	0.55%	$0.31	0.40		
05/01/02	$57.70	3,137,200	-1.01%	0.89%	0.55%	0.51%	-1.53%	-$0.89	-1.10		Summary Of Cos. With Audit-Related Andersen News (DJNS 3:00 PM)
05/02/02	$57.43	7,814,100	-0.47%	-0.17%	1.09%	1.31%	-1.77%	-$1.02	-1.28		
05/03/02	$57.00	3,503,200	-0.75%	-1.02%	-0.58%	-0.29%	-0.45%	-$0.26	-0.33		
05/06/02	$55.68	2,323,100	-2.32%	-1.93%	-2.20%	-1.83%	-0.48%	-$0.27	-0.35		
05/07/02	$54.75	4,012,700	-1.67%	-0.30%	-0.54%	-0.41%	-1.26%	-$0.70	-0.91		Summary Of Cos. With Audit-Related Andersen News (DJNS 1:03 PM)
05/08/02	$57.11	3,940,000	4.31%	3.76%	2.87%	2.39%	1.92%	$1.05	1.37		
05/09/02	$56.29	2,850,800	-1.44%	-1.45%	-0.97%	-0.62%	-0.82%	-$0.47	-0.59		
05/10/02	$54.25	4,141,000	-3.62%	-1.67%	-1.46%	-1.09%	-2.53%	-$1.43	-1.83	***	Summary Of Cos. With Audit-Related Andersen News (DJNS 6:34 PM)
											Stockholders Meetings For Week Of May 13 (DJNS 9:13 PM)
											Dividend Meetings For Week Of May 13 (DJNS 9:17 PM)
05/12/02											Hot Stocks On 'Wall $treet Week' (DJNS 9:23 PM)
05/13/02	$55.82	1,739,800	2.89%	1.86%	1.70%	1.54%	1.36%	$0.74	0.98		
05/14/02	$56.85	3,338,800	1.85%	2.12%	1.58%	1.36%	0.49%	$0.27	0.35		Today's Calendar - Tuesday, May 14 (DJNS 7:00 AM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 3:36 PM)
05/15/02	$55.47	5,091,300	-2.43%	-0.56%	-0.36%	-0.15%	-2.28%	-$1.29	-1.65	***	Treasury Prices Fall on Positive Retail-Sales Data (WSJ)
											Today's Calendar - Wednesday, May 15 (DJNS 7:00 AM)
											News Highlights: CalPERS CEO To Leave This Fall (DJNS 4:01 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EDT (DJNS 6:53 PM)
05/16/02	$55.00	4,539,200	-0.85%	0.66%	0.97%	1.00%	-1.85%	-$1.03	-1.34		S&P Draws Up List Of Firms That May Face Cash Shortfall (WSJ)
											TSX Venture Pres. Hohol Wants Strategy In Place By July (DJNS 12:32 PM)
05/17/02	$54.31	5,539,700	-1.25%	0.77%	0.54%	0.53%	-1.79%	-$0.98	-1.29		Adelphia's Problems Weaken Other Cable Bonds (WSJ)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 1:44 PM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 1:46 PM)
05/20/02	$53.51	3,335,300	-1.47%	-1.32%	-1.79%	-1.53%	0.05%	$0.03	0.04		Summary Of Cos. With Audit-Related Andersen News (DJNS 4:03 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
05/21/02	$52.69	3,119,800	-1.53%	-1.09%	-0.66%	-0.36%	-1.17%	-$0.62	-0.84		NYSE Short Interest: Forest Oil Corp - Kemet Corp (DJNS 11:03 PM)
05/22/02	$52.85	2,602,500	0.30%	0.57%	0.01%	0.00%	0.31%	$0.16	0.22		SMARTMONEY.COM: The Data Mine: Finer Side Of Financials (DJNS 8:07 PM)
05/23/02	$53.27	2,419,800	0.79%	1.02%	0.96%	0.93%	-0.13%	-$0.07	-0.10		Summary Of Cos. With Audit-Related Andersen News (DJNS 9:51 AM)
05/24/02	$53.07	2,048,300	-0.38%	-1.20%	-0.71%	-0.40%	0.02%	$0.01	0.01		
05/28/02	$52.85	2,658,800	-0.41%	-0.85%	-1.09%	-0.87%	0.46%	$0.24	0.33		Household Intl To Provide GM's Corvette MasterCard (DJNS 9:00 AM)
05/29/02	$52.80	2,193,900	-0.09%	-0.64%	-0.01%	0.23%	-0.32%	-$0.17	-0.23		Summary Of Cos. With Audit-Related Andersen News -3- (DJNS 3:21 PM) SMARTMONEY.COM: The Data Mine:The Dividend Is Your Friend (DJNS 5:44 PM) NYSE Most Actives- Composite Trades 4-6:30 p.m. EDT (DJNS 6:44 PM)
05/30/02	$51.65	4,146,700	-2.18%	-0.28%	-0.43%	-0.29%	-1.89%	-$1.00	-1.37		Who Are Winners at Andersen's Yard Sale? --- Ernst & Young, Deloitte, KPMG Look to Hire 200 Partners Each; Pricewaterhouse Focuses on Clients . (WSJ) TIP SHEET: Choice Manager Adjusts Strategy To Limit Risk (DJNS 3:00 PM)
05/31/02	$51.15	4,426,600	-0.97%	0.24%	0.36%	0.45%	-1.42%	-$0.73	-1.03		
06/03/02	$50.94	2,974,300	-0.41%	-2.47%	-2.16%	-1.68%	1.27%	$0.65	0.91		
06/04/02	$50.69	3,446,300	-0.49%	0.01%	-0.66%	-0.59%	0.10%	$0.05	0.07		Summary Of Cos. With Audit-Related Andersen News (DJNS .)
06/05/02	$52.19	3,115,200	2.96%	0.89%	0.87%	0.85%	2.11%	$1.07	1.52		
06/06/02	$53.60	5,208,200	2.70%	-1.97%	-1.78%	-1.38%	4.08%	$2.13	2.94	+++	
06/07/02	$52.87	4,941,700	-1.36%	-0.15%	0.09%	0.24%	-1.61%	-$0.86	-1.16		Summary Of Cos. With Audit-Related Andersen News (DJNS 5:35 PM)
06/10/02	$52.59	2,086,400	-0.53%	0.32%	0.63%	0.71%	-1.24%	-$0.66	-0.90		Credit Window: Alternative Lenders Buoy the Economy But Also Pose Risk --- Manufacturers, Other Nonbanks Fund Ever More Business, With Little . (WSJ) Stock Rating Reiterations: HI ANPI RFMD TUNE (DJNS 10:30 AM)
06/11/02	$52.99	4,228,800	0.76%	-1.66%	-1.89%	-1.55%	2.31%	$1.22	1.67	+++	

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
06/12/02	$52.48	3,068,200	-0.96%	0.66%	0.43%	0.43%	-1.39%	-$0.74	-1.01		Summary Of Cos. With Audit-Related Andersen News (DJNS 10:11 AM)
											Summary Of Cos. With Audit-Related Andersen News (DJNS 3:26 PM)
06/13/02	$50.30	2,687,600	-4.15%	-1.04%	-2.16%	-1.97%	-2.18%	-$1.15	-1.57		
06/14/02	$50.80	4,104,100	0.99%	-0.22%	0.89%	1.11%	-0.11%	-$0.06	-0.08		
06/17/02	$52.74	2,620,700	3.82%	2.88%	4.38%	4.19%	-0.37%	-$0.19	-0.26		
06/18/02	$52.75	2,172,700	0.02%	0.10%	0.38%	0.50%	-0.48%	-$0.25	-0.35		
06/19/02	$51.55	3,122,900	-2.27%	-1.65%	-1.30%	-0.93%	-1.34%	-$0.71	-0.97		
06/20/02	$49.80	3,338,200	-3.39%	-1.34%	-1.72%	-1.44%	-1.96%	-$1.01	-1.41		NYSE Short Interest: Forest Oil Corp - Kemet Corp (DJNS 11:03 PM)
06/21/02	$49.68	2,704,200	-0.24%	-1.70%	-1.03%	-0.64%	0.39%	$0.20	0.28		
06/24/02	$50.00	2,467,000	0.64%	0.37%	0.00%	0.03%	0.61%	$0.30	0.44		
06/25/02	$49.00	2,546,700	-2.00%	-1.66%	-0.82%	-0.42%	-1.58%	-$0.79	-1.14		Technology Contract Announcements: SNDT DMCX (DJNS 12:06 PM)
06/26/02	$48.65	4,172,000	-0.20%	-0.26%	-1.94%	-1.91%	1.70%	$0.83	1.22		
06/27/02	$49.90	2,206,300	2.57%	1.76%	2.43%	2.34%	0.23%	$0.11	0.16		
06/28/02	$49.70	2,476,600	-0.40%	-0.08%	1.10%	1.30%	-1.70%	-$0.85	-1.23		
07/01/02	$47.93	2,847,200	-3.56%	-2.13%	-1.59%	-1.14%	-2.42%	-$1.20	-1.74	***	Card Cos 2Q EPS Produce Mixed Bag; Trends Mostly Stable (DJNS 12:29 PM)
07/02/02	$47.60	3,270,200	-0.69%	-2.12%	-1.66%	-1.22%	0.53%	$0.25	0.38		
07/03/02	$48.05	2,336,500	0.95%	0.63%	-0.91%	-1.00%	1.94%	$0.92	1.39		
07/05/02	$50.00	1,396,100	4.06%	3.68%	3.66%	3.25%	0.81%	$0.39	0.58		
07/08/02	$49.54	2,129,500	-0.92%	-1.21%	-0.37%	-0.03%	-0.89%	-$0.45	-0.64		
07/09/02	$47.05	4,030,700	-5.03%	-2.47%	-2.72%	-2.28%	-2.75%	-$1.36	-1.98	***	
07/10/02	$44.07	5,661,300	-6.33%	-3.39%	-3.20%	-2.60%	-3.74%	-$1.76	-2.68	***	
07/11/02	$45.00	4,942,700	2.11%	0.76%	0.95%	0.97%	1.14%	$0.50	0.82		
07/12/02	$46.30	4,043,500	2.89%	-0.64%	-0.85%	-0.66%	3.55%	$1.60	2.57	+++	
07/15/02	$45.67	4,319,800	-1.36%	-0.37%	-0.40%	-0.24%	-1.12%	-$0.52	-0.81		
07/16/02	$46.10	3,859,600	0.94%	-1.83%	-1.60%	-1.21%	2.15%	$0.98	1.55		
07/17/02	$42.37	11,480,800	-8.09%	0.56%	-0.81%	-0.87%	-7.22%	-$3.33	-5.20	***	Household Intl 2Q Net $1.08 A Share (DJNS 8:17 AM)
											News Highlights: Honeywell Sees 2002 Net $2.25-$2.30/Share (DJNS 12:00 PM)
											News Highlights: PSEG Sees 7% Earnings Growth In 2003 (DJNS 1:00 PM)
											News Highlights: Aphton Gets Orphan-Drug Status From FDA (DJNS 2:00 PM)
											News Highlights: AT&T Names David Dorman As Next Chmn, CEO (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											3:00 PM)
											News Highlights: AT&T Wireless Director Perry Resigns (DJNS 4:00 PM)
											News Highlights: IBM Posts 2Q Net 3c/Share On $1.4B Charge (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Wednesday, July 17 (DJNS 5:01 PM)
07/18/02	$42.41	5,402,900	0.09%	-2.70%	-3.38%	-2.93%	3.02%	$1.28	2.17	+++	Business Brief -- Household International Inc.: Net Jumps 17% as Demand For Consumer Loans Increases . (WSJ)
											Capital One Sees Shares Fall 40% On Fed Warning (WSJ)
											Stock Rating Reiterations: ATYT AMD PLNR INFS ATMI (DJNS 10:30 AM)
07/19/02	$40.72	4,719,300	-3.98%	-3.83%	-2.20%	-1.43%	-2.55%	-$1.08	-1.81	***	
07/21/02											NYSE Short Interest: Foster Wheeler - Kemet Corp (DJNS 11:03 PM)
07/22/02	$38.84	6,535,000	-4.62%	-3.29%	-3.59%	-3.03%	-1.59%	-$0.65	-1.14		
07/23/02	$36.29	6,642,400	-6.57%	-2.69%	-5.36%	-5.05%	-1.52%	-$0.59	-1.07		
07/24/02	$39.97	7,900,000	10.14%	5.74%	5.64%	4.93%	5.21%	$1.89	3.65	+++	
07/25/02	$38.80	4,955,700	-2.93%	-0.55%	-0.31%	-0.10%	-2.83%	-$1.13	-2.05	***	
07/26/02	$37.66	6,676,600	-2.94%	1.70%	2.79%	2.74%	-5.67%	-$2.20	-4.08	***	Saks Inc., Household International In Alliance >SKS HI (DJNS 8:31 AM)
07/29/02	$39.85	6,143,800	5.82%	5.41%	6.49%	5.91%	-0.09%	-$0.04	-0.07		Business Brief -- Saks Inc.: Household International Buys Most of the Credit-Card Unit . (WSJ)
											Household Intl Names Executives To New Positions (DJNS 9:28 AM)
07/30/02	$40.30	5,729,700	1.13%	0.43%	0.38%	0.42%	0.71%	$0.28	0.51		Career Journal: Who's News (WSJ)
											Corporate Bonds For the Little Guy --- Amid Market Turmoil, Companies Try to Sell Notes to Individual Investors; Weighing the Risks . (WSJ)
07/31/02	$42.67	4,675,600	5.88%	0.99%	1.51%	1.52%	4.36%	$1.76	3.15	+++	
08/01/02	$41.26	3,607,500	-3.30%	-2.95%	-2.26%	-1.68%	-1.62%	-$0.69	-1.17		
08/02/02	$39.45	3,225,100	-4.39%	-2.30%	-2.81%	-2.40%	-1.98%	-$0.82	-1.43		UBS Warburg Drops Coverage Of E-Finance Cos. (DJNS 8:57 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
08/05/02	$36.98	4,490,700	-6.26%	-3.42%	-3.75%	-3.18%	-3.08%	-$1.22	-2.21	***	
08/06/02	$39.72	5,035,600	7.41%	3.00%	3.13%	2.82%	4.59%	$1.70	3.29	+++	
08/07/02	$38.28	7,345,300	-3.63%	2.01%	1.48%	1.27%	-4.89%	-$1.94	-3.52	***	
08/08/02	$40.96	5,762,500	7.00%	3.28%	4.90%	4.66%	2.34%	$0.90	1.66	+++	Subprime Lending Stays Strong Despite Fed Warnings, Poll Finds (WSJ)
08/09/02	$40.45	4,929,000	-1.25%	0.36%	1.14%	1.26%	-2.50%	-$1.02	-1.81	***	
08/12/02	$39.70	3,062,400	-1.85%	-0.53%	-1.03%	-0.88%	-0.97%	-$0.39	-0.70		
08/13/02	$37.80	5,290,900	-4.79%	-2.16%	-2.43%	-2.03%	-2.76%	-$1.10	-1.99	***	Leading the News: Big Banks to Expense Stock Options --- Insurers, Wall Street Firms Are to Jointly Announce Major Accounting Change . (WSJ) Leading Fincl Svcs Firms To Expense Employee Stk Options (DJNS 10:27 AM) Table Of Companies Expensing Stock Options (DJNS 12:08 PM)
08/14/02	$38.09	18,659,600	0.77%	4.01%	3.74%	3.26%	-2.49%	-$0.94	-1.77	***	Household Backs Outlook For Rest Of Year (DJNS 7:28 AM) Fitch Affirms Household Intl At 'A' (DJNS 9:14 AM) Hot Stocks To Watch: HI AGRA AMAT EE AVA PFE (DJNS 9:35 AM) HOT STOCKS TO WATCH -2 (DJNS 9:48 AM) Table Of Companies Expensing Stock Options (DJNS 10:50 AM) CORRECT: Household Intl Originally Reported 1H EPS $2.17 (DJNS 1:16 PM) As SEC Deadline Nears, Some Cos Restate, Wait To Certify (DJNS 1:48 PM) News Highlights: Eli Lilly Gets Dept of Justice Subpoena (DJNS 4:00 PM) NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:17 PM) US Stks Surge On Futures Buying, Relief Over Certifications (DJNS 4:40 PM) News Highlights: UAL Preparing For Possible Chapter 11 (DJNS 5:01 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Recap Of Dow Jones Special Reports For Wednesday, Aug 14 (DJNS 5:07 PM)
											SEC Flooded With CEO, CFO Certifications, But No Firm Tally (DJNS 6:40 PM)
08/15/02	$39.60	6,311,400	3.96%	1.16%	1.07%	1.01%	2.96%	$1.13	2.14	+++	Taking the Pledge: Household Revises Accounting Of Some Credit-Card Pacts . (WSJ)
											Taking the Pledge: Restatements Trickle In (WSJ)
											Under Gun From SEC, Bristol, Others Divulge Accounting Issues (WSJ)
											Wal-Mart, Exxon, Microsoft Post Gains as Stocks Rebound (WSJ)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 9:08 AM)
											WSJ.COM What's News - Business and Finance For Aug. 15 (DJNS 9:15 AM)
											Stock Rating Reiterations: URBN TOO ADI AFC TTIL (DJNS 10:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 11:14 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:03 PM)
											WSJ.COM What's News - Business and Finance For Aug. 15 (DJNS 12:15 PM)
											WSJ.COM What's News - Business and Finance For Aug. 15 (DJNS 4:45 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:23 PM)
08/16/02	$37.54	6,467,700	-5.20%	-0.15%	-0.65%	-0.55%	-4.66%	-$1.84	-3.37	***	The Economy: Firms Rush to Meet Deadline By SEC to Certify Statements (WSJ)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 9:10 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Table Of Companies Expensing Stock Options (DJNS 11:03 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:08 PM)
											Status Of Co. CEO, CFO Certifications Required By SEC (DJNS 5:13 PM)
08/19/02	$37.75	7,094,200	0.56%	2.37%	2.67%	2.47%	-1.91%	-$0.72	-1.37		Hot Stocks To Watch In Barron's: PBI HI GE CEFT CAKE (DJNS 8:21 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 9:35 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:02 PM)
											Table Of Companies Expensing Stock Options (DJNS 12:09 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:06 PM)
											Household International Target Of Shareholder Suit (DJNS 5:22 PM)
08/20/02	$36.75	4,331,200	-2.65%	-1.39%	-1.50%	-1.19%	-1.45%	-$0.55	-1.05		Status Of CEO, CFO Certifications Required By SEC (DJNS 9:19 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:01 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:01 PM)
08/21/02	$37.15	3,254,700	1.09%	1.28%	0.45%	0.32%	0.77%	$0.28	0.55		Status Of CEO, CFO Certifications Required By SEC (DJNS 9:02 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:02 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:09 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
08/22/02	$40.65	5,621,800	9.42%	1.41%	1.25%	1.16%	8.27%	$3.07	5.97	+++	Status Of CEO, CFO Certifications Required By SEC (DJNS 9:00 AM)
											Stock Rating Reiterations: OSI ALOY HUG WB BGFV HUG WB (DJNS 10:30 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:14 PM)
											Table Of Companies Expensing Stock Options (DJNS 4:14 PM)
											US Stocks Notch Another Victory; DJIA Back Over 9000 (DJNS 4:20 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 4:45 PM)
08/23/02	$37.80	3,381,100	-7.01%	-2.26%	-2.05%	-1.60%	-5.41%	-$2.20	-3.90	***	General Motors, Microsoft Gain As Many Blue Chips Show Spark (WSJ)
											Status Of CEO, CFO Certifications Required By SEC -3 (DJNS 9:01 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 12:01 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:01 PM)
08/26/02	$39.08	4,080,500	3.39%	0.76%	1.20%	1.23%	2.16%	$0.82	1.56		Status Of CEO, CFO Certifications Required By SEC (DJNS 9:27 AM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 12:05 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:01 PM)
08/27/02	$37.70	5,019,200	-3.53%	-1.38%	-0.82%	-0.47%	-3.06%	-$1.19	-2.21	***	US Stocks Weakened By Worrisome Consumer Data; DJIA Off 1% (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											4:36 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
08/28/02	$36.80	4,770,000	-2.39%	-1.81%	-1.92%	-1.56%	-0.82%	-$0.31	-0.59		Lastest Data on Consumer Mood Hurt Retailers Costco, Kohl's (WSJ)
											Household Intl Reports Completion Of Audit By KPMG LLP (DJNS 8:47 AM)
											News Highlights: Office Depot Confirms Year Guidance (DJNS 9:00 AM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 4:42 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
08/29/02	$36.38	3,636,500	-1.14%	0.00%	0.33%	0.46%	-1.60%	-$0.59	-1.16		Status Of CEO, CFO Certifications Required By SEC (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
08/30/02	$36.11	2,523,800	-0.74%	-0.18%	0.24%	0.40%	-1.15%	-$0.42	-0.83		Status Of Company CEO, CFO Certifications Required By SEC (DJNS 4:59 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/03/02	$33.36	3,921,100	-7.62%	-4.15%	-4.90%	-4.25%	-3.36%	-$1.21	-2.39	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC -3 (DJNS 5:01 PM)
09/04/02	$34.40	4,705,200	3.12%	1.76%	1.79%	1.66%	1.46%	$0.49	1.05		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO,CFO Certifications Required By SEC (DJNS 5:50 PM)
09/05/02	$33.36	4,710,600	-3.02%	-1.59%	-1.45%	-1.11%	-1.92%	-$0.66	-1.38		Household CEO Says Loan Losses Will Continue To Rise (DJNS 2:52 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:06 PM)
09/06/02	$33.95	3,820,100	1.77%	1.69%	1.42%	1.28%	0.49%	$0.16	0.35		Citigroup CFO Confirms Settlement Talks With FTC (DJNS 10:51 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/09/02	$36.33	3,861,500	7.01%	1.02%	1.59%	1.60%	5.41%	$1.84	3.91	+++	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/10/02	$35.15	3,756,000	-3.25%	0.74%	-0.79%	-0.88%	-2.37%	-$0.86	-1.70	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of Company CEO, CFO Certifications Required By SEC (DJNS 5:14 PM)
09/11/02	$35.43	1,887,600	0.80%	-0.01%	-0.40%	-0.31%	1.11%	$0.39	0.80		Anniversary of 9/11 Slows Bond Sales --- Treasurys Rise, As Investors Seek Their Relative Safety; Jefferson Smurfit Sells Notes . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/12/02	$33.85	3,645,500	-4.46%	-2.47%	-2.74%	-2.30%	-2.16%	-$0.77	-1.56		US Stocks Can't Escape New Uncertainties, Economic Fears (DJNS 4:39 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/13/02	$34.67	3,133,000	2.42%	0.33%	0.68%	0.77%	1.65%	$0.56	1.20		Maytag, La-Z-Boy Post Losses Amid Dismal Data, Uncertainty (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/16/02	$33.59	2,983,600	-3.12%	0.15%	-0.20%	-0.13%	-2.98%	-$1.03	-2.16	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:29 PM)
09/17/02	$29.52	9,053,100	-12.12%	-1.97%	-2.09%	-1.71%	-10.41%	-$3.50	-7.50	***	How to Get Free Money: Use Plastic --- Credit Cards Lure Customers With 0% Cash Advances, But Watch Out for High Fees . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Issues, 4 pm Net Change Percentage Gainers & Losers (DJNS 5:25 PM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:44 PM)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
09/18/02	$29.85	10,493,800	1.12%	-0.46%	-0.89%	-0.74%	1.86%	$0.55	1.35		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:50 PM)
09/19/02	$29.25	5,997,000	-2.01%	-3.00%	-3.50%	-3.00%	0.99%	$0.29	0.71		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:37 PM)
											NYSE Short Interest: Forest Oil Corp - Kemet Corp (DJNS 11:03 PM)
09/20/02	$29.05	5,543,900	-0.68%	0.25%	-0.31%	-0.28%	-0.41%	-$0.12	-0.29		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC -3 (DJNS 5:06 PM)
09/23/02	$27.61	6,619,600	-4.96%	-1.38%	-0.11%	0.28%	-5.24%	-$1.52	-3.77	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:26 PM)
09/24/02	$27.55	6,765,900	-0.22%	-1.72%	-2.19%	-1.86%	1.64%	$0.45	1.18		Agency Bonds Are Facing Pressure --- Foreign Institutional Sales, Doubts About Fannie Mae Contribute to Volatility . (WSJ)
											Status Of CEO, CFO Certifications Required By SEC (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/25/02	$28.15	4,437,100	2.18%	2.49%	2.13%	1.86%	0.31%	$0.09	0.23		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/26/02	$29.28	5,158,000	4.90%	1.83%	3.00%	2.93%	1.97%	$0.55	1.42		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
09/27/02	$27.64	6,488,000	-5.60%	-3.22%	-3.03%	-2.45%	-3.15%	-$0.92	-2.26	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EDT (DJNS 6:43 PM)
09/30/02	$28.31	5,179,400	2.42%	-1.45%	0.41%	0.85%	1.57%	$0.44	1.13		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/01/02	$28.40	3,740,800	0.32%	4.01%	4.44%	4.01%	-3.70%	-$1.05	-2.63	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/02/02	$27.32	4,395,800	-3.80%	-2.35%	-3.85%	-3.50%	-0.30%	-$0.09	-0.21		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/03/02	$26.60	4,214,400	-2.64%	-1.07%	-4.13%	-4.08%	1.44%	$0.39	1.01		Cash-Rich Microsoft Tempts Buyers With Financing Deals (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											9:57 AM)
											US Stocks Fall, With The Nasdaq Hitting A Six-Year Low (DJNS 4:28 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/04/02	$24.66	5,539,800	-7.29%	-2.23%	-2.94%	-2.55%	-4.74%	-$1.26	-3.41	***	Household International Inc. May Be Near Large Settlement (WSJ)
											News Highlights: Fastenal Sells DIY Opers To Hillman Grp (DJNS 8:01 AM)
											Hot Stocks To Watch: HI LH FDRY MONE WDHD (DJNS 8:37 AM)
											News Highlights: US Sept Unemployment Rate 5.6% (DJNS 9:01 AM)
											HOT STOCKS TO WATCH -2- (DJNS 9:25 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/07/02	$23.25	6,894,300	-5.72%	-1.90%	-3.31%	-3.03%	-2.69%	-$0.66	-1.93	***	Table Of Companies Expensing Stock Options (DJNS 8:00 AM)
											Credit Cards 3Q Results Mixed; Focus On New Regulations (DJNS 11:06 AM)
											Hot Stocks -2: S SPWX AZPN BLI OMCL (DJNS 2:35 PM)
											US Stks Drop Again; Indicators Of A Bottom Don't Line Up (DJNS 4:44 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/08/02	$23.58	7,114,000	1.42%	1.70%	4.14%	4.18%	-2.76%	-$0.64	-1.96	***	Microsoft Uses Cash for Financing (WSJ)
											Sears Falls on Profit Warning As Stocks Drop in Choppy Day (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/09/02	$21.00	7,488,700	-10.94%	-2.72%	-4.34%	-3.95%	-6.99%	-$1.65	-4.98	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/10/02	$26.30	14,595,700	25.24%	3.50%	5.50%	5.25%	19.99%	$4.20	14.13	+++	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Issues, 4 pm Net Change Percentage Gainers & Losers (DJNS 5:27 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
10/11/02	$28.20	21,932,600	7.22%	3.91%	5.02%	4.65%	2.58%	$0.68	1.83	+++	Household May Pay $500 Million Over `Predatory' Loan Practices (WSJ)
											News Highlights: Lucent To Take $1B Restructuring Charge (DJNS 8:01 AM)
											Household Intl To Host Conference Call On Oct 11 (DJNS 8:22 AM)
											Hot Stocks To Watch: LU JNPR HI C (DJNS 8:33 AM)
											News Highlights: Nortel Puts 3Q Rev In Line With Views (DJNS 9:01 AM)
											HOT STOCKS TO WATCH -2- (DJNS 9:15 AM)
											WSJ.COM/Heard On The Net: H&R Block Makes A Bet On Loans (DJNS 9:51 AM)
											Mich. Office Of Fincl/Insur Svcs: Household Intl Settles (DJNS 10:59 AM)
											News Highlights: Bank Of America Slashing 190 Jobs (DJNS 11:02 AM)
											Household Intl Reaches Historic Consumer Protection Pact (DJNS 11:46 AM)
											News Highlights: $50M Bail Package OK'd For Tyco's Ex-CFO (DJNS 12:01 PM)
											WSJ.COM What's News - Business and Finance For Oct. 11 (DJNS 12:15 PM)
											Household Intl:Business Changes To Cost 10c/Share In '03 (DJNS 12:23 PM)
											News Highlights: S&P Cuts Ratings On Household Intl, Units (DJNS 1:01 PM)
											News Highlights: AT&T Gets Favorable Tax Ruling On Spinoff (DJNS 2:00 PM)
											News Highlights: Sirius Satellite Missed Sept Debt Payment (DJNS

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											3:01 PM)
											News Highlights: Isle Of Capri Withdraws 4M-Share Offer (DJNS 4:02 PM)
											NYSE Most Actives 9:30-4:00 Composite Trades (DJNS 4:22 PM)
											US Stks Break 6-Week Losing Streak; GE Powers Dow Friday (DJNS 4:41 PM)
											WSJ.COM What's News - Business and Finance For Oct. 11 (DJNS 4:47 PM)
											News Highlights: Raytheon Reaffirms 3Q Views For Cont Ops (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Friday, Oct. 11 (DJNS 5:02 PM)
10/14/02	$28.06	4,524,400	-0.50%	0.74%	0.49%	0.48%	-0.97%	-$0.27	-0.70		Household Settlement Boosts Stock (WSJ)
											The Economy: Do Predatory-Lending Laws Cut Mortgage Credit? (WSJ)
											WSJ.COM What's News - Business and Finance For Oct. 14 (DJNS 9:15 AM)
											WSJ.COM What's News - Business and Finance For Oct. 14 (DJNS 12:15 PM)
											Options Report:Stks Resilient, But Investors Hedge Still (DJNS 3:30 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/15/02	$31.25	4,614,100	11.37%	4.74%	7.32%	6.94%	4.43%	$1.24	3.08	+++	Stock-Market Success of Late Hasn't Eased Investors' Concerns (WSJ)
											Calendar Of Corporate Conference Calls For Oct 16 (DJNS 4:46 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
10/16/02	$27.75	8,207,700	-11.20%	-2.40%	-1.65%	-1.15%	-10.05%	-$3.14	-7.23	***	Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Household Intl 3Q Net 45c/Shr On Settlement Charge (DJNS 8:07 AM)
											Calendar Of Corporate Conference Calls For Oct 16 (DJNS 9:00 AM)
											News Highlights: Boeing 3Q EPS In Line (DJNS 9:01 AM)
											Household Intl CEO: Will Continue To Build Reserves (DJNS 10:12 AM)
											News Highlights:Household Intl Continue Building Reserves (DJNS 11:00 AM)
											NEWS WRAP:Household Int 3Q Net Dn 54% On Legal Settlement (DJNS 12:12 PM)
											News Highlights: AMR Corp 3Q Loss Narrower-Than-Expected (DJNS 1:01 PM)
											News Highlights: Weyerhaeuser To Cut 750 Corporate Jobs (DJNS 2:01 PM)
											News Highlights: Ford Continues 0% Financing Indefinitely (DJNS 3:00 PM)
											Settlement Charge Hurts Household Intl's 3Q Results (DJNS 3:27 PM)
											News Highlights: Judge Fines Arthur Andersen $500,000 (DJNS 4:00 PM)
											News Highlights: IBM, Apple, Kraft, AMD Report (DJNS 5:05 PM)
											Recap of Special Reports For Wednesday, October 16 (DJNS 5:05 PM)
10/17/02	$28.10	6,541,300	1.26%	2.24%	2.86%	2.69%	-1.43%	-$0.40	-1.03		Household's Results For Quarter Are Hurt By Settlement Charge CR Dow Jones Newswires . (WSJ)
											GETTING PERSONAL: Insuring Your Mortgage In Down Economy (DJNS 3:30 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/18/02	$29.20	3,722,100	3.91%	0.60%	0.11%	0.10%	3.81%	$1.07	2.76	+++	Deals & Deal Makers: Bond Snapshot / Investment-Grade Borrowers (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/21/02	$28.40	4,756,600	-2.74%	1.74%	1.27%	1.10%	-3.84%	-$1.12	-2.77	***	Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:23 PM)
10/22/02	$29.28	4,184,000	3.10%	-1.06%	-0.83%	-0.55%	3.65%	$1.04	2.64	+++	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/23/02	$26.45	9,930,000	-9.67%	0.68%	0.13%	0.11%	-9.78%	-$2.86	-7.07	***	What's Behind the Big Charge? Take a Look at Household (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											News Highlights:Beige Book:Economy Still Sluggish In Sept (DJNS 3:01 PM)
											News Highlights: Calif. Shippers: Dock Workers Output Falls (DJNS 4:01 PM)
											US Stks Rebound At Close; Hopes Fed Stays Accommodative (DJNS 4:24 PM)
											News Highlights: AOL To Restate Certain Fincl Info (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Wednesday, Oct. 23 (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
10/24/02	$22.83	18,236,400	-13.69%	-1.51%	-1.72%	-1.41%	-12.28%	-$3.25	-8.87	***	Computer Associates Rises 22%; DuPont Drops (WSJ)
											Options Report: Puts Pick Up As Downside Fear Rises (DJNS 3:30 PM)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:17 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											NYSE Issues, 4 pm Net Change Percentage Gainers & Losers (DJNS 5:32 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EDT (DJNS 6:44 PM)
											Household Issues $900 M In New Shrs (DJNS 7:14 PM)
10/25/02	$24.09	32,260,700	5.52%	1.72%	2.28%	2.18%	3.34%	$0.76	2.40	+++	Puts of QQQ, Household, GE Look Attractive to Fretful Traders (WSJ)
											Household Helps Assuage Investor Fears By Raising $900M (DJNS 11:48 AM)
											NYSE Most Actives 9:30-4:00 Composite Trades (DJNS 4:17 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives-Composite Trades 4-6:30 PM EDT (DJNS 6:43 PM)
10/28/02	$23.12	10,208,500	-4.03%	-0.82%	-0.35%	-0.09%	-3.94%	-$0.95	-2.85	***	Table Of Companies Expensing Stock Options (DJNS 7:36 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:01 PM)
10/29/02	$23.05	8,379,400	-0.30%	-0.90%	-0.93%	-0.69%	0.39%	$0.09	0.28		
10/30/02	$23.30	4,543,800	1.08%	0.98%	0.85%	0.82%	0.27%	$0.06	0.19		Household Bank Seeks OK To Transfer Some Debt Obligations (DJNS 9:01 AM)
10/31/02	$23.76	5,217,300	1.97%	-0.55%	-0.74%	-0.57%	2.54%	$0.59	1.84	+++	
11/01/02	$23.32	11,717,500	-1.85%	1.72%	1.43%	1.28%	-3.13%	-$0.74	-2.26	***	Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/04/02	$24.38	5,585,200	4.55%	0.83%	0.85%	0.85%	3.70%	$0.86	2.67	+++	Litigation Worries Trigger 8% Decline In Shares of Block (WSJ)
											Will Treasurys Remain Favored? --- Shift From Corporate Bonds May Continue as Investors Become More Conservative . (WSJ)
11/05/02	$24.32	4,169,400	-0.25%	0.78%	0.51%	0.50%	-0.74%	-$0.18	-0.54		CIT Readies $2 Billion Issue Of Bonds for Small Investors (WSJ)
											Household May Be on the Hook For Expensive Share Buyback (WSJ)
											Rules of the Game: With Soft Money On Way Out, Firms Get In Last

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Binge --- They Also Lay Groundwork For Future of Lobbying; Employees as New . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/06/02	$24.96	5,131,300	2.63%	0.92%	0.06%	-0.02%	2.65%	$0.64	1.91	+++	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/07/02	$24.41	7,782,300	-2.20%	-2.28%	-3.27%	-2.90%	0.69%	$0.17	0.50		Saks Inc Oct Same-Store Sales Fell 0.7% (DJNS 8:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/08/02	$23.05	6,912,700	-5.57%	-0.87%	-0.60%	-0.34%	-5.23%	-$1.28	-3.78	***	
11/11/02	$23.07	3,344,900	0.09%	-2.07%	-1.31%	-0.86%	0.94%	$0.22	0.68		Hot Stocks On Wall Street Week With Fortune (DJNS 7:33 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/12/02	$22.25	3,789,000	-3.55%	0.78%	0.94%	0.96%	-4.51%	-$1.04	-3.26	***	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/13/02	$22.46	5,519,800	0.94%	-0.04%	-0.45%	-0.36%	1.30%	$0.29	0.94		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/14/02	$27.50	76,720,900	22.44%	2.47%	2.98%	2.77%	19.67%	$4.42	14.13	+++	News Highlights: Bell Industries 3Q Loss 5c/Shr Vs Net 2c (DJNS 8:00 AM)
											Hot Stocks To Watch: HBC HI V RHHBY YHOO VFC PVH (DJNS 8:31 AM)
											HOT STOCKS TO WATCH (DJNS 8:34 AM)
											News Highlights: Target 3Q EPS 30c, Above 28c Views (DJNS 9:01 AM)
											WSJ.COM What's News - Business and Finance For Nov. 14 (DJNS 9:15 AM)
											News Highlights: Sprint To Cut 1,600 Employees (DJNS 10:01 AM)
											News Highlights: Delta Air Sees $42M 4Q Chg For Notes (DJNS 11:00 AM)
											News Highlights:Hughes Elec In Talks To Amend Credit Pacts (DJNS 12:00 PM)
											HSBC-Household Deal Shuffles Merger-Advisory Rankings (DJNS 12:07 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											WSJ.COM What's News - Business and Finance For Nov. 14 (DJNS 12:15 PM)
											HSBC Goes Consumer Finance Route, Unlike Other EU Banks (DJNS 12:31 PM)
											News Highlights: Adv Micro To Cut 15% Work Force By 2Q-End (DJNS 1:01 PM)
											News Highlights: Pakistan Intl Air Orders 8 Boeing 777s (DJNS 2:02 PM)
											News Highlights: Chertoff Approached For SEC Post - WSJ (DJNS 3:00 PM)
											Options Report: Calls Fly, Fear Gauge Falls, On Good Day (DJNS 3:30 PM)
											News Highlights: Lehman Bros To Cut 4% Of Work Force (DJNS 4:00 PM)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:14 PM)
											Small-Cap Stocks Rise; Nasdaq Gains 3.7% On Tech Surge (DJNS 4:41 PM)
											US Stocks Hold Rally, Aided By Big Household Deal (DJNS 4:41 PM)
											WSJ.COM What's News - Business and Finance For Nov. 14 (DJNS 4:45 PM)
											News Highlights: Dell 3Q EPS 21c Vs 16c (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Thursday, Nov. 14 (DJNS 5:05 PM)
											NYSE Issues, 4 pm Net Change Percentage Gainers & Losers (DJNS 5:25 PM)
											HSBC-Household Deal Not Viewed A Sign Of M&A Rebound (DJNS 5:35 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
11/15/02	$29.35	27,422,300	6.73%	0.62%	0.98%	1.03%	5.70%	$1.57	4.12	+++	A Global Journal Report --- Buying American: HSBC to Acquire Lender in Big Bet On U.S. Economy --- In Household Deal, U.K. Bank Sees Consumer . (WSJ)
											Ahead of the Tape (WSJ)
											Business and Finance (WSJ)
											Deals & Deal Makers: Bids & Offers (WSJ)
											Dow Industrials Recross 8500; Bonds Tumble (WSJ)
											Hong Kong Real-Estate Issues Rally (WSJ)
											Household's 22% Jump Buoys Financials; Tech Shares Rally (WSJ)
											Pent Up by Months of Gloom, Bulls Take Good News and Charge (WSJ)
											Small-Stock Focus: Tech Leads Stocks Higher; Kulicke, CNET Jump (WSJ)
											Yield on 10-Year Note Is Pushed Back Above 4% --- Retail-Sales Report Spurs Brisk Selling by Investors, Creating Big Price Declines . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											NYSE Most Actives 9:30-4:00 Composite Trades (DJNS 4:15 PM)
											NYSE Issues, 4 pm Net Change Percentage Gainers & Losers (DJNS 5:20 PM)
11/18/02	$28.40	16,419,000	-3.24%	-1.03%	-1.90%	-1.70%	-1.54%	-$0.45	-1.11		Do Restructuring Plays Pay Off? (WSJ)
											Wall Street Stock Pickers Stumble --- Just Eight of 15 Firms Beat A Minus 17.6% Return On S&P 500 for Quarter . (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											H&R Block's Stock Drop Seen As An Overreaction (DJNS 3:26 PM)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:21 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades (DJNS 6:47 PM)
11/19/02	$28.32	12,072,200	-0.28%	-0.39%	0.29%	0.50%	-0.78%	-$0.22	-0.57		Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NEWS WRAP: Saks Posts Profit; Nordstrom Hits Lowered View (DJNS 5:07 PM)
11/20/02	$28.67	14,312,700	1.24%	1.95%	2.42%	2.29%	-1.05%	-$0.30	-0.76		Saks Swung to Profit in Period As New York Store Rebounded (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											ITLA Cap Corp Announces Pact With Household Intl Inc. (DJNS 4:05 PM)
11/21/02	$29.14	10,683,100	1.64%	2.15%	2.20%	2.01%	-0.37%	-$0.11	-0.26		Cantor eSpeed Unit Faces Criticism --- Some Customers of Service Complain About Feature On Trumping of Trades . (WSJ)
											New Securities Issues (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
11/22/02	$27.60	26,754,500	-5.28%	-0.34%	-0.42%	-0.27%	-5.02%	-$1.46	-3.63	***	Corporate-Debt Market Is Humming --- Looming Holiday Season, Rebounding Stocks Help To Boost Issuance Activity . (WSJ)
											Deals & Deal Makers: Bond Snapshot / Investment-Grade Issuance (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											NYSE Most Actives 9:30-4:00 Composite Trades (DJNS 4:17 PM)
											US Stocks End Mixed; DJIA Posts 7th Straight Weekly Gain (DJNS 4:49 PM)
											LATE TRADING: Brocade, American Tower, Household Active (DJNS 4:54 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:05 PM)
11/25/02	$27.55	12,365,800	-0.18%	0.26%	-0.42%	-0.39%	0.21%	$0.06	0.15		December Forecast: a Blizzard of Key Data (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/26/02	$26.93	6,516,700	-2.25%	-2.09%	-2.69%	-2.32%	0.07%	$0.02	0.05		GE Capital Begins $20 Billion Offer --- Household Finance, CIT Group Also Launch 10-Year Debt Securities . (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
11/27/02	$28.29	6,103,000	5.05%	2.81%	2.98%	2.70%	2.35%	$0.63	1.68	+++	Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Strong Tax Season, Mortgage Business Helping H&R Block (DJNS 12:45 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives-Composite Trades 4-6:30 PM EST (DJNS 6:45 PM)
11/29/02	$28.70	3,250,600	1.45%	-0.27%	-0.45%	-0.31%	1.76%	$0.50	1.27		European Stocks Manage to Carve Out Gains (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 7:20 AM)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 9:07 AM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											NYSE Most Actives-Composite Trades (DJNS 4:33 PM)
12/02/02	$28.47	5,417,200	-0.80%	-0.18%	-0.28%	-0.15%	-0.65%	-$0.19	-0.47		A Credit-Card Sector With a `Caution' Sign (WSJ)
											Table Of Recent Mergers/Acquisitions Announcements (DJNS 11:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/03/02	$28.32	7,567,000	-0.53%	-1.47%	-1.20%	-0.86%	0.33%	$0.09	0.24		Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. ET (DJNS 6:40 PM)
12/04/02	$28.12	4,411,200	-0.71%	-0.34%	-0.31%	-0.15%	-0.55%	-$0.16	-0.40		Table Of Companies Expensing Stock Options (DJNS 7:20 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/05/02	$27.88	3,976,200	-0.85%	-1.19%	-1.71%	-1.47%	0.61%	$0.17	0.44		Deals & Deal Makers: A Market Backfires, and Investors Pay --- Though Greenspan Praised Idea, Credit-Derivative Trading Mutates; Instead of . (WSJ)
											GETTING PERSONAL: Pros And Cons Of Cash-Out Refinancing (DJNS 9:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/06/02	$28.45	4,598,500	2.04%	0.63%	0.75%	0.78%	1.26%	$0.35	0.91		Before More Bets On HSBC, Arbs Want To See M&A Agreement (DJNS 1:18 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/09/02	$27.55	3,755,100	-3.16%	-2.21%	-1.96%	-1.52%	-1.65%	-$0.47	-1.19		Deals & Deal Makers: Flurry in European M&A Market Fans Hopes (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/10/02	$28.07	2,963,500	1.89%	1.40%	1.76%	1.69%	0.19%	$0.05	0.14		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/11/02	$27.98	3,037,400	-0.32%	0.06%	0.07%	0.17%	-0.49%	-$0.14	-0.36		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/12/02	$27.77	2,192,400	-0.75%	-0.36%	-0.46%	-0.30%	-0.45%	-$0.13	-0.33		Weak Business For Invest Banks To Weigh On 4Q Earnings (DJNS 3:59 PM)
											Weak Business For Invest Banks To Weigh On 4Q Earnings (DJNS 4:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/13/02	$27.55	5,599,100	-0.79%	-1.34%	-1.22%	-0.91%	0.12%	$0.03	0.08		HSBC Still Tight-Lipped About Household Intl Merger Pact (DJNS 1:11 PM)
											News Highlights: Anadarko Backs 4Q EPS View (DJNS 2:00 PM)
											HSBC Discusses Merger Following Investor Complaints (DJNS 2:06 PM)
											News Highlights: Bush Calls Smallpox A Potential Threat (DJNS 3:00 PM)
											News Highlights:UAL CFO: Bookings Better Than Expected (DJNS 4:00 PM)
											News Highlights: WorldCom Settles With EDS (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Friday, Dec. 13 (DJNS 5:09 PM)
12/16/02	$28.55	7,476,400	3.63%	2.36%	2.83%	2.64%	0.99%	$0.27	0.71		Options Report: Volatility Slides As Stocks Post Gains (DJNS 3:30 PM)
											Table Of Companies Expensing Stock Options (DJNS 4:56 PM)
12/17/02	$28.25	5,310,900	-1.05%	-0.81%	-0.57%	-0.33%	-0.72%	-$0.21	-0.52		Investors Look to Defensive Puts To Protect Profits as Stocks Rise (WSJ)
											NY Official:Household Intl To Pay Max $484M Fine In Suit (DJNS 11:36 AM)
											News Highlights: Six WorldCom Board Members Resign (DJNS 12:01 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
12/18/02	$27.82	3,859,200	-1.52%	-1.31%	-1.62%	-1.35%	-0.18%	-$0.05	-0.13		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/19/02	$27.90	3,690,100	0.29%	-0.76%	-0.78%	-0.56%	0.85%	$0.24	0.61		Household Intl Settlement With Attorneys Genl Take Efect (DJNS 9:11 AM)
											News Highlights:Goldman CFO Sees Gradual Recovery In 03 (DJNS 10:02 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Short Interest: Forest Oil Corp - Kemet Corp (DJNS 11:03 PM)
12/20/02	$28.39	10,653,100	1.76%	1.31%	1.97%	1.94%	-0.18%	-$0.05	-0.13		HSBC Holdings Plc In Agreement To Buy Household Intl (DJNS 9:28 AM)
											Table Of Companies Expensing Stock Options (DJNS 4:53 PM)
12/23/02	$28.00	4,801,300	-1.37%	0.19%	-0.33%	-0.28%	-1.10%	-$0.31	-0.79		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/24/02	$27.98	1,258,900	-0.07%	-0.54%	-0.87%	-0.70%	0.63%	$0.18	0.46		Table Of Companies Expensing Stock Options (DJNS 2:00 PM)
											NYSE Most Actives- Composite Trades (DJNS 4:18 PM)
12/26/02	$27.95	2,121,700	-0.11%	-0.31%	-0.11%	0.06%	-0.17%	-$0.05	-0.12		Table Of Companies Expensing Stock Options (DJNS 7:30 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/27/02	$27.36	1,812,700	-1.22%	-1.60%	-1.97%	-1.66%	0.44%	$0.12	0.32		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/30/02	$27.85	3,161,000	1.79%	0.46%	0.77%	0.84%	0.95%	$0.26	0.69		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
12/31/02	$27.81	2,063,200	-0.14%	0.06%	0.32%	0.44%	-0.58%	-$0.16	-0.42		US Merger Volume Falls 41% To $458 Bln In '02 - Thomson (DJNS 2:03 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/02/03	$28.32	3,217,200	1.83%	3.33%	3.46%	3.11%	-1.27%	-$0.35	-0.91		Year-End Review of Markets & Finance 2002 --- A Year of Scandals & Sorrow . (WSJ)
											Year-End Review of Markets & Finance 2002 --- Merger Market Gets Year-End Jump-Start --- Bankers See Some Evidence Of a Turnaround, but . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											Year-End Review of Markets & Finance 2002 --- Underwriting Sank Under Market's Woes --- Global Volume Fell by 5.1%, Disclosed Fees Dropped 21% . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/03/03	$28.63	4,177,300	1.09%	-0.04%	0.00%	0.12%	0.98%	$0.28	0.71		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/06/03	$28.85	6,930,000	0.77%	2.25%	2.95%	2.79%	-2.02%	-$0.58	-1.45		Quarterly Mutual Funds Review --- Seeking an End to the Stock Storm --- Bears Hold On Tight To Cautious Outlook; One Major Risk: Iraq . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/07/03	$28.50	5,192,400	-1.21%	-0.65%	-0.88%	-0.69%	-0.53%	-$0.15	-0.38		Table Of Companies Expensing Stock Options (DJNS 7:00 AM)
											H&R Block Says To Meet Or Exceed FY03 Financial Goals (DJNS 9:34 AM)
											Subprime Credit Card Cos. Saw More Credit Erosion In 4Q (DJNS 12:18 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/08/03	$28.48	3,440,600	-0.07%	-1.40%	-1.06%	-0.73%	0.66%	$0.19	0.48		Muni Bonds Shrug Off Bush Plan --- Effect of New Competitor In Tax-Exempt Market Is Still Being Weighed . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/09/03	$28.50	5,999,800	0.07%	1.95%	1.89%	1.72%	-1.65%	-$0.47	-1.19		New Securities Issues (WSJ)
											Saks Dec Same-Store Sales Fell 2.1% (DJNS 8:44 AM)
											TIP SHEET: Simon Says, Back To Fundamental Investing (DJNS 3:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/10/03	$28.50	5,215,900	0.00%	0.01%	-0.09%	0.01%	-0.01%	$0.00	-0.01		New Securities Issues (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/13/03	$28.45	3,850,700	-0.18%	-0.13%	0.23%	0.38%	-0.56%	-$0.16	-0.40		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
01/14/03	$28.50	6,693,000	0.18%	0.59%	0.90%	0.95%	-0.77%	-$0.22	-0.56		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/15/03	$28.50	6,160,700	0.00%	-1.44%	-1.53%	-1.22%	1.22%	$0.35	0.88		Household Intl Year-ago 4Q EPS $1.13 (DJNS 8:04 AM)
											News Highlights: DuPont Sees 4Q EPS 31c-33c (DJNS 9:02 AM)
											Household Reports 4Q EPS 66c (DJNS 8:03 AM)
											Household Int'l Results Pose Little Threat To Merger (DJNS 10:56 AM)
											News Highlights: AOL Denies It Is Wooing Mel Karmazin (DJNS 11:00 AM)
											NEWS WRAP: Household Intl Net Falls 37% On Thrift Sale (DJNS 11:05 AM)
											News Highlights: Taubman To Advise Holders In 10 Days (DJNS 12:00 PM)
											News Highlights: Synovus Financial 4Q EPS 35c Vs 29c (DJNS 1:00 PM)
											News Highlights: Raymond James 1Q EPS 29c Vs 37c (DJNS 2:00 PM)
											News Highlights: Economy Remained Sluggish - Beige Book (DJNS 3:00 PM)
											News Highlights: McDonald's Names Alvarez US Opers Chief (DJNS 4:00 PM)
											News Highlights: Yahoo 4Q Net 8c A Share, Beats View (DJNS 5:00 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Recap Of Dow Jones Special Reports For Wednesday, Jan. 15 (DJNS 5:10 PM)
01/16/03	$28.47	3,831,600	-0.11%	-0.39%	-0.74%	-0.59%	0.49%	$0.14	0.35		Financial Services Brief -- Household International Inc.: Net Income in 4th Quarter Fell By 37% on Loss of Sale of Unit . (WSJ)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
											New Securities Issues (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/17/03	$28.28	2,959,700	-0.67%	-1.40%	-0.35%	0.03%	-0.70%	-$0.20	-0.51		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/20/03											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/21/03	$27.87	5,886,900	-1.45%	-1.56%	-1.68%	-1.35%	-0.10%	-$0.03	-0.07		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/22/03	$27.21	5,218,400	-2.37%	-1.04%	-1.48%	-1.26%	-1.11%	-$0.31	-0.80		Table Of Companies Expensing Stock Options (DJNS 4:13 PM)
											NYSE Short Interest: Forest Brands - Kemet Corp (DJNS 11:04 PM)
01/23/03	$27.39	9,295,500	0.66%	1.03%	1.14%	1.11%	-0.45%	-$0.12	-0.33		New Securities Issues (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/24/03	$27.00	3,353,500	-1.42%	-2.92%	-3.58%	-3.10%	1.68%	$0.46	1.20		High Court To Rule On Venue For Interest Rate Fraud Case (DJNS 3:24 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/27/03	$26.44	3,369,700	-2.07%	-1.61%	-1.38%	-1.02%	-1.05%	-$0.28	-0.76		High Court Is to Weigh Venue For Lawsuit Over Loan Interest (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/28/03	$26.60	3,803,100	0.61%	1.31%	1.08%	0.99%	-0.39%	-$0.10	-0.28		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/29/03	$26.25	7,099,300	-1.32%	0.69%	0.16%	0.14%	-1.46%	-$0.39	-1.05		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/30/03	$26.05	4,236,600	-0.76%	-2.28%	-2.23%	-1.79%	1.03%	$0.27	0.74		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
01/31/03	$27.31	7,182,600	4.84%	1.32%	1.58%	1.53%	3.31%	$0.86	2.39	+++	Table Of Companies Expensing Stock Options (DJNS 3:00 PM)
02/03/03	$27.04	4,120,400	-0.99%	0.55%	0.55%	0.58%	-1.57%	-$0.43	-1.13		Gottschalks Sets Financial Positioning Plan (DJNS 6:31 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/04/03	$26.76	3,837,700	-1.04%	-1.40%	-2.44%	-2.20%	1.17%	$0.32	0.84		Retail Brief -- Gottschalks Inc.: Revamp Includes Closing Stores, Selling Credit-Card Operation . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
02/05/03	$26.65	4,919,500	-0.41%	-0.54%	-0.70%	-0.52%	0.11%	$0.03	0.08		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/06/03	$26.45	3,615,800	-0.75%	-0.64%	-1.46%	-1.32%	0.57%	$0.15	0.41		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/07/03	$26.55	2,835,500	0.38%	-1.00%	-0.89%	-0.63%	1.01%	$0.27	0.73		Table Of Companies Expensing Stock Options (DJNS 4:39 PM)
02/10/03	$26.63	2,953,100	0.30%	0.76%	0.80%	0.81%	-0.51%	-$0.14	-0.37		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/11/03	$26.61	2,593,900	-0.08%	-0.80%	-1.29%	-1.09%	1.02%	$0.27	0.73		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/12/03	$26.81	4,086,400	0.75%	-1.26%	-1.17%	-0.87%	1.63%	$0.43	1.18		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/13/03	$27.03	5,351,800	0.82%	-0.15%	0.54%	0.72%	0.10%	$0.03	0.07		New Securities Issues (WSJ) Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/14/03	$27.20	3,783,500	0.63%	2.15%	2.26%	2.07%	-1.44%	-$0.39	-1.04		Subprime Bill Aims to Mute State Laws --- Republican's Proposal to Police Predatory Lending Would Set Weaker National Standards . (WSJ) Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/18/03	$27.57	1,925,700	1.36%	1.96%	1.63%	1.44%	-0.08%	-$0.02	-0.06		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/19/03	$27.68	3,051,500	0.40%	-0.70%	-0.49%	-0.27%	0.67%	$0.18	0.48		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/20/03	$27.51	2,718,700	-0.61%	-0.94%	-0.81%	-0.55%	-0.06%	-$0.02	-0.04		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/21/03	$27.70	2,398,200	0.69%	1.33%	1.21%	1.12%	-0.43%	-$0.12	-0.31		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/23/03											NYSE Short Interest: Forest Brands - Kemet Corp (DJNS 11:40 PM)
02/24/03	$27.49	3,218,300	-0.76%	-1.83%	-2.18%	-1.83%	1.07%	$0.30	0.77		News Highlights: White House To Introduce 2nd UN Resolution (DJNS 11:00 AM) Table Of Companies Expensing Stock Options (DJNS 5:00 PM) H&R Block CEO: Snow Hurt Tax Business Through Mid Feb. (DJNS 5:16 PM) NYSE Most Actives-Composite Trades (4-6:30 P.M. EST) (DJNS 6:50 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
02/25/03	$27.55	3,246,700	0.22%	0.73%	0.70%	0.71%	-0.49%	-$0.14	-0.36		Table Of Companies Expensing Stock Options (DJNS 4:00 PM)
02/26/03	$27.39	4,092,300	-0.58%	-1.31%	-1.30%	-1.00%	0.42%	$0.11	0.30		Spitzer Tangles Again With Federal Regulators --- New York Official Says Bank Overseer Hampers Predatory-Lending Probes . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/27/03	$27.73	2,899,600	1.24%	1.18%	1.58%	1.55%	-0.31%	-$0.09	-0.23		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
02/28/03	$27.93	2,788,300	0.72%	0.47%	0.28%	0.32%	0.40%	$0.11	0.29		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/03/03	$28.10	2,911,500	0.61%	-0.75%	-0.69%	-0.47%	1.08%	$0.30	0.78		Deals & Deal Makers: New HSBC Chief Will Minister U.S.-Loan Foray (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/04/03	$27.87	2,679,300	-0.82%	-1.53%	-1.50%	-1.17%	0.35%	$0.10	0.25		How One Black Woman Lands Her Top Jobs: Risks and Networking (WSJ)
											HSBC's Pretax Profit Rises 21% As Loan-Loss Provisions Decline (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/05/03	$28.08	2,435,600	0.75%	0.96%	1.29%	1.29%	-0.53%	-$0.15	-0.38		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/06/03	$27.35	3,248,700	-2.60%	-0.93%	-1.44%	-1.24%	-1.36%	-$0.38	-0.99		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/07/03	$27.56	3,880,100	0.77%	0.83%	0.96%	0.96%	-0.19%	-$0.05	-0.14		HOT STOCKS TO WATCH (DJNS 8:31 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/10/03	$26.78	4,893,800	-2.83%	-2.58%	-3.70%	-3.30%	0.47%	$0.13	0.33		Fed's View Sought In Credit Card Over-The-Limit Fee Case (DJNS 4:45 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/11/03	$27.09	4,929,700	1.16%	-0.83%	-1.60%	-1.42%	2.58%	$0.69	1.86	+++	Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											Household Intl Declares 86.94c Div Based On HSBC Merger (DJNS 6:45 PM)
03/12/03	$27.29	4,878,900	0.74%	0.44%	-0.07%	-0.05%	0.79%	$0.21	0.57		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

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Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
03/13/03	$27.89	5,119,200	2.20%	3.45%	4.30%	3.98%	-1.78%	-$0.49	-1.27		Table Of Companies Expensing Stock Options (DJNS 7:00 AM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/14/03	$27.51	4,874,000	-1.36%	0.17%	0.39%	0.49%	-1.85%	-$0.52	-1.34		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/17/03	$28.16	8,931,800	2.36%	3.55%	3.41%	3.00%	-0.64%	-$0.18	-0.46		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives - Composite Trades 4-6:30 P.M. (DJNS 6:58 PM)
03/18/03	$28.20	5,529,200	0.14%	0.43%	0.27%	0.31%	-0.16%	-$0.05	-0.12		Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/19/03	$28.45	11,459,800	0.89%	0.88%	1.44%	1.46%	-0.58%	-$0.16	-0.42		Household Enters Into Consent Order With SEC>HI HBC (DJNS 10:50 AM)
											Household Intl Makes Announcement (DJNS 11:45 AM)
											NEWS WRAP: SEC Says Household Violated Securities Laws (DJNS 3:33 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/20/03	$27.76	11,220,100	-2.43%	0.20%	0.26%	0.35%	-2.77%	-$0.79	-2.01	***	Financial Services Brief -- Household International Inc.: Deal Is Reached With SEC In Probe of Finance Company . (WSJ)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EST (DJNS 6:41 PM)
											NYSE Short Interest: Fortune Brands - Kemet Corp (DJNS 11:03 PM)
03/21/03	$28.35	16,243,900	2.13%	2.30%	2.58%	2.38%	-0.25%	-$0.07	-0.18		Stockholder Meetings For The Week Of March 24 (DJNS 12:50 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
03/24/03	$27.05	13,016,700	-4.59%	-3.52%	-3.43%	-2.81%	-1.77%	-$0.50	-1.27		At Fairholme, It's Business as Usual --- Fund Focuses on Research, Not the Market or the War, To Beat Others' Rankings . (WSJ)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:16 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)

Event Study for Household International, Inc.

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											Symantec To Replace Household Intl In S&P 500 (DJNS 5:20 PM)
											NYSE Most Actives- Composite Trades (DJNS 6:52 PM)
03/25/03	$28.00	9,905,100	3.51%	1.22%	0.62%	0.52%	2.99%	$0.81	2.16	+++	Symantec to Get S&P 500 Listing (WSJ)
											Hot Stocks To Watch: SONC ASF SYMC HI ANTR GD (DJNS 7:31 AM)
											HOT STOCKS TO WATCH (DJNS 8:37 AM)
											US Stocks Rise As Positive Developments Take Precedence (DJNS 4:37 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EST (DJNS 6:40 PM)
03/26/03	$28.20	13,809,600	3.82%	-0.54%	-0.41%	-0.21%	4.03%	$1.13	2.92	+++	JetBlue and Southwest Climb As Steel, Tobacco Stocks Slide (WSJ)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:24 PM)
											NYSE Disciplines 3 Firms, 11 Individuals >LM C (DJNS 4:34 PM)
											US Stocks Drop As Iraq, Profit Concerns Cause Caution (DJNS 4:52 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives- Composite Trades 4-6:30 p.m. EST (DJNS 6:41 PM)
03/27/03	$28.25	15,158,900	0.18%	-0.16%	-0.47%	-0.36%	0.54%	$0.15	0.39		Nvidia, Xcel See Gains as Stocks Slip (WSJ)
											Sears Pegs Revival on Sale of Credit Unit --- As Retailer Plans to Return to Core Operations, Stock Price Jumps 13% . (WSJ)
											NYSE Most Actives 9:30-4:00 Composite Trade (DJNS 4:18 PM)
											Table Of Companies Expensing Stock Options (DJNS 5:00 PM)
											NYSE Most Actives - Composite Trades 4-6:30 P.M. (DJNS 6:40 PM)

Event Study for Household International, Inc.

Date	Price	Volume	Household Return	S&P 500 Index Return	S&P Financials Index Return	Predicted Return	Residual Return	Residual Price Change	t-Stat	|t| > 1.65	Comment
03/28/03	$28.28	99,515,900	0.11%	-0.57%	-0.44%	-0.23%	0.34%	$0.10	0.25		NYSE Most Actives - Composite Trades 4-6:30 P.M. (DJNS 6:41 PM) Stockholder Meetings For Friday, March 28 (DJNS 7:00 AM) Household To Redeem Cumulative Preferred Stk (DJNS 11:38 AM) Dow Jones News Highlights Top Stories Of The Day (DJNS 1:00 PM) Dow Jones News Highlights Top Stories Of The Day (DJNS 2:00 PM) Dow Jones News Highlights Top Stories Of The Day (DJNS 3:00 PM) NYSE Most Actives 9:30-4:00 Composite Trades (DJNS 4:19 PM) News on Household International Inc. (HI) Now Under Symbol HBC (DJNS 4:57 PM) Table Of Companies Expensing Stock Options (DJNS 5:00 PM) NYSE Most Actives - Composite Trades 4-6:30 P.M. (DJNS 6:42 PM)

Note: Predicted and residual returns were calculated using the equation: $R_{Household} = 0.00112 + -0.20929 \times R_{S\&P500} + 1.06738 \times R_{Financials}$, where $R_{Household}$ is Household's daily stock return, $R_{S\&P500}$ is the daily return of the S&P 500 index, and $R_{Financials}$ is the daily return of the S&P 500 Financials index. This equation was estimated using an estimation period of November 15, 2000 - November 14, 2001.

Sources: Household stock price data from the 200512 and 200612 CRSP, Center for Research in Security Prices. Graduate School of Business, The University of Chicago used with permission. All rights reserved. www.crsp.chicagogsb.edu. S&P index returns from SunGard Data Management Solutions. *Dow Jones News Service* and *Wall Street Journal* articles from Factiva.

CERTIFICATE OF SERVICE

I hereby certify that on March 28, 2014, I authorized the electronic filing of the foregoing with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit by using the CM/ECF system. I further certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

s/ Michael J. Dowd
MICHAEL J. DOWD
Lead Counsel for Plaintiffs-Appellees

No. 13-3532

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

GLICKENHAUS INSTITUTIONAL GROUP,
Plaintiff-Appellee,
vs.
HOUSEHOLD INTERNATIONAL, INCORPORATED, et al.,
Defendants-Appellants.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Case No. 1:02-cv-5893
The Honorable Ronald A. Guzman, District Judge

PLAINTIFFS-APPELLEES' SUPPLEMENTAL APPENDIX
VOLUME 3 OF 3

ROBBINS GELLER RUDMAN
& DOWD LLP
MICHAEL J. DOWD
SPENCER A. BURKHOLZ
DANIEL S. DROSMAN
JOSEPH D. DALEY
MAUREEN E. MUELLER
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
LUKE O. BROOKS
JASON C. DAVIS
Post Montgomery Center
One Montgomery Street, Suite 1800
San Francisco, CA 94104
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs-Appellees

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Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
07/30/99	$42.94	$25.13	$17.81
08/02/99	$41.88	$24.51	$17.37
08/03/99	$40.00	$23.41	$16.59
08/04/99	$40.31	$23.59	$16.72
08/05/99	$40.56	$23.74	$16.82
08/06/99	$40.25	$23.56	$16.69
08/09/99	$40.88	$23.92	$16.95
08/10/99	$39.50	$23.12	$16.38
08/11/99	$40.25	$23.56	$16.69
08/12/99	$40.19	$23.52	$16.67
08/13/99	$40.75	$23.85	$16.90
08/16/99	$39.75	$23.27	$16.48
08/17/99	$41.50	$24.29	$17.21
08/18/99	$42.00	$24.58	$17.42
08/19/99	$41.69	$24.40	$17.29
08/20/99	$41.88	$24.51	$17.37
08/23/99	$42.94	$25.13	$17.81
08/24/99	$42.44	$24.84	$17.60
08/25/99	$41.19	$24.11	$17.08
08/26/99	$39.81	$23.30	$16.51
08/27/99	$37.81	$22.13	$15.68
08/30/99	$37.44	$21.91	$15.53
08/31/99	$37.75	$22.10	$15.65
09/01/99	$39.56	$23.16	$16.41
09/02/99	$38.50	$22.53	$15.97
09/03/99	$39.94	$23.38	$16.56
09/07/99	$39.94	$23.38	$16.56
09/08/99	$39.56	$23.16	$16.41
09/09/99	$39.88	$23.34	$16.54
09/10/99	$40.63	$23.78	$16.85
09/13/99	$41.50	$24.29	$17.21
09/14/99	$41.13	$24.07	$17.05
09/15/99	$40.44	$23.67	$16.77
09/16/99	$40.25	$23.56	$16.69
09/17/99	$41.13	$24.07	$17.05
09/20/99	$41.75	$24.44	$17.31
09/21/99	$40.50	$23.70	$16.80
09/22/99	$41.44	$24.25	$17.18
09/23/99	$40.00	$23.41	$16.59
09/24/99	$39.44	$23.08	$16.35
09/27/99	$40.38	$23.63	$16.74
09/28/99	$39.69	$23.16	$16.53
09/29/99	$40.63	$23.71	$16.92
09/30/99	$40.13	$23.41	$16.71
10/01/99	$39.38	$22.98	$16.40
10/04/99	$40.44	$23.60	$16.84
10/05/99	$41.06	$23.96	$17.10

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Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
10/06/99	$42.88	$25.02	$17.86
10/07/99	$42.38	$24.73	$17.65
10/08/99	$44.31	$25.86	$18.46
10/11/99	$42.69	$24.91	$17.78
10/12/99	$41.69	$24.33	$17.36
10/13/99	$39.75	$23.19	$16.56
10/14/99	$38.94	$22.72	$16.22
10/15/99	$37.00	$21.59	$15.41
10/18/99	$37.88	$22.10	$15.77
10/19/99	$38.94	$22.72	$16.22
10/20/99	$39.56	$23.09	$16.48
10/21/99	$39.00	$22.76	$16.24
10/22/99	$39.75	$23.19	$16.56
10/25/99	$38.88	$22.68	$16.19
10/26/99	$39.06	$22.79	$16.27
10/27/99	$41.56	$24.25	$17.31
10/28/99	$45.69	$26.66	$19.03
10/29/99	$44.63	$26.04	$18.59
11/01/99	$45.00	$26.26	$18.74
11/02/99	$45.31	$26.44	$18.87
11/03/99	$44.56	$26.00	$18.56
11/04/99	$45.63	$26.62	$19.00
11/05/99	$46.06	$26.88	$19.18
11/08/99	$44.63	$26.04	$18.59
11/09/99	$43.06	$25.13	$17.94
11/10/99	$42.56	$24.84	$17.73
11/11/99	$41.31	$24.11	$17.21
11/12/99	$44.13	$25.75	$18.38
11/15/99	$44.13	$25.75	$18.38
11/16/99	$45.13	$26.33	$18.79
11/17/99	$43.25	$25.24	$18.01
11/18/99	$42.50	$24.80	$17.70
11/19/99	$41.88	$24.43	$17.44
11/22/99	$41.25	$24.07	$17.18
11/23/99	$40.94	$23.89	$17.05
11/24/99	$40.38	$23.56	$16.82
11/26/99	$40.25	$23.49	$16.76
11/29/99	$39.38	$22.98	$16.40
11/30/99	$39.56	$23.08	$16.48
12/01/99	$39.56	$23.08	$16.48
12/02/99	$40.31	$23.52	$16.79
12/03/99	$41.00	$23.92	$17.08
12/06/99	$39.50	$23.05	$16.45
12/07/99	$38.25	$22.32	$15.93
12/08/99	$38.69	$22.57	$16.11
12/09/99	$39.50	$23.05	$16.45
12/10/99	$39.06	$22.79	$16.27

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
12/13/99	$38.25	$22.32	$15.93
12/14/99	$37.94	$22.14	$15.80
12/15/99	$37.63	$21.95	$15.67
12/16/99	$38.31	$22.35	$15.96
12/17/99	$38.13	$22.25	$15.88
12/20/99	$37.94	$22.14	$15.80
12/21/99	$37.25	$21.73	$15.52
12/22/99	$36.63	$21.37	$15.25
12/23/99	$37.50	$21.88	$15.62
12/27/99	$36.88	$21.52	$15.36
12/28/99	$36.19	$21.11	$15.07
12/29/99	$35.94	$20.90	$15.04
12/30/99	$36.56	$21.26	$15.30
12/31/99	$37.25	$21.66	$15.59
01/03/00	$34.69	$20.17	$14.52
01/04/00	$35.00	$20.35	$14.65
01/05/00	$34.38	$19.99	$14.39
01/06/00	$36.00	$20.93	$15.07
01/07/00	$36.38	$21.15	$15.22
01/10/00	$36.50	$21.23	$15.27
01/11/00	$36.00	$20.93	$15.07
01/12/00	$36.75	$21.37	$15.38
01/13/00	$37.69	$21.92	$15.77
01/14/00	$37.31	$21.70	$15.61
01/18/00	$36.50	$21.23	$15.27
01/19/00	$36.81	$21.41	$15.41
01/20/00	$36.00	$20.93	$15.07
01/21/00	$35.63	$20.72	$14.91
01/24/00	$34.50	$20.06	$14.44
01/25/00	$33.94	$19.73	$14.20
01/26/00	$35.63	$20.72	$14.91
01/27/00	$35.69	$20.75	$14.94
01/28/00	$34.19	$19.88	$14.31
01/31/00	$35.25	$20.50	$14.75
02/01/00	$35.25	$20.50	$14.75
02/02/00	$36.13	$21.01	$15.12
02/03/00	$35.63	$20.72	$14.91
02/04/00	$35.38	$20.57	$14.80
02/07/00	$35.06	$20.39	$14.67
02/08/00	$35.75	$20.79	$14.96
02/09/00	$33.88	$19.70	$14.18
02/10/00	$33.88	$19.70	$14.18
02/11/00	$31.88	$18.54	$13.34
02/14/00	$31.31	$18.21	$13.10
02/15/00	$32.94	$19.15	$13.78
02/16/00	$30.88	$17.95	$12.92
02/17/00	$31.69	$18.43	$13.26

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
02/18/00	$30.88	$17.95	$12.92
02/22/00	$31.06	$18.06	$13.00
02/23/00	$30.69	$17.85	$12.84
02/24/00	$30.63	$17.81	$12.82
02/25/00	$30.88	$17.95	$12.92
02/28/00	$31.88	$18.54	$13.34
02/29/00	$31.94	$18.57	$13.37
03/01/00	$33.25	$19.34	$13.91
03/02/00	$35.13	$20.43	$14.70
03/03/00	$36.63	$21.30	$15.33
03/06/00	$34.81	$20.24	$14.57
03/07/00	$32.88	$19.12	$13.76
03/08/00	$31.81	$18.50	$13.31
03/09/00	$32.44	$18.86	$13.57
03/10/00	$32.75	$19.04	$13.71
03/13/00	$32.44	$18.86	$13.57
03/14/00	$32.13	$18.68	$13.44
03/15/00	$34.25	$19.92	$14.33
03/16/00	$36.81	$21.41	$15.41
03/17/00	$36.88	$21.44	$15.43
03/20/00	$35.56	$20.68	$14.88
03/21/00	$37.88	$22.02	$15.85
03/22/00	$37.75	$21.95	$15.80
03/23/00	$38.88	$22.61	$16.27
03/24/00	$37.94	$22.06	$15.88
03/27/00	$36.13	$21.01	$15.12
03/28/00	$36.69	$21.33	$15.35
03/29/00	$36.50	$21.15	$15.35
03/30/00	$36.38	$21.08	$15.29
03/31/00	$37.31	$21.62	$15.69
04/03/00	$39.13	$22.68	$16.45
04/04/00	$38.13	$22.10	$16.03
04/05/00	$39.06	$22.64	$16.42
04/06/00	$40.38	$23.40	$16.98
04/07/00	$38.88	$22.53	$16.34
04/10/00	$40.00	$23.18	$16.82
04/11/00	$40.63	$23.54	$17.08
04/12/00	$44.00	$25.50	$18.50
04/13/00	$42.06	$24.38	$17.68
04/14/00	$38.06	$22.06	$16.00
04/17/00	$39.63	$22.97	$16.66
04/18/00	$39.69	$23.00	$16.69
04/19/00	$39.94	$23.15	$16.79
04/20/00	$41.81	$24.23	$17.58
04/24/00	$43.38	$25.14	$18.24
04/25/00	$44.69	$25.90	$18.79
04/26/00	$43.63	$25.28	$18.34

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
04/27/00	$42.00	$24.34	$17.66
04/28/00	$41.75	$24.20	$17.55
05/01/00	$42.00	$24.34	$17.66
05/02/00	$42.06	$24.38	$17.68
05/03/00	$40.75	$23.62	$17.13
05/04/00	$39.13	$22.68	$16.45
05/05/00	$39.75	$23.04	$16.71
05/08/00	$41.13	$23.83	$17.29
05/09/00	$40.25	$23.33	$16.92
05/10/00	$39.38	$22.82	$16.55
05/11/00	$39.94	$23.15	$16.79
05/12/00	$40.38	$23.40	$16.98
05/15/00	$41.94	$24.31	$17.63
05/16/00	$42.81	$24.81	$18.00
05/17/00	$41.69	$24.16	$17.53
05/18/00	$42.81	$24.81	$18.00
05/19/00	$41.44	$24.02	$17.42
05/22/00	$41.88	$24.27	$17.61
05/23/00	$43.00	$24.92	$18.08
05/24/00	$45.75	$26.52	$19.23
05/25/00	$45.38	$26.30	$19.08
05/26/00	$45.38	$26.30	$19.08
05/30/00	$46.56	$26.99	$19.58
05/31/00	$47.00	$27.24	$19.76
06/01/00	$47.13	$27.31	$19.81
06/02/00	$47.00	$27.24	$19.76
06/05/00	$47.13	$27.31	$19.81
06/06/00	$46.38	$26.88	$19.50
06/07/00	$47.25	$27.38	$19.87
06/08/00	$46.19	$26.77	$19.42
06/09/00	$44.44	$25.75	$18.68
06/12/00	$43.56	$25.25	$18.32
06/13/00	$44.69	$25.90	$18.79
06/14/00	$45.38	$26.30	$19.08
06/15/00	$43.06	$24.96	$18.10
06/16/00	$42.44	$24.60	$17.84
06/19/00	$42.75	$24.78	$17.97
06/20/00	$43.94	$25.46	$18.47
06/21/00	$44.06	$25.54	$18.53
06/22/00	$43.19	$25.03	$18.16
06/23/00	$42.13	$24.41	$17.71
06/26/00	$42.13	$24.41	$17.71
06/27/00	$41.81	$24.23	$17.58
06/28/00	$42.81	$24.73	$18.08
06/29/00	$43.00	$24.84	$18.16
06/30/00	$41.56	$24.01	$17.55
07/03/00	$41.88	$24.19	$17.68

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
07/05/00	$42.00	$24.26	$17.74
07/06/00	$41.63	$24.05	$17.58
07/07/00	$42.75	$24.70	$18.05
07/10/00	$42.69	$24.66	$18.03
07/11/00	$43.50	$25.13	$18.37
07/12/00	$43.94	$25.38	$18.55
07/13/00	$44.00	$25.42	$18.58
07/14/00	$44.88	$25.92	$18.95
07/17/00	$42.81	$24.73	$18.08
07/18/00	$43.44	$25.09	$18.34
07/19/00	$45.25	$26.14	$19.11
07/20/00	$46.38	$26.79	$19.58
07/21/00	$45.81	$26.47	$19.35
07/24/00	$45.94	$26.54	$19.40
07/25/00	$45.50	$26.29	$19.21
07/26/00	$44.25	$25.56	$18.69
07/27/00	$44.69	$25.82	$18.87
07/28/00	$43.75	$25.28	$18.47
07/31/00	$44.56	$25.74	$18.82
08/01/00	$44.56	$25.74	$18.82
08/02/00	$44.44	$25.67	$18.77
08/03/00	$46.63	$26.94	$19.69
08/04/00	$49.63	$28.67	$20.96
08/07/00	$49.88	$28.81	$21.06
08/08/00	$50.00	$28.89	$21.11
08/09/00	$48.88	$28.24	$20.64
08/10/00	$48.19	$27.84	$20.35
08/11/00	$49.06	$28.34	$20.72
08/14/00	$49.19	$28.42	$20.77
08/15/00	$47.88	$27.66	$20.22
08/16/00	$46.75	$27.01	$19.74
08/17/00	$46.38	$26.79	$19.58
08/18/00	$46.94	$27.12	$19.82
08/21/00	$46.63	$26.94	$19.69
08/22/00	$47.31	$27.33	$19.98
08/23/00	$47.25	$27.30	$19.95
08/24/00	$47.44	$27.41	$20.03
08/25/00	$47.75	$27.59	$20.16
08/28/00	$48.25	$27.88	$20.37
08/29/00	$48.00	$27.73	$20.27
08/30/00	$48.00	$27.73	$20.27
08/31/00	$48.00	$27.73	$20.27
09/01/00	$47.38	$27.37	$20.01
09/05/00	$47.63	$27.51	$20.11
09/06/00	$50.19	$28.99	$21.19
09/07/00	$50.56	$29.21	$21.35
09/08/00	$52.44	$30.29	$22.14

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
09/11/00	$51.63	$29.83	$21.80
09/12/00	$51.13	$29.54	$21.59
09/13/00	$51.25	$29.61	$21.64
09/14/00	$51.00	$29.46	$21.54
09/15/00	$50.50	$29.18	$21.32
09/18/00	$50.75	$29.32	$21.43
09/19/00	$51.56	$29.79	$21.77
09/20/00	$52.31	$30.22	$22.09
09/21/00	$52.88	$30.55	$22.33
09/22/00	$52.00	$30.04	$21.96
09/25/00	$53.38	$30.84	$22.54
09/26/00	$54.13	$31.27	$22.86
09/27/00	$54.69	$31.51	$23.17
09/28/00	$56.44	$32.52	$23.91
09/29/00	$56.63	$32.69	$23.94
10/02/00	$55.19	$31.80	$23.39
10/03/00	$55.63	$32.05	$23.57
10/04/00	$54.88	$31.62	$23.25
10/05/00	$55.69	$32.09	$23.60
10/06/00	$52.63	$30.33	$22.30
10/09/00	$52.19	$30.07	$22.11
10/10/00	$49.50	$28.52	$20.98
10/11/00	$47.94	$27.62	$20.31
10/12/00	$46.25	$26.65	$19.60
10/13/00	$47.56	$27.41	$20.15
10/16/00	$49.13	$28.31	$20.82
10/17/00	$47.50	$27.37	$20.13
10/18/00	$48.75	$28.09	$20.66
10/19/00	$50.63	$29.17	$21.45
10/20/00	$50.44	$29.07	$21.37
10/23/00	$49.19	$28.35	$20.84
10/24/00	$50.25	$28.96	$21.29
10/25/00	$49.50	$28.52	$20.98
10/26/00	$47.44	$27.34	$20.10
10/27/00	$47.50	$27.37	$20.13
10/30/00	$49.38	$28.45	$20.92
10/31/00	$50.31	$28.99	$21.32
11/01/00	$49.63	$28.60	$21.03
11/02/00	$51.50	$29.68	$21.82
11/03/00	$51.50	$29.68	$21.82
11/06/00	$52.50	$30.25	$22.25
11/07/00	$51.88	$29.89	$21.98
11/08/00	$51.63	$29.75	$21.88
11/09/00	$50.50	$29.10	$21.40
11/10/00	$50.75	$29.24	$21.51
11/13/00	$49.13	$28.31	$20.82
11/14/00	$49.00	$28.24	$20.76

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
11/15/00	$49.31	$28.42	$20.90
11/16/00	$49.13	$28.31	$20.82
11/17/00	$48.19	$27.77	$20.42
11/20/00	$45.75	$26.36	$19.39
11/21/00	$46.25	$26.65	$19.60
11/22/00	$44.06	$25.39	$18.67
11/24/00	$45.31	$26.11	$19.20
11/27/00	$46.50	$26.80	$19.70
11/28/00	$48.38	$27.88	$20.50
11/29/00	$50.13	$28.89	$21.24
11/30/00	$49.88	$28.74	$21.13
12/01/00	$49.56	$28.56	$21.00
12/04/00	$48.38	$27.88	$20.50
12/05/00	$50.19	$28.92	$21.27
12/06/00	$50.75	$29.25	$21.50
12/07/00	$51.81	$29.86	$21.95
12/08/00	$53.06	$30.58	$22.48
12/11/00	$52.63	$30.33	$22.30
12/12/00	$51.94	$29.93	$22.01
12/13/00	$50.94	$29.35	$21.58
12/14/00	$50.94	$29.35	$21.58
12/15/00	$50.25	$28.96	$21.29
12/18/00	$52.00	$29.97	$22.03
12/19/00	$53.63	$30.90	$22.72
12/20/00	$51.94	$29.93	$22.01
12/21/00	$52.44	$30.22	$22.22
12/22/00	$52.44	$30.22	$22.22
12/26/00	$53.25	$30.69	$22.56
12/27/00	$54.31	$31.22	$23.09
12/28/00	$55.94	$32.15	$23.79
12/29/00	$55.00	$31.61	$23.39
01/02/01	$53.69	$30.86	$22.83
01/03/01	$58.00	$34.06	$23.94
01/04/01	$57.13	$33.19	$23.94
01/05/01	$54.88	$31.54	$23.33
01/08/01	$54.06	$31.07	$22.99
01/09/01	$52.88	$30.39	$22.48
01/10/01	$52.81	$30.36	$22.46
01/11/01	$53.44	$30.71	$22.72
01/12/01	$53.69	$30.86	$22.83
01/16/01	$55.19	$31.72	$23.47
01/17/01	$56.31	$32.37	$23.94
01/18/01	$54.88	$31.54	$23.33
01/19/01	$54.50	$31.33	$23.17
01/22/01	$53.75	$30.89	$22.86
01/23/01	$55.50	$31.90	$23.60
01/24/01	$56.63	$32.69	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
01/25/01	$56.69	$32.75	$23.94
01/26/01	$57.50	$33.56	$23.94
01/29/01	$59.10	$35.16	$23.94
01/30/01	$58.59	$34.65	$23.94
01/31/01	$57.48	$33.54	$23.94
02/01/01	$58.92	$34.98	$23.94
02/02/01	$58.80	$34.86	$23.94
02/05/01	$58.98	$35.04	$23.94
02/06/01	$58.11	$34.17	$23.94
02/07/01	$59.20	$35.26	$23.94
02/08/01	$58.78	$34.84	$23.94
02/09/01	$59.20	$35.26	$23.94
02/12/01	$60.33	$36.39	$23.94
02/13/01	$60.25	$36.31	$23.94
02/14/01	$59.45	$35.51	$23.94
02/15/01	$58.26	$34.32	$23.94
02/16/01	$59.09	$35.15	$23.94
02/20/01	$57.53	$33.59	$23.94
02/21/01	$55.65	$31.99	$23.66
02/22/01	$55.76	$32.05	$23.71
02/23/01	$56.58	$32.64	$23.94
02/26/01	$58.00	$34.06	$23.94
02/27/01	$59.11	$35.17	$23.94
02/28/01	$57.92	$33.98	$23.94
03/01/01	$58.40	$34.46	$23.94
03/02/01	$59.41	$35.47	$23.94
03/05/01	$59.08	$35.14	$23.94
03/06/01	$59.87	$35.93	$23.94
03/07/01	$61.50	$37.56	$23.94
03/08/01	$61.11	$37.17	$23.94
03/09/01	$60.27	$36.33	$23.94
03/12/01	$58.43	$34.49	$23.94
03/13/01	$60.45	$36.51	$23.94
03/14/01	$59.69	$35.75	$23.94
03/15/01	$60.36	$36.42	$23.94
03/16/01	$60.01	$36.07	$23.94
03/19/01	$59.90	$35.96	$23.94
03/20/01	$57.88	$33.94	$23.94
03/21/01	$55.85	$32.10	$23.75
03/22/01	$54.72	$31.45	$23.27
03/23/01	$58.12	$34.18	$23.94
03/26/01	$57.94	$34.00	$23.94
03/27/01	$59.85	$35.91	$23.94
03/28/01	$59.35	$35.41	$23.94
03/29/01	$58.15	$34.21	$23.94
03/30/01	$59.24	$35.30	$23.94
04/02/01	$59.50	$35.56	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
04/03/01	$58.92	$34.98	$23.94
04/04/01	$58.45	$34.51	$23.94
04/05/01	$59.73	$35.79	$23.94
04/06/01	$58.54	$34.60	$23.94
04/09/01	$59.45	$35.51	$23.94
04/10/01	$61.12	$37.18	$23.94
04/11/01	$60.54	$36.60	$23.94
04/12/01	$61.40	$37.46	$23.94
04/16/01	$60.33	$36.39	$23.94
04/17/01	$60.91	$36.97	$23.94
04/18/01	$63.38	$39.44	$23.94
04/19/01	$63.05	$39.11	$23.94
04/20/01	$62.45	$38.51	$23.94
04/23/01	$62.23	$38.29	$23.94
04/24/01	$63.10	$39.16	$23.94
04/25/01	$64.75	$40.81	$23.94
04/26/01	$63.40	$39.46	$23.94
04/27/01	$64.38	$40.44	$23.94
04/30/01	$64.02	$40.08	$23.94
05/01/01	$64.46	$40.52	$23.94
05/02/01	$65.46	$41.52	$23.94
05/03/01	$65.29	$41.35	$23.94
05/04/01	$65.70	$41.76	$23.94
05/07/01	$65.50	$41.56	$23.94
05/08/01	$65.42	$41.48	$23.94
05/09/01	$66.05	$42.11	$23.94
05/10/01	$65.08	$41.14	$23.94
05/11/01	$64.91	$40.97	$23.94
05/14/01	$65.22	$41.28	$23.94
05/15/01	$66.94	$43.00	$23.94
05/16/01	$68.64	$44.70	$23.94
05/17/01	$68.20	$44.26	$23.94
05/18/01	$67.57	$43.63	$23.94
05/21/01	$67.67	$43.73	$23.94
05/22/01	$67.71	$43.77	$23.94
05/23/01	$66.48	$42.54	$23.94
05/24/01	$66.44	$42.50	$23.94
05/25/01	$66.27	$42.33	$23.94
05/29/01	$66.00	$42.06	$23.94
05/30/01	$65.80	$41.86	$23.94
05/31/01	$65.66	$41.72	$23.94
06/01/01	$65.74	$41.80	$23.94
06/04/01	$66.43	$42.49	$23.94
06/05/01	$66.98	$43.04	$23.94
06/06/01	$65.96	$42.02	$23.94
06/07/01	$65.82	$41.88	$23.94
06/08/01	$65.80	$41.86	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
06/11/01	$65.78	$41.84	$23.94
06/12/01	$65.30	$41.36	$23.94
06/13/01	$65.25	$41.31	$23.94
06/14/01	$64.71	$40.77	$23.94
06/15/01	$63.80	$39.86	$23.94
06/18/01	$63.65	$39.71	$23.94
06/19/01	$63.82	$39.88	$23.94
06/20/01	$64.61	$40.67	$23.94
06/21/01	$66.71	$42.77	$23.94
06/22/01	$67.01	$43.07	$23.94
06/25/01	$65.95	$42.01	$23.94
06/26/01	$65.14	$41.20	$23.94
06/27/01	$65.70	$41.76	$23.94
06/28/01	$65.98	$42.04	$23.94
06/29/01	$66.70	$42.76	$23.94
07/02/01	$66.60	$42.66	$23.94
07/03/01	$66.23	$42.29	$23.94
07/05/01	$66.95	$43.01	$23.94
07/06/01	$66.54	$42.60	$23.94
07/09/01	$66.48	$42.54	$23.94
07/10/01	$65.55	$41.61	$23.94
07/11/01	$65.24	$41.30	$23.94
07/12/01	$66.40	$42.46	$23.94
07/13/01	$67.16	$43.22	$23.94
07/16/01	$68.11	$44.17	$23.94
07/17/01	$68.95	$45.01	$23.94
07/18/01	$69.48	$45.54	$23.94
07/19/01	$66.50	$42.56	$23.94
07/20/01	$67.28	$43.34	$23.94
07/23/01	$67.50	$43.56	$23.94
07/24/01	$67.01	$43.07	$23.94
07/25/01	$66.76	$42.82	$23.94
07/26/01	$65.38	$41.44	$23.94
07/27/01	$66.18	$42.24	$23.94
07/30/01	$66.09	$42.15	$23.94
07/31/01	$66.29	$42.35	$23.94
08/01/01	$65.75	$41.81	$23.94
08/02/01	$66.00	$42.06	$23.94
08/03/01	$65.99	$42.05	$23.94
08/06/01	$65.71	$41.77	$23.94
08/07/01	$66.44	$42.50	$23.94
08/08/01	$65.86	$41.92	$23.94
08/09/01	$66.24	$42.30	$23.94
08/10/01	$67.13	$43.19	$23.94
08/13/01	$68.01	$44.07	$23.94
08/14/01	$68.00	$44.06	$23.94
08/15/01	$67.95	$44.01	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
08/16/01	$66.87	$42.93	$23.94
08/17/01	$65.99	$42.05	$23.94
08/20/01	$65.50	$41.56	$23.94
08/21/01	$64.86	$40.92	$23.94
08/22/01	$65.48	$41.54	$23.94
08/23/01	$64.72	$40.78	$23.94
08/24/01	$62.35	$38.41	$23.94
08/27/01	$61.96	$38.02	$23.94
08/28/01	$61.34	$37.40	$23.94
08/29/01	$60.70	$36.76	$23.94
08/30/01	$59.31	$35.37	$23.94
08/31/01	$59.10	$35.16	$23.94
09/04/01	$57.06	$33.12	$23.94
09/05/01	$57.22	$33.28	$23.94
09/06/01	$57.00	$33.06	$23.94
09/07/01	$55.04	$31.48	$23.56
09/10/01	$56.31	$32.37	$23.94
09/17/01	$52.83	$30.22	$22.61
09/18/01	$52.64	$30.11	$22.53
09/19/01	$52.30	$29.92	$22.38
09/20/01	$51.46	$29.44	$22.02
09/21/01	$50.34	$28.80	$21.54
09/24/01	$52.85	$30.23	$22.62
09/25/01	$52.08	$29.79	$22.29
09/26/01	$53.60	$30.57	$23.03
09/27/01	$54.49	$31.07	$23.42
09/28/01	$56.38	$32.44	$23.94
10/01/01	$57.50	$33.56	$23.94
10/02/01	$57.83	$33.89	$23.94
10/03/01	$58.20	$34.26	$23.94
10/04/01	$59.63	$35.69	$23.94
10/05/01	$58.35	$34.41	$23.94
10/08/01	$56.50	$32.56	$23.94
10/09/01	$56.59	$32.65	$23.94
10/10/01	$58.22	$34.28	$23.94
10/11/01	$56.95	$33.01	$23.94
10/12/01	$54.89	$31.30	$23.59
10/15/01	$55.91	$31.97	$23.94
10/16/01	$56.00	$32.06	$23.94
10/17/01	$57.16	$33.22	$23.94
10/18/01	$57.53	$33.59	$23.94
10/19/01	$56.91	$32.97	$23.94
10/22/01	$56.92	$32.98	$23.94
10/23/01	$57.25	$33.31	$23.94
10/24/01	$55.44	$31.61	$23.83
10/25/01	$57.19	$33.25	$23.94
10/26/01	$57.48	$33.54	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
10/29/01	$54.49	$31.07	$23.42
10/30/01	$53.52	$30.52	$23.00
10/31/01	$52.30	$29.82	$22.48
11/01/01	$52.90	$30.17	$22.73
11/02/01	$52.76	$30.09	$22.67
11/05/01	$53.75	$30.65	$23.10
11/06/01	$56.53	$32.59	$23.94
11/07/01	$58.72	$34.78	$23.94
11/08/01	$57.79	$33.85	$23.94
11/09/01	$57.98	$34.04	$23.94
11/12/01	$58.21	$34.27	$23.94
11/13/01	$60.00	$36.06	$23.94
11/14/01	$60.90	$36.96	$23.94
11/15/01	$58.90	$34.96	$23.94
11/16/01	$57.80	$34.20	$23.60
11/19/01	$58.75	$34.81	$23.94
11/20/01	$58.37	$34.52	$23.85
11/21/01	$58.56	$34.62	$23.94
11/23/01	$59.62	$35.68	$23.94
11/26/01	$60.18	$36.24	$23.94
11/27/01	$60.76	$36.82	$23.94
11/28/01	$60.34	$36.40	$23.94
11/29/01	$59.80	$35.86	$23.94
11/30/01	$58.99	$35.05	$23.94
12/03/01	$56.29	$33.70	$22.59
12/04/01	$58.23	$34.29	$23.94
12/05/01	$61.00	$37.06	$23.94
12/06/01	$60.66	$36.72	$23.94
12/07/01	$59.66	$35.72	$23.94
12/10/01	$57.60	$34.30	$23.30
12/11/01	$56.66	$34.46	$22.20
12/12/01	$54.15	$34.35	$19.80
12/13/01	$54.23	$33.94	$20.29
12/14/01	$53.35	$33.71	$19.64
12/17/01	$54.57	$33.96	$20.61
12/18/01	$56.12	$34.28	$21.84
12/19/01	$56.87	$34.83	$22.04
12/20/01	$56.50	$34.75	$21.75
12/21/01	$55.90	$34.53	$21.37
12/24/01	$56.09	$34.49	$21.60
12/26/01	$56.38	$34.56	$21.82
12/27/01	$57.83	$34.53	$23.30
12/28/01	$58.88	$34.94	$23.94
12/31/01	$57.94	$34.66	$23.28
01/02/02	$57.09	$34.51	$22.58
01/03/02	$57.05	$34.64	$22.41
01/04/02	$59.19	$35.25	$23.94

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
01/07/02	$58.10	$34.91	$23.19
01/08/02	$56.74	$34.45	$22.29
01/09/02	$57.10	$34.68	$22.42
01/10/02	$56.54	$34.84	$21.70
01/11/02	$54.38	$34.53	$19.85
01/14/02	$52.78	$34.25	$18.53
01/15/02	$55.20	$34.92	$20.28
01/16/02	$54.45	$34.58	$19.87
01/17/02	$53.76	$34.86	$18.90
01/18/02	$54.85	$34.82	$20.03
01/22/02	$54.05	$34.81	$19.24
01/23/02	$53.35	$34.76	$18.59
01/24/02	$53.75	$34.89	$18.86
01/25/02	$54.71	$35.01	$19.70
01/28/02	$52.85	$34.75	$18.10
01/29/02	$49.85	$33.27	$16.58
01/30/02	$49.35	$33.59	$15.76
01/31/02	$51.24	$34.12	$17.12
02/01/02	$51.10	$33.76	$17.34
02/04/02	$48.80	$32.74	$16.06
02/05/02	$47.53	$32.54	$14.99
02/06/02	$44.71	$32.24	$12.47
02/07/02	$48.01	$32.45	$15.56
02/08/02	$52.00	$33.29	$18.71
02/11/02	$51.45	$33.51	$17.94
02/12/02	$50.80	$33.31	$17.49
02/13/02	$52.15	$33.79	$18.36
02/14/02	$51.92	$33.88	$18.04
02/15/02	$50.89	$32.89	$18.00
02/19/02	$50.35	$32.51	$17.84
02/20/02	$50.65	$32.93	$17.72
02/21/02	$48.50	$32.50	$16.00
02/22/02	$48.65	$32.41	$16.24
02/25/02	$49.58	$33.13	$16.45
02/26/02	$49.98	$33.26	$16.72
02/27/02	$52.08	$33.53	$18.55
02/28/02	$51.50	$33.69	$17.81
03/01/02	$53.00	$33.98	$19.02
03/04/02	$57.25	$35.04	$22.21
03/05/02	$56.28	$35.11	$21.17
03/06/02	$57.77	$35.60	$22.17
03/07/02	$58.36	$35.36	$23.00
03/08/02	$59.90	$35.96	$23.94
03/11/02	$59.73	$35.79	$23.94
03/12/02	$59.16	$35.79	$23.37
03/13/02	$58.40	$35.54	$22.86
03/14/02	$57.48	$35.61	$21.87

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
03/15/02	$58.95	$36.26	$22.69
03/18/02	$58.98	$36.05	$22.93
03/19/02	$58.98	$36.21	$22.77
03/20/02	$57.61	$35.68	$21.93
03/21/02	$57.90	$35.67	$22.23
03/22/02	$58.14	$35.75	$22.39
03/25/02	$56.30	$35.24	$21.06
03/26/02	$57.00	$35.34	$21.66
03/27/02	$57.50	$35.70	$21.80
03/28/02	$56.80	$35.55	$21.25
04/01/02	$57.03	$35.35	$21.68
04/02/02	$57.05	$35.53	$21.52
04/03/02	$55.75	$35.22	$20.53
04/04/02	$56.83	$35.44	$21.39
04/05/02	$57.98	$35.70	$22.28
04/08/02	$59.06	$35.82	$23.24
04/09/02	$59.25	$36.09	$23.16
04/10/02	$59.35	$36.12	$23.23
04/11/02	$57.05	$35.32	$21.73
04/12/02	$58.10	$35.70	$22.40
04/15/02	$57.48	$35.24	$22.24
04/16/02	$59.52	$35.87	$23.65
04/17/02	$60.70	$36.76	$23.94
04/18/02	$61.20	$37.26	$23.94
04/19/02	$62.44	$38.50	$23.94
04/22/02	$60.90	$36.96	$23.94
04/23/02	$61.80	$37.86	$23.94
04/24/02	$61.36	$37.42	$23.94
04/25/02	$59.18	$35.24	$23.94
04/26/02	$59.60	$35.66	$23.94
04/29/02	$57.25	$34.55	$22.70
04/30/02	$58.29	$34.95	$23.34
05/01/02	$57.70	$35.09	$22.61
05/02/02	$57.43	$35.51	$21.92
05/03/02	$57.00	$35.36	$21.64
05/06/02	$55.68	$34.68	$21.00
05/07/02	$54.75	$34.50	$20.25
05/08/02	$57.11	$35.28	$21.83
05/09/02	$56.29	$35.03	$21.26
05/10/02	$54.25	$34.61	$19.64
05/13/02	$55.82	$35.10	$20.72
05/14/02	$56.85	$35.54	$21.31
05/15/02	$55.47	$35.44	$20.03
05/16/02	$55.00	$35.76	$19.24
05/17/02	$54.31	$35.91	$18.40
05/20/02	$53.51	$35.32	$18.19
05/21/02	$52.69	$35.15	$17.54

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
05/22/02	$52.85	$35.11	$17.74
05/23/02	$53.27	$35.40	$17.87
05/24/02	$53.07	$35.22	$17.85
05/28/02	$52.85	$34.87	$17.98
05/29/02	$52.80	$34.91	$17.89
05/30/02	$51.65	$34.77	$16.88
05/31/02	$51.15	$34.89	$16.26
06/03/02	$50.94	$34.27	$16.67
06/04/02	$50.69	$34.03	$16.66
06/05/02	$52.19	$34.28	$17.91
06/06/02	$53.60	$33.77	$19.83
06/07/02	$52.87	$33.81	$19.06
06/10/02	$52.59	$34.01	$18.58
06/11/02	$52.99	$33.45	$19.54
06/12/02	$52.48	$33.56	$18.92
06/13/02	$50.30	$32.86	$17.44
06/14/02	$50.80	$33.18	$17.62
06/17/02	$52.74	$34.54	$18.20
06/18/02	$52.75	$34.67	$18.08
06/19/02	$51.55	$34.31	$17.24
06/20/02	$49.80	$33.78	$16.02
06/21/02	$49.68	$33.52	$16.16
06/24/02	$50.00	$33.50	$16.50
06/25/02	$49.00	$33.32	$15.68
06/26/02	$48.65	$32.40	$16.25
06/27/02	$49.90	$33.12	$16.78
06/28/02	$49.70	$33.51	$16.19
07/01/02	$47.93	$33.09	$14.84
07/02/02	$47.60	$32.66	$14.94
07/03/02	$48.05	$32.29	$15.76
07/05/02	$50.00	$33.31	$16.69
07/08/02	$49.54	$33.26	$16.28
07/09/02	$47.05	$32.47	$14.58
07/10/02	$44.07	$31.59	$12.48
07/11/02	$45.00	$31.86	$13.14
07/12/02	$46.30	$31.61	$14.69
07/15/02	$45.67	$31.50	$14.17
07/16/02	$46.10	$31.09	$15.01
07/17/02	$42.37	$30.78	$11.59
07/18/02	$42.41	$29.85	$12.56
07/19/02	$40.72	$29.39	$11.33
07/22/02	$38.84	$28.46	$10.38
07/23/02	$36.29	$26.99	$9.30
07/24/02	$39.97	$28.29	$11.68
07/25/02	$38.80	$28.23	$10.57
07/26/02	$37.66	$28.98	$8.68
07/29/02	$39.85	$30.66	$9.19

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
07/30/02	$40.30	$30.75	$9.55
07/31/02	$42.67	$31.18	$11.49
08/01/02	$41.26	$30.63	$10.63
08/02/02	$39.45	$29.86	$9.59
08/05/02	$36.98	$28.87	$8.11
08/06/02	$39.72	$29.66	$10.06
08/07/02	$38.28	$30.00	$8.28
08/08/02	$40.96	$31.36	$9.60
08/09/02	$40.45	$31.72	$8.73
08/12/02	$39.70	$31.41	$8.29
08/13/02	$37.80	$30.74	$7.06
08/14/02	$38.09	$31.70	$6.39
08/15/02	$39.60	$31.99	$7.61
08/16/02	$37.54	$31.78	$5.76
08/19/02	$37.75	$32.53	$5.22
08/20/02	$36.75	$32.10	$4.65
08/21/02	$37.15	$32.17	$4.98
08/22/02	$40.65	$32.51	$8.14
08/23/02	$37.80	$31.95	$5.85
08/26/02	$39.08	$32.31	$6.77
08/27/02	$37.70	$32.12	$5.58
08/28/02	$36.80	$31.58	$5.22
08/29/02	$36.38	$31.69	$4.69
08/30/02	$36.11	$31.78	$4.33
09/03/02	$33.36	$30.40	$2.96
09/04/02	$34.40	$30.87	$3.53
09/05/02	$33.36	$30.49	$2.87
09/06/02	$33.95	$30.85	$3.10
09/09/02	$36.33	$31.31	$5.02
09/10/02	$35.15	$30.99	$4.16
09/11/02	$35.43	$30.86	$4.57
09/12/02	$33.85	$30.12	$3.73
09/13/02	$34.67	$30.32	$4.35
09/16/02	$33.59	$30.24	$3.35
09/17/02	$29.52	$29.69	-$0.17
09/18/02	$29.85	$29.44	$0.41
09/19/02	$29.25	$28.52	$0.73
09/20/02	$29.05	$28.41	$0.64
09/23/02	$27.61	$28.46	-$0.85
09/24/02	$27.55	$27.90	-$0.35
09/25/02	$28.15	$28.39	-$0.24
09/26/02	$29.28	$28.94	$0.34
09/27/02	$27.64	$28.20	-$0.56
09/30/02	$28.31	$28.41	-$0.10
10/01/02	$28.40	$29.52	-$1.12
10/02/02	$27.32	$28.45	-$1.13
10/03/02	$26.60	$27.26	-$0.66

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Including Leakage

Date	Stock Price	True Value	Artificial Inflation
10/04/02	$24.66	$26.53	-$1.87
10/07/02	$23.25	$25.70	-$2.45
10/08/02	$23.58	$26.75	-$3.17
10/09/02	$21.00	$25.66	-$4.66
10/10/02	$26.30	$26.98	-$0.68
10/11/02	$28.20	$28.20	$0.00

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
07/30/99	$42.94	$7.97	$34.97
08/02/99	$41.88	$7.97	$33.91
08/03/99	$40.00	$7.97	$32.03
08/04/99	$40.31	$7.97	$32.35
08/05/99	$40.56	$7.97	$32.60
08/06/99	$40.25	$7.97	$32.28
08/09/99	$40.88	$7.97	$32.91
08/10/99	$39.50	$7.97	$31.53
08/11/99	$40.25	$7.97	$32.28
08/12/99	$40.19	$7.97	$32.22
08/13/99	$40.75	$7.97	$32.78
08/16/99	$39.75	$7.97	$31.78
08/17/99	$41.50	$7.97	$33.53
08/18/99	$42.00	$7.97	$34.03
08/19/99	$41.69	$7.97	$33.72
08/20/99	$41.88	$7.97	$33.91
08/23/99	$42.94	$7.97	$34.97
08/24/99	$42.44	$7.97	$34.47
08/25/99	$41.19	$7.97	$33.22
08/26/99	$39.81	$7.97	$31.85
08/27/99	$37.81	$7.97	$29.85
08/30/99	$37.44	$7.97	$29.47
08/31/99	$37.75	$7.97	$29.78
09/01/99	$39.56	$7.97	$31.60
09/02/99	$38.50	$7.97	$30.53
09/03/99	$39.94	$7.97	$31.97
09/07/99	$39.94	$7.97	$31.97
09/08/99	$39.56	$7.97	$31.60
09/09/99	$39.88	$7.97	$31.91
09/10/99	$40.63	$7.97	$32.66
09/13/99	$41.50	$7.97	$33.53
09/14/99	$41.13	$7.97	$33.16
09/15/99	$40.44	$7.97	$32.47
09/16/99	$40.25	$7.97	$32.28
09/17/99	$41.13	$7.97	$33.16
09/20/99	$41.75	$7.97	$33.78
09/21/99	$40.50	$7.97	$32.53
09/22/99	$41.44	$7.97	$33.47
09/23/99	$40.00	$7.97	$32.03
09/24/99	$39.44	$7.97	$31.47
09/27/99	$40.38	$7.97	$32.41
09/28/99	$39.69	$7.97	$31.72
09/29/99	$40.63	$7.97	$32.66
09/30/99	$40.13	$7.97	$32.16
10/01/99	$39.38	$7.97	$31.41
10/04/99	$40.44	$7.97	$32.47
10/05/99	$41.06	$7.97	$33.10

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Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
10/06/99	$42.88	$7.97	$34.91
10/07/99	$42.38	$7.97	$34.41
10/08/99	$44.31	$7.97	$36.35
10/11/99	$42.69	$7.97	$34.72
10/12/99	$41.69	$7.97	$33.72
10/13/99	$39.75	$7.97	$31.78
10/14/99	$38.94	$7.97	$30.97
10/15/99	$37.00	$7.97	$29.03
10/18/99	$37.88	$7.97	$29.91
10/19/99	$38.94	$7.97	$30.97
10/20/99	$39.56	$7.97	$31.60
10/21/99	$39.00	$7.97	$31.03
10/22/99	$39.75	$7.97	$31.78
10/25/99	$38.88	$7.97	$30.91
10/26/99	$39.06	$7.97	$31.10
10/27/99	$41.56	$7.97	$33.60
10/28/99	$45.69	$7.97	$37.72
10/29/99	$44.63	$7.97	$36.66
11/01/99	$45.00	$7.97	$37.03
11/02/99	$45.31	$7.97	$37.35
11/03/99	$44.56	$7.97	$36.60
11/04/99	$45.63	$7.97	$37.66
11/05/99	$46.06	$7.97	$38.10
11/08/99	$44.63	$7.97	$36.66
11/09/99	$43.06	$7.97	$35.10
11/10/99	$42.56	$7.97	$34.60
11/11/99	$41.31	$7.97	$33.35
11/12/99	$44.13	$7.97	$36.16
11/15/99	$44.13	$7.97	$36.16
11/16/99	$45.13	$7.97	$37.16
11/17/99	$43.25	$7.97	$35.28
11/18/99	$42.50	$7.97	$34.53
11/19/99	$41.88	$7.97	$33.91
11/22/99	$41.25	$7.97	$33.28
11/23/99	$40.94	$7.97	$32.97
11/24/99	$40.38	$7.97	$32.41
11/26/99	$40.25	$7.97	$32.28
11/29/99	$39.38	$7.97	$31.41
11/30/99	$39.56	$7.97	$31.60
12/01/99	$39.56	$7.97	$31.60
12/02/99	$40.31	$7.97	$32.35
12/03/99	$41.00	$7.97	$33.03
12/06/99	$39.50	$7.97	$31.53
12/07/99	$38.25	$7.97	$30.28
12/08/99	$38.69	$7.97	$30.72
12/09/99	$39.50	$7.97	$31.53
12/10/99	$39.06	$7.97	$31.10

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
12/13/99	$38.25	$7.97	$30.28
12/14/99	$37.94	$7.97	$29.97
12/15/99	$37.63	$7.97	$29.66
12/16/99	$38.31	$7.97	$30.35
12/17/99	$38.13	$7.97	$30.16
12/20/99	$37.94	$7.97	$29.97
12/21/99	$37.25	$7.97	$29.28
12/22/99	$36.63	$7.97	$28.66
12/23/99	$37.50	$7.97	$29.53
12/27/99	$36.88	$7.97	$28.91
12/28/99	$36.19	$7.97	$28.22
12/29/99	$35.94	$7.97	$27.97
12/30/99	$36.56	$7.97	$28.60
12/31/99	$37.25	$7.97	$29.28
01/03/00	$34.69	$7.97	$26.72
01/04/00	$35.00	$7.97	$27.03
01/05/00	$34.38	$7.97	$26.41
01/06/00	$36.00	$7.97	$28.03
01/07/00	$36.38	$7.97	$28.41
01/10/00	$36.50	$7.97	$28.53
01/11/00	$36.00	$7.97	$28.03
01/12/00	$36.75	$7.97	$28.78
01/13/00	$37.69	$7.97	$29.72
01/14/00	$37.31	$7.97	$29.35
01/18/00	$36.50	$7.97	$28.53
01/19/00	$36.81	$7.97	$28.85
01/20/00	$36.00	$7.97	$28.03
01/21/00	$35.63	$7.97	$27.66
01/24/00	$34.50	$7.97	$26.53
01/25/00	$33.94	$7.97	$25.97
01/26/00	$35.63	$7.97	$27.66
01/27/00	$35.69	$7.97	$27.72
01/28/00	$34.19	$7.97	$26.22
01/31/00	$35.25	$7.97	$27.28
02/01/00	$35.25	$7.97	$27.28
02/02/00	$36.13	$7.97	$28.16
02/03/00	$35.63	$7.97	$27.66
02/04/00	$35.38	$7.97	$27.41
02/07/00	$35.06	$7.97	$27.10
02/08/00	$35.75	$7.97	$27.78
02/09/00	$33.88	$7.97	$25.91
02/10/00	$33.88	$7.97	$25.91
02/11/00	$31.88	$7.97	$23.91
02/14/00	$31.31	$7.97	$23.35
02/15/00	$32.94	$7.97	$24.97
02/16/00	$30.88	$7.97	$22.91
02/17/00	$31.69	$7.97	$23.72

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
02/18/00	$30.88	$7.97	$22.91
02/22/00	$31.06	$7.97	$23.10
02/23/00	$30.69	$7.97	$22.72
02/24/00	$30.63	$7.97	$22.66
02/25/00	$30.88	$7.97	$22.91
02/28/00	$31.88	$7.97	$23.91
02/29/00	$31.94	$7.97	$23.97
03/01/00	$33.25	$7.97	$25.28
03/02/00	$35.13	$7.97	$27.16
03/03/00	$36.63	$7.97	$28.66
03/06/00	$34.81	$7.97	$26.85
03/07/00	$32.88	$7.97	$24.91
03/08/00	$31.81	$7.97	$23.85
03/09/00	$32.44	$7.97	$24.47
03/10/00	$32.75	$7.97	$24.78
03/13/00	$32.44	$7.97	$24.47
03/14/00	$32.13	$7.97	$24.16
03/15/00	$34.25	$7.97	$26.28
03/16/00	$36.81	$7.97	$28.85
03/17/00	$36.88	$7.97	$28.91
03/20/00	$35.56	$7.97	$27.60
03/21/00	$37.88	$7.97	$29.91
03/22/00	$37.75	$7.97	$29.78
03/23/00	$38.88	$7.97	$30.91
03/24/00	$37.94	$7.97	$29.97
03/27/00	$36.13	$7.97	$28.16
03/28/00	$36.69	$7.97	$28.72
03/29/00	$36.50	$7.97	$28.53
03/30/00	$36.38	$7.97	$28.41
03/31/00	$37.31	$7.97	$29.35
04/03/00	$39.13	$7.97	$31.16
04/04/00	$38.13	$7.97	$30.16
04/05/00	$39.06	$7.97	$31.10
04/06/00	$40.38	$7.97	$32.41
04/07/00	$38.88	$7.97	$30.91
04/10/00	$40.00	$7.97	$32.03
04/11/00	$40.63	$7.97	$32.66
04/12/00	$44.00	$7.97	$36.03
04/13/00	$42.06	$7.97	$34.10
04/14/00	$38.06	$7.97	$30.10
04/17/00	$39.63	$7.97	$31.66
04/18/00	$39.69	$7.97	$31.72
04/19/00	$39.94	$7.97	$31.97
04/20/00	$41.81	$7.97	$33.85
04/24/00	$43.38	$7.97	$35.41
04/25/00	$44.69	$7.97	$36.72
04/26/00	$43.63	$7.97	$35.66

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
04/27/00	$42.00	$7.97	$34.03
04/28/00	$41.75	$7.97	$33.78
05/01/00	$42.00	$7.97	$34.03
05/02/00	$42.06	$7.97	$34.10
05/03/00	$40.75	$7.97	$32.78
05/04/00	$39.13	$7.97	$31.16
05/05/00	$39.75	$7.97	$31.78
05/08/00	$41.13	$7.97	$33.16
05/09/00	$40.25	$7.97	$32.28
05/10/00	$39.38	$7.97	$31.41
05/11/00	$39.94	$7.97	$31.97
05/12/00	$40.38	$7.97	$32.41
05/15/00	$41.94	$7.97	$33.97
05/16/00	$42.81	$7.97	$34.85
05/17/00	$41.69	$7.97	$33.72
05/18/00	$42.81	$7.97	$34.85
05/19/00	$41.44	$7.97	$33.47
05/22/00	$41.88	$7.97	$33.91
05/23/00	$43.00	$7.97	$35.03
05/24/00	$45.75	$7.97	$37.78
05/25/00	$45.38	$7.97	$37.41
05/26/00	$45.38	$7.97	$37.41
05/30/00	$46.56	$7.97	$38.60
05/31/00	$47.00	$7.97	$39.03
06/01/00	$47.13	$7.97	$39.16
06/02/00	$47.00	$7.97	$39.03
06/05/00	$47.13	$7.97	$39.16
06/06/00	$46.38	$7.97	$38.41
06/07/00	$47.25	$7.97	$39.28
06/08/00	$46.19	$7.97	$38.22
06/09/00	$44.44	$7.97	$36.47
06/12/00	$43.56	$7.97	$35.60
06/13/00	$44.69	$7.97	$36.72
06/14/00	$45.38	$7.97	$37.41
06/15/00	$43.06	$7.97	$35.10
06/16/00	$42.44	$7.97	$34.47
06/19/00	$42.75	$7.97	$34.78
06/20/00	$43.94	$7.97	$35.97
06/21/00	$44.06	$7.97	$36.10
06/22/00	$43.19	$7.97	$35.22
06/23/00	$42.13	$7.97	$34.16
06/26/00	$42.13	$7.97	$34.16
06/27/00	$41.81	$7.97	$33.85
06/28/00	$42.81	$7.97	$34.85
06/29/00	$43.00	$7.97	$35.03
06/30/00	$41.56	$7.97	$33.60
07/03/00	$41.88	$7.97	$33.91

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
07/05/00	$42.00	$7.97	$34.03
07/06/00	$41.63	$7.97	$33.66
07/07/00	$42.75	$7.97	$34.78
07/10/00	$42.69	$7.97	$34.72
07/11/00	$43.50	$7.97	$35.53
07/12/00	$43.94	$7.97	$35.97
07/13/00	$44.00	$7.97	$36.03
07/14/00	$44.88	$7.97	$36.91
07/17/00	$42.81	$7.97	$34.85
07/18/00	$43.44	$7.97	$35.47
07/19/00	$45.25	$7.97	$37.28
07/20/00	$46.38	$7.97	$38.41
07/21/00	$45.81	$7.97	$37.85
07/24/00	$45.94	$7.97	$37.97
07/25/00	$45.50	$7.97	$37.53
07/26/00	$44.25	$7.97	$36.28
07/27/00	$44.69	$7.97	$36.72
07/28/00	$43.75	$7.97	$35.78
07/31/00	$44.56	$7.97	$36.60
08/01/00	$44.56	$7.97	$36.60
08/02/00	$44.44	$7.97	$36.47
08/03/00	$46.63	$7.97	$38.66
08/04/00	$49.63	$7.97	$41.66
08/07/00	$49.88	$7.97	$41.91
08/08/00	$50.00	$7.97	$42.03
08/09/00	$48.88	$7.97	$40.91
08/10/00	$48.19	$7.97	$40.22
08/11/00	$49.06	$7.97	$41.10
08/14/00	$49.19	$7.97	$41.22
08/15/00	$47.88	$7.97	$39.91
08/16/00	$46.75	$7.97	$38.78
08/17/00	$46.38	$7.97	$38.41
08/18/00	$46.94	$7.97	$38.97
08/21/00	$46.63	$7.97	$38.66
08/22/00	$47.31	$7.97	$39.35
08/23/00	$47.25	$7.97	$39.28
08/24/00	$47.44	$7.97	$39.47
08/25/00	$47.75	$7.97	$39.78
08/28/00	$48.25	$7.97	$40.28
08/29/00	$48.00	$7.97	$40.03
08/30/00	$48.00	$7.97	$40.03
08/31/00	$48.00	$7.97	$40.03
09/01/00	$47.38	$7.97	$39.41
09/05/00	$47.63	$7.97	$39.66
09/06/00	$50.19	$7.97	$42.22
09/07/00	$50.56	$7.97	$42.60
09/08/00	$52.44	$7.97	$44.47

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
09/11/00	$51.63	$7.97	$43.66
09/12/00	$51.13	$7.97	$43.16
09/13/00	$51.25	$7.97	$43.28
09/14/00	$51.00	$7.97	$43.03
09/15/00	$50.50	$7.97	$42.53
09/18/00	$50.75	$7.97	$42.78
09/19/00	$51.56	$7.97	$43.60
09/20/00	$52.31	$7.97	$44.35
09/21/00	$52.88	$7.97	$44.91
09/22/00	$52.00	$7.97	$44.03
09/25/00	$53.38	$7.97	$45.41
09/26/00	$54.13	$7.97	$46.16
09/27/00	$54.69	$7.97	$46.72
09/28/00	$56.44	$7.97	$48.47
09/29/00	$56.63	$7.97	$48.66
10/02/00	$55.19	$7.97	$47.22
10/03/00	$55.63	$7.97	$47.66
10/04/00	$54.88	$7.97	$46.91
10/05/00	$55.69	$7.97	$47.72
10/06/00	$52.63	$7.97	$44.66
10/09/00	$52.19	$7.97	$44.22
10/10/00	$49.50	$7.97	$41.53
10/11/00	$47.94	$7.97	$39.97
10/12/00	$46.25	$7.97	$38.28
10/13/00	$47.56	$7.97	$39.60
10/16/00	$49.13	$7.97	$41.16
10/17/00	$47.50	$7.97	$39.53
10/18/00	$48.75	$7.97	$40.78
10/19/00	$50.63	$7.97	$42.66
10/20/00	$50.44	$7.97	$42.47
10/23/00	$49.19	$7.97	$41.22
10/24/00	$50.25	$7.97	$42.28
10/25/00	$49.50	$7.97	$41.53
10/26/00	$47.44	$7.97	$39.47
10/27/00	$47.50	$7.97	$39.53
10/30/00	$49.38	$7.97	$41.41
10/31/00	$50.31	$7.97	$42.35
11/01/00	$49.63	$7.97	$41.66
11/02/00	$51.50	$7.97	$43.53
11/03/00	$51.50	$7.97	$43.53
11/06/00	$52.50	$7.97	$44.53
11/07/00	$51.88	$7.97	$43.91
11/08/00	$51.63	$7.97	$43.66
11/09/00	$50.50	$7.97	$42.53
11/10/00	$50.75	$7.97	$42.78
11/13/00	$49.13	$7.97	$41.16
11/14/00	$49.00	$7.97	$41.03

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
11/15/00	$49.31	$7.97	$41.35
11/16/00	$49.13	$7.97	$41.16
11/17/00	$48.19	$7.97	$40.22
11/20/00	$45.75	$7.97	$37.78
11/21/00	$46.25	$7.97	$38.28
11/22/00	$44.06	$7.97	$36.10
11/24/00	$45.31	$7.97	$37.35
11/27/00	$46.50	$7.97	$38.53
11/28/00	$48.38	$7.97	$40.41
11/29/00	$50.13	$7.97	$42.16
11/30/00	$49.88	$7.97	$41.91
12/01/00	$49.56	$7.97	$41.60
12/04/00	$48.38	$7.97	$40.41
12/05/00	$50.19	$7.97	$42.22
12/06/00	$50.75	$7.97	$42.78
12/07/00	$51.81	$7.97	$43.85
12/08/00	$53.06	$7.97	$45.10
12/11/00	$52.63	$7.97	$44.66
12/12/00	$51.94	$7.97	$43.97
12/13/00	$50.94	$7.97	$42.97
12/14/00	$50.94	$7.97	$42.97
12/15/00	$50.25	$7.97	$42.28
12/18/00	$52.00	$7.97	$44.03
12/19/00	$53.63	$7.97	$45.66
12/20/00	$51.94	$7.97	$43.97
12/21/00	$52.44	$7.97	$44.47
12/22/00	$52.44	$7.97	$44.47
12/26/00	$53.25	$7.97	$45.28
12/27/00	$54.31	$7.97	$46.35
12/28/00	$55.94	$7.97	$47.97
12/29/00	$55.00	$7.97	$47.03
01/02/01	$53.69	$7.97	$45.72
01/03/01	$58.00	$7.97	$50.03
01/04/01	$57.13	$7.97	$49.16
01/05/01	$54.88	$7.97	$46.91
01/08/01	$54.06	$7.97	$46.10
01/09/01	$52.88	$7.97	$44.91
01/10/01	$52.81	$7.97	$44.85
01/11/01	$53.44	$7.97	$45.47
01/12/01	$53.69	$7.97	$45.72
01/16/01	$55.19	$7.97	$47.22
01/17/01	$56.31	$7.97	$48.35
01/18/01	$54.88	$7.97	$46.91
01/19/01	$54.50	$7.97	$46.53
01/22/01	$53.75	$7.97	$45.78
01/23/01	$55.50	$7.97	$47.53
01/24/01	$56.63	$7.97	$48.66

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
01/25/01	$56.69	$7.97	$48.72
01/26/01	$57.50	$7.97	$49.53
01/29/01	$59.10	$7.97	$51.13
01/30/01	$58.59	$7.97	$50.62
01/31/01	$57.48	$7.97	$49.51
02/01/01	$58.92	$7.97	$50.95
02/02/01	$58.80	$7.97	$50.83
02/05/01	$58.98	$7.97	$51.01
02/06/01	$58.11	$7.97	$50.14
02/07/01	$59.20	$7.97	$51.23
02/08/01	$58.78	$7.97	$50.81
02/09/01	$59.20	$7.97	$51.23
02/12/01	$60.33	$7.97	$52.36
02/13/01	$60.25	$7.97	$52.28
02/14/01	$59.45	$7.97	$51.48
02/15/01	$58.26	$7.97	$50.29
02/16/01	$59.09	$7.97	$51.12
02/20/01	$57.53	$7.97	$49.56
02/21/01	$55.65	$7.97	$47.68
02/22/01	$55.76	$7.97	$47.79
02/23/01	$56.58	$7.97	$48.61
02/26/01	$58.00	$7.97	$50.03
02/27/01	$59.11	$7.97	$51.14
02/28/01	$57.92	$7.97	$49.95
03/01/01	$58.40	$7.97	$50.43
03/02/01	$59.41	$7.97	$51.44
03/05/01	$59.08	$7.97	$51.11
03/06/01	$59.87	$7.97	$51.90
03/07/01	$61.50	$7.97	$53.53
03/08/01	$61.11	$7.97	$53.14
03/09/01	$60.27	$7.97	$52.30
03/12/01	$58.43	$7.97	$50.46
03/13/01	$60.45	$7.97	$52.48
03/14/01	$59.69	$7.97	$51.72
03/15/01	$60.36	$7.97	$52.39
03/16/01	$60.01	$7.97	$52.04
03/19/01	$59.90	$7.97	$51.93
03/20/01	$57.88	$7.97	$49.91
03/21/01	$55.85	$7.97	$47.88
03/22/01	$54.72	$7.97	$46.75
03/23/01	$58.12	$7.97	$50.15
03/26/01	$57.94	$7.97	$49.97
03/27/01	$59.85	$7.97	$51.88
03/28/01	$59.35	$7.97	$51.38
03/29/01	$58.15	$7.97	$50.18
03/30/01	$59.24	$7.97	$51.27
04/02/01	$59.50	$7.97	$51.53

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
04/03/01	$58.92	$7.97	$50.95
04/04/01	$58.45	$7.97	$50.48
04/05/01	$59.73	$7.97	$51.76
04/06/01	$58.54	$7.97	$50.57
04/09/01	$59.45	$7.97	$51.48
04/10/01	$61.12	$7.97	$53.15
04/11/01	$60.54	$7.97	$52.57
04/12/01	$61.40	$7.97	$53.43
04/16/01	$60.33	$7.97	$52.36
04/17/01	$60.91	$7.97	$52.94
04/18/01	$63.38	$7.97	$55.41
04/19/01	$63.05	$7.97	$55.08
04/20/01	$62.45	$7.97	$54.48
04/23/01	$62.23	$7.97	$54.26
04/24/01	$63.10	$7.97	$55.13
04/25/01	$64.75	$7.97	$56.78
04/26/01	$63.40	$7.97	$55.43
04/27/01	$64.38	$7.97	$56.41
04/30/01	$64.02	$7.97	$56.05
05/01/01	$64.46	$7.97	$56.49
05/02/01	$65.46	$7.97	$57.49
05/03/01	$65.29	$7.97	$57.32
05/04/01	$65.70	$7.97	$57.73
05/07/01	$65.50	$7.97	$57.53
05/08/01	$65.42	$7.97	$57.45
05/09/01	$66.05	$7.97	$58.08
05/10/01	$65.08	$7.97	$57.11
05/11/01	$64.91	$7.97	$56.94
05/14/01	$65.22	$7.97	$57.25
05/15/01	$66.94	$7.97	$58.97
05/16/01	$68.64	$7.97	$60.67
05/17/01	$68.20	$7.97	$60.23
05/18/01	$67.57	$7.97	$59.60
05/21/01	$67.67	$7.97	$59.70
05/22/01	$67.71	$7.97	$59.74
05/23/01	$66.48	$7.97	$58.51
05/24/01	$66.44	$7.97	$58.47
05/25/01	$66.27	$7.97	$58.30
05/29/01	$66.00	$7.97	$58.03
05/30/01	$65.80	$7.97	$57.83
05/31/01	$65.66	$7.97	$57.69
06/01/01	$65.74	$7.97	$57.77
06/04/01	$66.43	$7.97	$58.46
06/05/01	$66.98	$7.97	$59.01
06/06/01	$65.96	$7.97	$57.99
06/07/01	$65.82	$7.97	$57.85
06/08/01	$65.80	$7.97	$57.83

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
06/11/01	$65.78	$7.97	$57.81
06/12/01	$65.30	$7.97	$57.33
06/13/01	$65.25	$7.97	$57.28
06/14/01	$64.71	$7.97	$56.74
06/15/01	$63.80	$7.97	$55.83
06/18/01	$63.65	$7.97	$55.68
06/19/01	$63.82	$7.97	$55.85
06/20/01	$64.61	$7.97	$56.64
06/21/01	$66.71	$7.97	$58.74
06/22/01	$67.01	$7.97	$59.04
06/25/01	$65.95	$7.97	$57.98
06/26/01	$65.14	$7.97	$57.17
06/27/01	$65.70	$7.97	$57.73
06/28/01	$65.98	$7.97	$58.01
06/29/01	$66.70	$7.97	$58.73
07/02/01	$66.60	$7.97	$58.63
07/03/01	$66.23	$7.97	$58.26
07/05/01	$66.95	$7.97	$58.98
07/06/01	$66.54	$7.97	$58.57
07/09/01	$66.48	$7.97	$58.51
07/10/01	$65.55	$7.97	$57.58
07/11/01	$65.24	$7.97	$57.27
07/12/01	$66.40	$7.97	$58.43
07/13/01	$67.16	$7.97	$59.19
07/16/01	$68.11	$7.97	$60.14
07/17/01	$68.95	$7.97	$60.98
07/18/01	$69.48	$7.97	$61.51
07/19/01	$66.50	$7.97	$58.53
07/20/01	$67.28	$7.97	$59.31
07/23/01	$67.50	$7.97	$59.53
07/24/01	$67.01	$7.97	$59.04
07/25/01	$66.76	$7.97	$58.79
07/26/01	$65.38	$7.97	$57.41
07/27/01	$66.18	$7.97	$58.21
07/30/01	$66.09	$7.97	$58.12
07/31/01	$66.29	$7.97	$58.32
08/01/01	$65.75	$7.97	$57.78
08/02/01	$66.00	$7.97	$58.03
08/03/01	$65.99	$7.97	$58.02
08/06/01	$65.71	$7.97	$57.74
08/07/01	$66.44	$7.97	$58.47
08/08/01	$65.86	$7.97	$57.89
08/09/01	$66.24	$7.97	$58.27
08/10/01	$67.13	$7.97	$59.16
08/13/01	$68.01	$7.97	$60.04
08/14/01	$68.00	$7.97	$60.03
08/15/01	$67.95	$7.97	$59.98

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
08/16/01	$66.87	$7.97	$58.90
08/17/01	$65.99	$7.97	$58.02
08/20/01	$65.50	$7.97	$57.53
08/21/01	$64.86	$7.97	$56.89
08/22/01	$65.48	$7.97	$57.51
08/23/01	$64.72	$7.97	$56.75
08/24/01	$62.35	$7.97	$54.38
08/27/01	$61.96	$7.97	$53.99
08/28/01	$61.34	$7.97	$53.37
08/29/01	$60.70	$7.97	$52.73
08/30/01	$59.31	$7.97	$51.34
08/31/01	$59.10	$7.97	$51.13
09/04/01	$57.06	$7.97	$49.09
09/05/01	$57.22	$7.97	$49.25
09/06/01	$57.00	$7.97	$49.03
09/07/01	$55.04	$7.97	$47.07
09/10/01	$56.31	$7.97	$48.34
09/17/01	$52.83	$7.97	$44.86
09/18/01	$52.64	$7.97	$44.67
09/19/01	$52.30	$7.97	$44.33
09/20/01	$51.46	$7.97	$43.49
09/21/01	$50.34	$7.97	$42.37
09/24/01	$52.85	$7.97	$44.88
09/25/01	$52.08	$7.97	$44.11
09/26/01	$53.60	$7.97	$45.63
09/27/01	$54.49	$7.97	$46.52
09/28/01	$56.38	$7.97	$48.41
10/01/01	$57.50	$7.97	$49.53
10/02/01	$57.83	$7.97	$49.86
10/03/01	$58.20	$7.97	$50.23
10/04/01	$59.63	$7.97	$51.66
10/05/01	$58.35	$7.97	$50.38
10/08/01	$56.50	$7.97	$48.53
10/09/01	$56.59	$7.97	$48.62
10/10/01	$58.22	$7.97	$50.25
10/11/01	$56.95	$7.97	$48.98
10/12/01	$54.89	$7.97	$46.92
10/15/01	$55.91	$7.97	$47.94
10/16/01	$56.00	$7.97	$48.03
10/17/01	$57.16	$7.97	$49.19
10/18/01	$57.53	$7.97	$49.56
10/19/01	$56.91	$7.97	$48.94
10/22/01	$56.92	$7.97	$48.95
10/23/01	$57.25	$7.97	$49.28
10/24/01	$55.44	$7.97	$47.47
10/25/01	$57.19	$7.97	$49.22
10/26/01	$57.48	$7.97	$49.51

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
10/29/01	$54.49	$7.97	$46.52
10/30/01	$53.52	$7.97	$45.55
10/31/01	$52.30	$7.97	$44.33
11/01/01	$52.90	$7.97	$44.93
11/02/01	$52.76	$7.97	$44.79
11/05/01	$53.75	$7.97	$45.78
11/06/01	$56.53	$7.97	$48.56
11/07/01	$58.72	$7.97	$50.75
11/08/01	$57.79	$7.97	$49.82
11/09/01	$57.98	$7.97	$50.01
11/12/01	$58.21	$7.97	$50.24
11/13/01	$60.00	$7.97	$52.03
11/14/01	$60.90	$7.97	$52.93
11/15/01	$58.90	$6.11	$52.79
11/16/01	$57.80	$6.11	$51.69
11/19/01	$58.75	$6.11	$52.64
11/20/01	$58.37	$6.11	$52.26
11/21/01	$58.56	$6.11	$52.45
11/23/01	$59.62	$6.11	$53.51
11/26/01	$60.18	$6.11	$54.07
11/27/01	$60.76	$6.11	$54.65
11/28/01	$60.34	$6.11	$54.23
11/29/01	$59.80	$6.11	$53.69
11/30/01	$58.99	$6.11	$52.88
12/03/01	$56.29	$4.20	$52.09
12/04/01	$58.23	$4.20	$54.03
12/05/01	$61.00	$6.05	$54.95
12/06/01	$60.66	$6.05	$54.61
12/07/01	$59.66	$6.05	$53.61
12/10/01	$57.60	$6.05	$51.55
12/11/01	$56.66	$6.05	$50.61
12/12/01	$54.15	$3.66	$50.49
12/13/01	$54.23	$3.66	$50.57
12/14/01	$53.35	$3.66	$49.69
12/17/01	$54.57	$3.66	$50.91
12/18/01	$56.12	$3.66	$52.46
12/19/01	$56.87	$3.66	$53.21
12/20/01	$56.50	$3.66	$52.84
12/21/01	$55.90	$3.66	$52.24
12/24/01	$56.09	$3.66	$52.43
12/26/01	$56.38	$3.66	$52.72
12/27/01	$57.83	$3.66	$54.17
12/28/01	$58.88	$3.66	$55.22
12/31/01	$57.94	$3.66	$54.28
01/02/02	$57.09	$3.66	$53.43
01/03/02	$57.05	$3.66	$53.39
01/04/02	$59.19	$3.66	$55.53

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
01/07/02	$58.10	$3.66	$54.44
01/08/02	$56.74	$3.66	$53.08
01/09/02	$57.10	$3.66	$53.44
01/10/02	$56.54	$3.66	$52.88
01/11/02	$54.38	$3.66	$50.72
01/14/02	$52.78	$3.66	$49.12
01/15/02	$55.20	$3.66	$51.54
01/16/02	$54.45	$3.66	$50.79
01/17/02	$53.76	$3.66	$50.10
01/18/02	$54.85	$3.66	$51.19
01/22/02	$54.05	$3.66	$50.39
01/23/02	$53.35	$3.66	$49.69
01/24/02	$53.75	$3.66	$50.09
01/25/02	$54.71	$3.66	$51.05
01/28/02	$52.85	$3.66	$49.19
01/29/02	$49.85	$3.66	$46.19
01/30/02	$49.35	$3.66	$45.69
01/31/02	$51.24	$3.66	$47.58
02/01/02	$51.10	$3.66	$47.44
02/04/02	$48.80	$3.66	$45.14
02/05/02	$47.53	$3.66	$43.87
02/06/02	$44.71	$3.66	$41.05
02/07/02	$48.01	$3.66	$44.35
02/08/02	$52.00	$3.66	$48.34
02/11/02	$51.45	$3.66	$47.79
02/12/02	$50.80	$3.66	$47.14
02/13/02	$52.15	$3.66	$48.49
02/14/02	$51.92	$3.66	$48.26
02/15/02	$50.89	$3.66	$47.23
02/19/02	$50.35	$3.66	$46.69
02/20/02	$50.65	$3.66	$46.99
02/21/02	$48.50	$3.66	$44.84
02/22/02	$48.65	$3.66	$44.99
02/25/02	$49.58	$3.66	$45.92
02/26/02	$49.98	$3.66	$46.32
02/27/02	$52.08	$5.30	$46.78
02/28/02	$51.50	$5.30	$46.20
03/01/02	$53.00	$5.30	$47.70
03/04/02	$57.25	$5.30	$51.95
03/05/02	$56.28	$5.30	$50.98
03/06/02	$57.77	$5.30	$52.47
03/07/02	$58.36	$5.30	$53.06
03/08/02	$59.90	$5.30	$54.60
03/11/02	$59.73	$5.30	$54.43
03/12/02	$59.16	$5.30	$53.86
03/13/02	$58.40	$5.30	$53.10
03/14/02	$57.48	$5.30	$52.18

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
03/15/02	$58.95	$5.30	$53.65
03/18/02	$58.98	$5.30	$53.68
03/19/02	$58.98	$5.30	$53.68
03/20/02	$57.61	$5.30	$52.31
03/21/02	$57.90	$5.30	$52.60
03/22/02	$58.14	$5.30	$52.84
03/25/02	$56.30	$5.30	$51.00
03/26/02	$57.00	$5.30	$51.70
03/27/02	$57.50	$5.30	$52.20
03/28/02	$56.80	$5.30	$51.50
04/01/02	$57.03	$5.30	$51.73
04/02/02	$57.05	$5.30	$51.75
04/03/02	$55.75	$5.30	$50.45
04/04/02	$56.83	$5.30	$51.53
04/05/02	$57.98	$5.30	$52.68
04/08/02	$59.06	$5.30	$53.76
04/09/02	$59.25	$5.30	$53.95
04/10/02	$59.35	$5.30	$54.05
04/11/02	$57.05	$5.30	$51.75
04/12/02	$58.10	$5.30	$52.80
04/15/02	$57.48	$5.30	$52.18
04/16/02	$59.52	$5.30	$54.22
04/17/02	$60.70	$5.30	$55.40
04/18/02	$61.20	$5.30	$55.90
04/19/02	$62.44	$5.30	$57.14
04/22/02	$60.90	$5.30	$55.60
04/23/02	$61.80	$5.30	$56.50
04/24/02	$61.36	$5.30	$56.06
04/25/02	$59.18	$5.30	$53.88
04/26/02	$59.60	$5.30	$54.30
04/29/02	$57.25	$5.30	$51.95
04/30/02	$58.29	$5.30	$52.99
05/01/02	$57.70	$5.30	$52.40
05/02/02	$57.43	$5.30	$52.13
05/03/02	$57.00	$5.30	$51.70
05/06/02	$55.68	$5.30	$50.38
05/07/02	$54.75	$5.30	$49.45
05/08/02	$57.11	$5.30	$51.81
05/09/02	$56.29	$5.30	$50.99
05/10/02	$54.25	$5.30	$48.95
05/13/02	$55.82	$5.30	$50.52
05/14/02	$56.85	$5.30	$51.55
05/15/02	$55.47	$5.30	$50.17
05/16/02	$55.00	$5.30	$49.70
05/17/02	$54.31	$5.30	$49.01
05/20/02	$53.51	$5.30	$48.21
05/21/02	$52.69	$5.30	$47.39

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
05/22/02	$52.85	$5.30	$47.55
05/23/02	$53.27	$5.30	$47.97
05/24/02	$53.07	$5.30	$47.77
05/28/02	$52.85	$5.30	$47.55
05/29/02	$52.80	$5.30	$47.50
05/30/02	$51.65	$5.30	$46.35
05/31/02	$51.15	$5.30	$45.85
06/03/02	$50.94	$5.30	$45.64
06/04/02	$50.69	$5.30	$45.39
06/05/02	$52.19	$5.30	$46.89
06/06/02	$53.60	$5.30	$48.30
06/07/02	$52.87	$5.30	$47.57
06/10/02	$52.59	$5.30	$47.29
06/11/02	$52.99	$5.30	$47.69
06/12/02	$52.48	$5.30	$47.18
06/13/02	$50.30	$5.30	$45.00
06/14/02	$50.80	$5.30	$45.50
06/17/02	$52.74	$5.30	$47.44
06/18/02	$52.75	$5.30	$47.45
06/19/02	$51.55	$5.30	$46.25
06/20/02	$49.80	$5.30	$44.50
06/21/02	$49.68	$5.30	$44.38
06/24/02	$50.00	$5.30	$44.70
06/25/02	$49.00	$5.30	$43.70
06/26/02	$48.65	$5.30	$43.35
06/27/02	$49.90	$5.30	$44.60
06/28/02	$49.70	$5.30	$44.40
07/01/02	$47.93	$5.30	$42.63
07/02/02	$47.60	$5.30	$42.30
07/03/02	$48.05	$5.30	$42.75
07/05/02	$50.00	$5.30	$44.70
07/08/02	$49.54	$5.30	$44.24
07/09/02	$47.05	$5.30	$41.75
07/10/02	$44.07	$5.30	$38.77
07/11/02	$45.00	$5.30	$39.70
07/12/02	$46.30	$5.30	$41.00
07/15/02	$45.67	$5.30	$40.37
07/16/02	$46.10	$5.30	$40.80
07/17/02	$42.37	$5.30	$37.07
07/18/02	$42.41	$5.30	$37.11
07/19/02	$40.72	$5.30	$35.42
07/22/02	$38.84	$5.30	$33.54
07/23/02	$36.29	$5.30	$30.99
07/24/02	$39.97	$5.30	$34.67
07/25/02	$38.80	$5.30	$33.50
07/26/02	$37.66	$3.10	$34.56
07/29/02	$39.85	$3.10	$36.75

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
07/30/02	$40.30	$3.10	$37.20
07/31/02	$42.67	$3.10	$39.57
08/01/02	$41.26	$3.10	$38.16
08/02/02	$39.45	$3.10	$36.35
08/05/02	$36.98	$3.10	$33.88
08/06/02	$39.72	$3.10	$36.62
08/07/02	$38.28	$3.10	$35.18
08/08/02	$40.96	$3.10	$37.86
08/09/02	$40.45	$3.10	$37.35
08/12/02	$39.70	$3.10	$36.60
08/13/02	$37.80	$3.10	$34.70
08/14/02	$38.09	$2.16	$35.93
08/15/02	$39.60	$2.16	$37.44
08/16/02	$37.54	$0.32	$37.22
08/19/02	$37.75	$0.32	$37.43
08/20/02	$36.75	$0.32	$36.43
08/21/02	$37.15	$0.32	$36.83
08/22/02	$40.65	$0.32	$40.33
08/23/02	$37.80	$0.32	$37.48
08/26/02	$39.08	$0.32	$38.76
08/27/02	$37.70	-$0.88	$38.58
08/28/02	$36.80	-$0.88	$37.68
08/29/02	$36.38	-$0.88	$37.26
08/30/02	$36.11	-$0.88	$36.99
09/03/02	$33.36	-$2.09	$35.45
09/04/02	$34.40	-$2.09	$36.49
09/05/02	$33.36	-$2.09	$35.45
09/06/02	$33.95	-$2.09	$36.04
09/09/02	$36.33	-$2.09	$38.42
09/10/02	$35.15	-$2.09	$37.24
09/11/02	$35.43	-$2.09	$37.52
09/12/02	$33.85	-$2.09	$35.94
09/13/02	$34.67	-$2.09	$36.76
09/16/02	$33.59	-$2.09	$35.68
09/17/02	$29.52	-$2.09	$31.61
09/18/02	$29.85	-$2.09	$31.94
09/19/02	$29.25	-$2.09	$31.34
09/20/02	$29.05	-$2.09	$31.14
09/23/02	$27.61	-$3.62	$31.23
09/24/02	$27.55	-$3.62	$31.17
09/25/02	$28.15	-$3.62	$31.77
09/26/02	$29.28	-$3.62	$32.90
09/27/02	$27.64	-$3.62	$31.26
09/30/02	$28.31	-$3.62	$31.93
10/01/02	$28.40	-$3.62	$32.02
10/02/02	$27.32	-$3.62	$30.94
10/03/02	$26.60	-$3.62	$30.22

Household International, Inc. Common Stock
Estimate of Alleged Artificial Inflation
For Quantification Using Specific Disclosures

Date	Stock Price	Artificial Inflation	True Value
10/04/02	$24.66	-$4.88	$29.54
10/07/02	$23.25	-$4.88	$28.13
10/08/02	$23.58	-$4.88	$28.46
10/09/02	$21.00	-$4.88	$25.88
10/10/02	$26.30	-$0.68	$26.98
10/11/02	$28.20	$0.00	$28.20

SE State; A
HD **State report details HFC lending abuse; FINANCE: Copy of suppressed report is leaked to several news organizations.**

BY John Stark
CR Staff
WC 1,193 words
PD 27 August 2002
SN Bellingham Herald
SC XBEL
PG 1
LA English
CY

LP BY JOHN STARK

THE BELLINGHAM HERALD

TD A state investigative report on Household Finance Corp., suppressed by court order for more than three months, contains a blistering assessment of the nationwide lending giant's mortgage loan practices in Whatcom County and elsewhere in the state.

Among other things, the report accuses the company of a pattern of:

? "Misrepresentations" and "dishonest statements" about interest rates, monthly payments, loan fees, prepayment penalties, and insurance.

? Failing to provide its customers with the loan term disclosures required by state and federal consumer protection laws.

? Coaxing borrowers into signing documents without reading them.

? Talking borrowers into refinancing first mortgages at disadvantageous rates, based on misleading interest information, when borrowers originally sought only small consumer loans.

? Adding costly insurance premiums to loan amounts either without the borrower's knowledge, or by wrongly leading borrowers to believe they had to buy the insurance to get the loan.

HFC's attorneys went to Thurston County Superior Court in May and obtained a judge's restraining order blocking public release of the report. But in recent weeks, copies of the report have been leaked to every news organization that has been following the HFC story - including The New York Times, Forbes Magazine, American Banker magazine and The Bellingham Herald.

The state's report found evidence of "a pattern of intentional deception" of homeowners who obtained mortgages from HFC. In three cases, investigators said they found reason to believe that HFC employees forged borrowers' signatures to documents agreeing to pay thousands of additional dollars for credit insurance policies that Washington Insurance Commissioner Mike Kreidler has labeled "inherently predatory."

Summing up, the report says that all these activities are "part of HFC's practice of obtaining maximum revenue from consumers regardless of any actual benefit to the consumer."

The company pays its representatives "significant monthly incentives" for that kind of behavior, according to the report.

The report also characterizes HFC as being slow to respond to state requests for information - when the company responds at all.

The investigating agency - the Washington Department of Financial Institutions - was so concerned about widespread reports of predatory lending practices at HFC that it sent its examiners to three of the company's loan offices, in Bellingham, Lakewood and Olympia, to pose as would-be borrowers.

"In all three tests the department found that the HFC representatives misrepresented or withheld information, failed to comply with state and federal law and regulations, and did not follow the policy and practice that HFC corporate claimed," the report states.

Bellingham abuses

Megan Hayden, spokeswoman for parent company **Household International**, said she could not comment on the report because it is still under a court restraining order.

But she said the company now admits that "there clearly were issues in the state of Washington." The company is working with state agencies to resolve matters, and is also trying to set things right with its customers here, she added.

Cross, the report's author, said he too was barred from discussing the report because of the court's restraining order. But he said he was sure that the report had not been leaked by anyone in his department.

Both the company and the state agree that some of the worst abuses occurred in the Bellingham office. But the state report also says that the kinds of abuses practiced in Bellingham were also reported at other HFC offices inside and outside Washington.

Six of the 19 consumer complaints cited in the report originated in the Bellingham office of HFC, but the others were from offices elsewhere in the state. The report was completed in mid-May, and was based on complaints received by the Washington Department of Financial Institutions up to April 30 - before news reports about Household's lending practices triggered a new flood of complaints from Whatcom County and elsewhere.

Corporate practices

The report rejects any notion that the abuses are due to renegade local representatives who are violating corporate policies. As of April, the report states that corporate representatives were attempting to defend the practices uncovered in the state investigation by arguing that the letter of applicable laws had been observed.

"HFC has created a situation in which they can completely mislead and confuse the borrower, while later providing a plausible explanation of their actions to the Department or other regulatory agencies," the report states. "HFC practices reflect a pattern of intentional deception while laying the foundation for a later defense."

The report also notes that a similar number of complaints has been filed against Beneficial Finance Corp., a similar loan company that is owned by HFC's parent company, **Household International**. And both HFC and Beneficial have been slow to respond to the state's request for information on consumer complaints - so slow, in fact, that the state "found it necessary to serve HFC with a subpoena commanding production on 14 outstanding complaint responses," the report says.

As of mid-May, when the report was issued, HFC had yet to provide some of the documents the state had subpoenaed, the report said.

Payment sham

Perhaps the most serious abuse cited in the report was the use of a misleading schedule of interest payments showing an attractive "equivalent rate" of interest, to deceive borrowers into thinking they were refinancing their first mortgages with new loans bearing interest rates in the 7 percent range.

"The department believes the sole purpose of this schedule was for simple deception of the consumer," the report says.

In numerous cases reported to the state and to The Bellingham Herald, homeowners agreed to refinance their mortgages with Household in the belief that they were getting the lower "equivalent" interest rate shown on this schedule, when the actual annual rate was between 11 and 14 percent - much higher than the rate they had been paying before the refinance.

"The Department believes that the `equivalent rate' sham proffered by HFC representatives is known and likely fostered by the corporation itself or at the least, by corporate officers overseeing large segments of the country," the state report says.

In support of that belief, the report says that HFC corporate officials at company headquarters seemed to be quite familiar with the "equivalent rate" sales technique when state investigators questioned it.

The report also observes that when state regulators questioned the technique, HFC officials attempted to defend the company by arguing that the customers were "confused."

"What is incredible to assume, or propose, is that so many unrelated consumers have been confused by their own doing," the report says.

Jeanie Luna of Blaine, who was among the first to join Wenatchee attorney Bob Parlette's class action lawsuit against HFC, said she hopes that the state report is just the beginning.

"I think the state needs to prosecute them as having broken the law, and their licenses need to be pulled, to no longer do business in our state," Luna said.

On the Net

For the complete report by the Washington Department of Financial Institutions, go to http://www.belling-hamherald.com.

CO HFC : Household International Inc.

IN I81501 : Non-bank Credit | I8150105 : Consumer Lending | IBNK : Banking/Credit

RE NAMZ : North American Countries | USA : United States

PUB Gannett Company Inc.

AN Document xbel000020020828dy8r0000h

SEE LAST PAGE OF THIS REPORT FOR IMPORTANT DISCLOSURES

SEPTEMBER 3, 2002

HI | Cutting Long-Run Growth Estimates on Impact of Sales Practice Reform in Branch-Based Real Estate Lending

Howard K. Mason 212-756-4285 MasonHK@bernstein.com, Rick L. Biggs 212-756-4484 BiggsRL@bernstein.com

Ticker	Rating	8/30/02 Price	Absolute YTD Perf.	Relative YTD Perf.	2001A	SCB Estimates 2002E	SCB Estimates 2003E	Consensus 2002E	Consensus 2003E	SCB P/E 2002E	SCB P/E 2003E
HI	M	$36	-38%	-17%	$3.91	$4.48	$4.96	$4.57	$5.14	8.1	7.3
HI (old)					$4.08	$4.63	$5.36				
SPX		$916	-20%		$45.16	$50.00	$57.00	$48.81	$56.48	18.3	16.1

O – Outperform, M – Market-Perform, U – Underperform

Summary Table of Changes to EPS Estimates

	Original	After Accounting Adjustment* and Suspension of Stock Buyback	After Sales Practices Reform Adjustment	Consensus
2001A	4.08	3.91	na	na
2002E	4.63	4.51	4.48	4.57
2003E	5.36	5.14	4.96	5.14
5-Yr Forward EPS Growth (%)	13%	13%	10%	na

* - Refers to restatement of accounts related to co-branding and affinity credit relationships, and a third-party marketing agreement, as announced on August 14th..

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1431

- **The report of the Washington State Department of Financial Institutions (DFI) – made public by the media on Wednesday last week – indicates that confusing sales practices in the Household branch system are more widespread than a few renegade loan officers, and quite possibly systemic. The effect on earnings growth as Household responds to regulatory pressure for sales practice reform will be commensurate.**

- **Specifically, we believe that as sales practice reform takes hold Household will need to reset its long-run EPS growth target of 13-15% to 10-12% (with an intra-range swing factor being the stock buyback program that is presently on hold). The short-run effect is less because the earnings impact of the changes phases over time as current loans run-off and are replaced by new, less profitable loans originated under reformed sales practices.**

  – The estimated impact of sales practice reform on 2002 and 2003 EPS estimates is 3 cents and 18 cents respectively. The combined effect of this, the suspension of the stock buyback program, and the accounting restatement (related to the amortization of certain marketing expenses) announced by Household on August 14th is 15 cents and 40 cents respectively.

- **Reduced earnings growth arises as after-tax returns on the branch real estate portfolio fall over time from the currently estimated 2.5% to 1.9%. Driving factors are lower up-front points, reform of practices involving the misrepresentation of loan rates, and the elimination of single-premium credit life insurance. Sales practice reform will also tend to slow growth in the branch real estate portfolio (by about 3 percentage points in our estimates to a long-run rate of 10%[1]) for two reasons:**

[1] Currently, this portfolio is growing at near 20% on an annualized basis but this is boosted by the current refinancing cycle and is not a normalized growth rate.

- First, the practice of up-selling – restructuring the entire mortgage debt of a customer looking only for a "top-up" home loan to refinance credit card and other unsecured debt – will become more difficult under tougher regulatory scrutiny and higher company hurdles for customer net tangible benefit. Second, it is impractical for Household to offer loans at the 7% rates that representatives promise to induce refinancing by borrowers with prime bank mortgages, and this business will be foregone.

- **Given this reduced growth rate, and the risk of a more serious breakdown in the real estate secured portfolio, we are lowering our target relative multiple to 50% from 57% (the 5-year historical average of 57%). This compares with a trough relative multiple of around 40% at a time of sector funding concerns in 1998, and reduces the absolute target multiple to 8.1x from 9.3x. The corresponding stock price is $40.**
  - In generating the $40 price, we have not included in our earnings impact the potential costs of settlement with the Attorneys General and consumer advocacy groups or of putative class action complaints. In addition, there is a risk that funding spreads will remain unattractive for an extended period so that Household eventually has to issue high-cost liabilities.

- **Finally, our assumption of a long-run growth rate of 10% for the branch-based real estate portfolio may prove a best case. Zero or even negative growth – with the portfolio shrinking and concentrating into lower quality credits under the winnowing action of adverse selection – could occur if:**
  - Household has violated Regulation Z (as the DFI alleges) through muddling required disclosures under the Truth-in-Lending Act with fictional benefits included in sales materials and, as a consequence, borrowers have rights to rescind their loans.
  - Household faces waves of prepayment as prepayment penalty periods (varying from 3-years to 5-years) expire and heightened publicity alerts customers to the high cost of their loans. The risk increases to the extent Household representatives become frustrated with a more procedural environment at the firm, leave for competitors, and cherry-pick refinancing prospects from the best credits in their left-behind Household book

Investment Conclusion

Household will likely need to abandon its target EPS growth rate of 13-15% to a range of 10-12% as a result of sales practice reform in its branch-based real estate lending business. The now-suspended stock buy-back program will be an intra-range swing factor moving the growth rate higher if it is re-activated. Sales practice reform – a necessary response to regulatory concerns with the misrepresentation by Household representatives of loan rates and other loan terms – will reduce loan profitability and growth in the portfolio. The reduction in profitability will phase in over the average life of loans (estimated at 5 years) as old loans run-off and are replaced with new, less profitable loans originated under new sales practices. We estimate the negative impact of sales practice reform on 2002 and 2003 EPS is 3 cents and 18 cents respectively.

The combined impact of sales practice reform, the suspension of the stock buyback program, and the accounting restatement announced on August 14th (and relating to the amortization period of certain marketing expenses), is an estimated 15 cents in 2002 and 40 cents in 2003. As a result, we are lowering our EPS estimate for 2002 to $4.48 from $4.63 (versus consensus of $4.57) and for 2003 to $4.96 from $5.36 (versus consensus of $5.14). Given this reduced growth rate, and the risk of a more serious breakdown in the real estate secured portfolio, we are lowering our target relative multiple to 50% from 57% (the 5-year historical average of 57%). This compares with a trough relative multiple of around 40% at a time of sector funding concerns in 1998, and reduces the absolute target multiple to 8.1x from 9.3x. The corresponding stock price is $40.

Our EPS estimates may turn out to be best case since they do include the potential costs of settlement with the Attorneys General and consumer advocacy groups or of putative class action complaints. In addition, there is a risk that funding spreads will remain unattractive for an extended period so that Household eventually has to issue high-cost liabilities. Finally, we assume there is an orderly reduction in the growth of the branch-based real estate portfolio from the current rate of approximately 20% to our estimated 10% as sales practice reform takes hold.

In practice, there is a risk of a more serious breakdown in the branch-based real estate portfolio. Zero or even negative growth – with the portfolio shrinking and concentrating into lower quality credits under the winnowing action of adverse selection – could occur if:

- Household has violated Regulation Z (as alleged by Household's regulator in Washington State) through muddling required disclosures under the Truth-in-Lending Act with fictional benefits included in sales materials and, as a consequence, borrowers have rights to rescind their loans.
- Household faces waves of prepayment as prepayment penalty periods (varying from 3-years to 5-years) expire and heightened publicity alerts customers to the high cost of their loans. The risk increases to the extent Household representatives become frustrated with a more procedural environment at the firm, leave for competitors, and cherry-pick refinancing prospects from the best credits in their left-behind Household book.

Details

The examination into Household's branch sales practices conducted by the Department of Financial Institutions ("DFI") in Washington State suggests that borrower confusion is more widespread than the actions of a few renegade loan officers. "The sameness of complaint allegations coupled with the wide diversity of complaint locales has made it evident to the Department that misrepresentations … are not relegated to specific transactions of loan officers but rather to the HFC organization as a whole including its affiliate Beneficial".

The report also suggests that confusing sales practices extend beyond Washington State. The DFI comments that one tactic to misrepresent interest rates – referred to as "selling on an equivalent rate basis" and described below – is "known and likely fostered by the corporation itself or at the least by corporate officers overseeing large segments of the country". The DFI goes on to say "it is important to note that these complaints are documented from varied locations including other states". In addition, given the pressures on account executives to meet production targets, it would be the natural course for effective (even if questionable) sales practices to spread through the branch network.

While Household has not yet commented on the DFI report and the findings are "apparent", we do not expect a substantive change in the conclusion that "HFC practices reflect a pattern of intentional deception while laying the foundation for a later defense." The firm has had the opportunity to comment on the complaints individually before they were compiled into the report, and has been delinquent. The DFI points out that Household took an average of over 97 days to respond to complaints in 2001 versus 28 days in 2000 (and an expected response time of 15 days).

Continued changes in sales practices – either as a result of voluntary action by Household or an eventual settlement with state Attorneys General around the country – will increasingly affect Household's business model and growth potential. The specific area of focus is the branch-based real estate lending business that accounts for 52% of the earnings from the Consumer Lending division (see ***Exhibit 3*** and ***Appendix*** for derivation) that, in turn, accounts for 67% of company profits (see ***Exhibit 4***). In other words, the branch-based real estate lending business generates approximately 35% of the firm's after-tax earnings (see ***Table***).

Table Assets and Earnings by Business Segment, Q2 02

Business Segment	Managed Assets ($bn)*	ROMA (%)*	Earnings ($mm)	% of Firm Earnings
Branch Businesses:				
Real Estate	30	2.5%	191	35%
Other	15	0.6%	23	4%
Sub-Total	45	2.0%	214	39%
Credit Cards:				
Private Label	13	1.7%	59	11%
Bankcards	18	1.5%	66	12%
Sub-Total	31	1.6%	125	23%
Correspondent	19	1.6%	73	13%
Auto Finance	7	1.1%	18	3%
International	9	2.5%	56	10%
Other	20	1.1%	56	10%
Firm Total	128	1.7%	542	100%

* - All figures based on receivables except for "Other" and firm total which are based on assets (and therefore include investment portfolio and other assets); total managed receivables = $105bn.

Source: Company reports, Bernstein estimates

Impact on Profitability:

Loan returns will fall as Household reduces up-front fees, tightens compliance around misrepresentation of rates, and changes sales practices for insurance products. The effect will phase in over time as loans booked under old sales practices roll-off and are replaced by new, less profitable loans originated under new sales practices. Specifically, we believe returns on branch-originated real estate secured loans will fall from 2.5% currently to 1.9% after tax (corresponding to a reduction in pre-tax return of 1%). Given the average life of a loan is an estimated 5 years, the after-tax reduction in returns will phase in at a rate of 12 basis points per year on a lagged basis. ***Exhibit 5*** shows that the denominator effect of portfolio growth of 10% does not materially change this impact. We develop our estimate for the reduction in pre-tax returns of 1% as shown in ***Table 1***.

Table 1 Quantifying the Impact on Returns of Changing Sales Practices

Sales Practice to be Changed	Long-Run Pre-Tax Impact on Returns (basis points)
Failing to Disclose Discount Points	40
Misrepresenting Rate and Payment Amounts	40
Changing Insurance Sales Practices	20
Total	100

Source: Bernstein estimates

Up-Front Fees:

After the announced reduction in maximum up-front fees from 7¼% to 5% (made up of 2% closing costs and up to 3% of buy-down points), Household expects average up-front fees to fall from 6½% to 4½%. As an accounting matter, up-front fees are treated as “pre-paid finance charges” and amortized into earnings over the expected life of the loan, that we take as five years. Therefore, the impact of the lower up-front fees is to reduce the annual return on newly originated loans by 40 basis points. In practice, the impact could be larger since the DFI makes a deeper challenge to the fee model. Specifically, the DFI alleges that Household policy – of indicating to borrowers a highest loan rate and then providing an opportunity to “buy-down” this rate through paying up-front points – is not followed in the branches.

Rather, borrowers are not informed the trade-off between rates and points but shown a lowest loan rate to generate favorable compares with existing financing. These borrowers, if they are aware at all of the up-front points, are confused about the offsetting impact of the fees on the favorable economics shown through the sales process. "All of the borrowers questioned stated that not only did they not know that the points they were paying were used to buy down the rate, they were never offered the option or informed that the discount points paid at closing would be as high as they were".

Misrepresentation of Rates and Payments:

The DFI describes two ruses used by HFC representatives to lead borrowers to believe that rates or payments are lower than they actually are:

- *Selling on an Equivalent Rate Basis*: Household offers customers 18-year loans at, for example, 12.7% but faces a challenge in convincing a borrower with an existing bank loan at, for example, 7.5% to make the switch. Household representatives respond by claiming that their high-rate loan "pays out like" a 7% loan. The 7% is entirely fictional rate but is supported based on amortization schedules showing that it is the rate on a pretend 30-year loan generating the same total interest cost over life as the actual high-rate 18-year loan being sold (see ***Table 2***). The DFI comments that it "does not understand the purpose of making a comparison between an 18-year loan at the real rate and a 30-year loan at a pretend rate" adding that "the sole purpose of the schedule was for simple deception of the consumer".

Table 2 Lifetime Interest Cost Comparison

Loan Rate (%)	7.0%	11.7%
Maturity (Years)	30	18
Lifetime Interest Cost ($)	$139,508	$139,508
Memo: Loan Amount ($)	$100,000	$100,000

Source: Bernstein analysis

- *Confusing Semi-Monthly and Biweekly Payments*: The tactic is to tell borrowers that they can reduce their loan rate by paying biweekly rather than monthly on the grounds that more frequent payments amortize a loan faster and so reduce the lifetime interest cost (true but not relevant to the loan rate). One variation is to explain that biweekly payments reduce the loan rate because interest is calculated through the month and so grows exponentially unless you "nip it in the bud on the low side of the curve" with an intra-month payment. The DFI's observation is as follows. "When an HFC representative makes an obvious truthful statement ("the biweekly payment will reduce the amount of interest you pay") with the intent of a false promise ("therefore your interest rate will be only 7%"), the representative has lied with the truth and caused harm to the consumer."

We quantify the impact of reform of these practices by calculating what terms Household would have to offer to make the promised benefits a reality rather than a fiction. For specificity, we draw from Household sales materials where a borrower, with an existing monthly payment of $1,859, is shown a refinancing into a 30-year loan at a rate of 11.7% and monthly payment of $1,657. The promise of the sales material is monthly savings of the $202 difference. The borrower is then informed (see ***Table 3***) that by switching to a biweekly program with a $828 payment the loan term can be reduced to 18 years (and, by the "equivalent rate" deception, that the loan rate falls to 7.15%). In other words, the borrower is led to believe that by increasing the frequency of payment, it is possible to reduce both the loan maturity and the loan rate.

Table 3 Effect of Biweekly Payment Plan

Loan Amount	164,999
Standard Monthly Loan	
Loan Rate	11.7%
Maturity	30
Monthly Payment	1,657
Biweekly Loan	
Loan Rate	11.7%
Maturity	19
Biweekly Payment	828
Equivalent Monthly Payment	1,794

Source: Bernstein analysis

Of course, this is financial alchemy. The borrower has missed the trick that a payment of $828 biweekly corresponds to a monthly payment of $1,794 ($828 x 26 x 1/12). In other words, the reduced maturity arises not by paying more frequently but just by paying more (and all but eliminating the monthly savings of $202 that were the original impetus for the transaction). In ***Table 4***, we calculate that for Household to deliver the promised benefit – an 18-year loan with a $1,657 monthly payment – the loan rate must fall by 1.2% from 11.7% to 10.5%. Of course, if Household were to deliver on the promise implied by the equivalent rate deception, the loan rate actually has to fall by 4.5% to 7.15% but we view this as impractical.

Table 4 Maintaining Monthly Payment Amount

Semi Monthly Plan	
Loan Rate	10.5%
Maturity	19
Semi-Monthly	765
Equivalent Monthly Payment	1,657

Source: Bernstein analysis

Given the comparison between monthly and biweekly payments is institutionalized in Household's sales materials for the E-Z Pay Plus program (in which payments are made biweekly), we assume borrower confusion arises in, for argument's sake, one-half of cases. E-Z Pay Plus itself accounts for 70% of branch originations so (if our example is representative) Household will see a yield reduction of approximately 1.2% on approximately one-third (one-half of 70%) of all branch originations. This is equivalent to yield compression of 40 basis points on aggregate originations.

<u>Changing Practices for Insurance Sales (and Discontinuation of Single-Premium Credit Life Insurance):</u>

The DFI has evidence that Household representatives suggest the purchase of insurance is necessary to obtain a loan, and falsify records indicating whether borrowers have elected insurance coverage. "The Department believes that HFC representatives may have actually forged borrower signatures making it appear as if the borrowers had requested insurance when in fact they had not".

In partial response to regulator concerns, Household discontinued single-premium credit life insurance (where the single, up-front premium is financed into the loan amount) in April 2002. Now only monthly pay products (where the premium is paid monthly and is identified separately from loan service payments) are available. Given monthly pay insurance is a harder and less profitable sell (precisely because the premium cannot be bundled into the loan amount), we expect the penetration and return from insurance to decline. Currently, we estimate that premiums from the single-premium product – that amortize into earnings over the typical 5-year term of the insurance – contribute 40 basis points of return to the branch-based real estate portfolio net of policy holder benefits (see ***Exhibit 6***). For illustrative purposes, we assume this falls by one-half as only the monthly-pay product is offered.

Impact on Loan Growth

In addition to the reduction in returns, sales practice reform at Household will tend to reduce growth in the branch-based real estate secured portfolio – by 3 percentage points to a long-run rate of 10% in our estimates (see ***Exhibit 1***) – as sales practice reform takes hold. Note that the portfolio is currently growing at near 20% (see ***Table 5***) but this rate is boosted by the present refinancing cycle and is not a normalized number.

Table 5 Est. Growth in Branch-Based Businesses

Ending Balances ($bn)	2001	Q1 02	Q2 02	H1 02 Ann. Growth
Real Estate Secured				
Correspondent*	18	19	19	9%
Branch-originated	27	27	30	23%
Total	45	46	49	19%

* - Excludes approximately $1bn in correspondent loans sold in Q2 02.

Source: Company reports, Bernstein estimates

Two of the principal sales practice reforms will be around misrepresenting interest rates through use of a fictional "equivalent rate" bearing no relation to the actual loan rate, and up-selling customers into bigger loans than necessary to meet their objectives:

- *Selling on an Equivalent Rate Basis*: The equivalent rate deception has allowed Household to refinance customers with first mortgages at bank rates. Since it is impractical for Household to actually offer the 7% rates promised by the equivalent rate approach, business from confused bank borrowers will be foregone. The economics do not even work on a "blended rate" basis. For example, if a bank customer has a $100,000 mortgage at 8% and $25,000 of unsecured debt, the rate on this unsecured debt must be over 20% for the borrower to breakeven on a refinancing into a Household mortgage at 11% (and that is without any points).

- *Up-selling*: Up-selling – where a Household representatives sells a first mortgage refinancing to a customer whose objective is a second mortgage to refinance unsecured debt – will become more difficult under heightened regulatory scrutiny. The DFI reports on what must have been a somewhat alarming encounter when an examiner mystery-shopped at the Lakewood branch for a $40,000 loan. "Had the examiner been an untrained consumer rather than a mortgage enforcement specialist … the result may have been an unfavorable $100,000 transaction with HFC".

Dangers of Loan Rescission and Adverse Selection

In practice, our assumption of 10% portfolio growth may prove a best case. It is possible that the portfolio ceases to grow, or even shrinks, as heightened publicity around sales practices deters new customers and leads existing customers to consider their options including prepayment and even rescission. The risk increases to the extent Household representatives become frustrated with a more procedural environment at the firm, leave for competitors, and cherry-pick refinancing prospects from the best credits in their left-behind Household book.

- Prepayments: Household has created barriers to prepayment through prepayment penalties and through using second mortgages (including personal home loans struck at loan-to-value ratios of over 100%) to lever up borrowers and so immunize them from competitive refinancing. Both these barriers are decreasing as Household reduces the period for prepayment penalties from 5 years to 3 years, and discontinues personal home loans. They are likely to fall further under pressure from politicians frustrated that, unlike bank customers, Household customers have not been able to refinance into lower rate loans in the current interest rate environment.

- Rescission: The DFI makes the observation that by muddling sales materials indicating fictional benefits with disclosures required under the Truth-in-Lending (TIL) Act, Household has apparently violated Regulation Z of the Federal Reserve Board. "Inclusion of certain material TIL disclosures on the E-Z Pay Plus disclosure is a deceptive practice in violation of Regulation Z". The DFI also comments that, under Regulation Z, if the required "disclosures are not delivered, the right to rescind shall expire three years after the occurrence giving rise to the right of rescission.... It is apparent to the Department that the borrower's right to rescind is still in effect at this time".

The danger is of adverse selection as borrowers with bank-financing alternatives cease to refinance with Household or, if they have already done so, refinance away as soon as prepayment penalties expire or they are able to rescind their loans. In a worst case, the portfolio will shrink and concentrate in higher-risk credits leading the loss ratio to rise from the current 0.9% towards the levels of 1.3-1.5%[2] more typical of sub-prime home equity lending or higher.

Risks to Analysis

The risk to our analysis is that Household can simply compensate for reduced up-front fees by increasing loan rates, and that there is little impact on loan demand because customers truly have limited financing alternatives. In this event, our reduction of EPS estimates and growth projections is overdone. Furthermore, if Household can reach a national agreement with State AGs by year-end including a manageable fine (say several hundred million) and an encore of previous "best practice" commitments, the stock will likely rally beyond our target price. However, we believe this is unlikely:

- HFC representatives have developed confusing sales practices precisely because loan demand is sensitive to borrowers' perceptions of the loan rate. If these perceptions are brought in line with reality (as a result of better disclosure) and the real rates become less favorable (as Household looks to offset lower points) there will be a material impact on demand.
  - Furthermore, customers do have a financing alternative – they can choose to continue with their existing financing arrangements and not to refinance with Household. If a customer truly has no alternative but to finance through you, the business is probably low quality.
- National agreement with state AGs will be difficult given the conflicting objectives of the participants, and the political and regulatory pressures that will likely be brought to bear as Household's sales approaches become widely known.
- Even if a national agreement is reached, a commitment by Household to more "best practices" is unlikely to be sufficient given the DFI's challenge to Household's credibility and the evidence of complaint volume.
  - *DFI Challenge to Management Credibility*. "In early complaints the Department gave HFC the benefit of the doubt in consumer claims and relied on HFC's adamant claims that no deception or misrepresentation had occurred. …These claims of no harm and no foul, however, began to ring hollow as more and more consumers continued to complain of the same practices."
  - *Complaint Volume*. ***Table 6*** shows that complaint volume has accelerated in 2001 and 2002 despite the promulgation of two sets of best practices in July 2001 and February 2002. The DFI comments that

[2] Bank One reports a loss ratio of 1.37% on its sub-prime home equity lending portfolio.

Household's "complaint activity relative to its peers is disproportionate, and a large increase in the last two years is a cause for concern".

- As a result, it is likely that any settlement in principle will be accompanied by on-site auditing of compliance procedures by an independent entity. Aside from the operational inconvenience, this will tend to eliminate any execution arbitrage effected by Household between corporate policy and branch practice.

Table 6 Washington State Complaint Volume History

Year	Number of Complaints
1995	1
1996	5
1997	12
1998	12
1999	8
2000	17
2001	22
2002 (annualized)*	60
Total	137

* - 15 through Q1 2002.

Source: WA DFI Report, as published in *Bellingham Herald*

Exhibit 1 Adjusting Earnings Estimates for Sales Practice Reform

Base Scenario	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1 02***	**H2 02E***
Branch-Based RE Lending:										
YoY Growth in Loans (%)	-	21%	19%	16%	13%	13%	13%	13%	25%	12%
PE Loans	22.0	26.6	31.6	36.5	41.4	46.6	52.4	59.0	30.0	31.6
Avg Loans	-	24.3	29.1	34.1	39.0	44.0	49.5	55.7	28.3	30.8
ROA (%)	-	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Earnings ($mm)		619	716	834	958	1100	1243	1405	347	369
Total HI Earnings ($mm)	1631	1848	2098	2389	2707	3067	3456	3894	998	1100
- Earnings Growth (%)		13%	14%	14%	13%	13%	13%	13%	20%	8%
Shares Outstanding (mm)	476	468	462	462	462	462	462	462	462	462
Shares Outstanding (YoY Growth)	-1.2%	-1.7%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%		
Total EPS ($)	$3.40	$3.91	$4.51	$5.14	$5.83	$6.61	$7.45	$8.40	$2.11	$2.40
- EPS Growth (%)	15%	15%	15%	14%	13%	13%	13%	13%	21%	11%

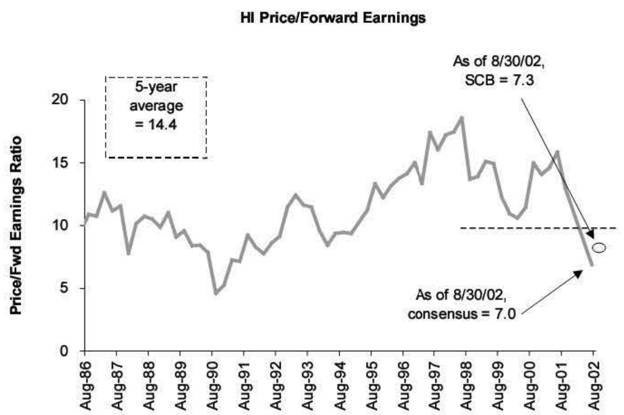
Adjusted Scenario	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1 02***	**H2 02E***
Branch-Based RE Lending:										
YoY Growth in Loans (%)	-	21%	17%	14%	10%	10%	10%	10%	25%	8%
PE Loans	22.0	26.6	31.1	35.5	39.1	43.0	47.3	52.0	30.0	31.1
Avg Loans	-	24.3	28.9	33.3	37.3	41.0	45.1	49.6	28.3	30.6
ROA (%)	-	2.5%	2.4%	2.2%	2.1%	2.0%	2.0%	1.9%	2.5%	2.5%
Earnings ($mm)		619	702	733	787	839	898	937	347	355
Total HI Earnings ($mm)	1631	1848	2084	2288	2536	2806	3112	3427	998	1086
- Earnings Growth (%)		13%	13%	10%	11%	11%	11%	10%	20%	7%
Shares Outstanding (mm)	476	468	462	462	462	462	462	462	462	462
Shares Outstanding (YoY Growth)	-1.2%	-1.7%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%		
Total EPS ($)	$3.40	$3.91	$4.48	$4.96	$5.49	$6.08	$6.74	$7.42	$2.11	$2.40
- EPS Growth (%)	15%	15%	14%	11%	11%	11%	11%	10%	21%	11%

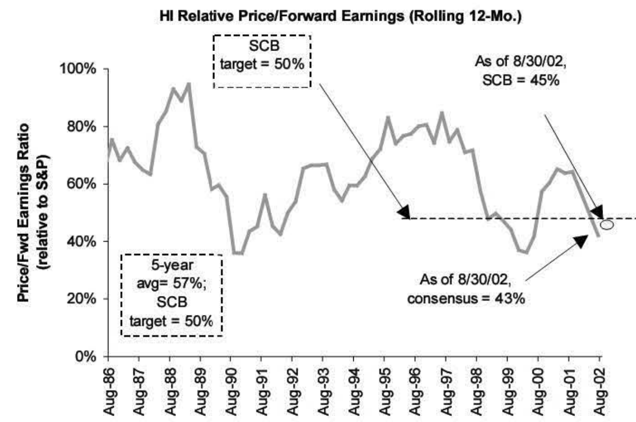
Memo:	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1 02**	**H2 02E**
Other Businesses' Earnings ($mm)	1081	1228	1382	1554	1749	1967	2213	2490	651	730
- YoY Growth (%)	-	14%	13%	13%	13%	13%	13%	13%	13%	12%

* - Loan growth rates for half-year periods are annualized.

Source: Company reports, Bernstein estimates

Exhibit 2 HI Valuation





	Current Price	2002 Consensus	P/FE
HI	$36	$4.57	7.9
SPX	$916	$49.69	18.4
Relative P/FE	43%		

	Current Price	2003 Consensus	P/FE
HI	$36	$5.14	7.0
SPX	$916	$56.13	16.3
Relative P/FE	43%		

Source: FactSet, Bernstein estimates

Exhibit 3 Breakout of Consumer Lending Segment

	Branch-Based Real Estate	Branch-Based Other	Branch-Based Total	Correspondent	Private Label Cards	Auto Finance	Total
Net Income ($mm)	191	23	214	73	59	18	364
Managed Receivables ($bn)*	30.0	14.9	44.9	19	13	7	84
ROML (%)	2.5%	0.6%	2.0%	1.6%	1.7%	1.1%	1.8%
Sub-Segment Economics							
Weighted Average APR (%)	11%	19%	13%	10%	12%	16%	13%
Cost of Funds (%)	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
NIM (%)	6.5%	14.1%	9.0%	5.6%	7.6%	11.6%	8.4%
Loss Ratios (%)	0.8%	8.6%	3.4%	1.1%	5.4%	6.2%	3.4%
Provision Expense (%)	1.0%	10.3%	4.1%	1.3%	6.4%	7.4%	4.1%
Lending Margin (%)	5.5%	3.8%	4.9%	4.2%	1.1%	4.1%	4.3%
Noninterest Revenue (%)	1.8%	0.6%	1.4%	0.0%	3.1%	1.5%	1.3%
Operating Expense (%)	3.4%	3.4%	3.4%	1.9%	1.6%	4.0%	2.9%
Pre-Tax Income (%)	3.8%	0.9%	2.9%	2.3%	2.6%	1.6%	2.6%
After-Tax Income (%)	2.5%	0.6%	2.0%	1.6%	1.7%	1.1%	1.8%
ROE**	32%	8%	24%	19%	22%	13%	22%

* - Correspondent loans of $19 billion are based on management disclosure in August 14th conference call; private label, branch-based other, and auto finance managed receivables are from Q2 02 earnings release; branch-based real estate loans are netted from branch-based total. Sub-segment totals may not match exactly to reported segment total.

** - Assumes corporate-level equity-to-managed assets ratio of 8.0% across segments.

Source: Company reports, Bernstein estimates

Exhibit 4 Household Segment Disclosure, Q2 02

	Consumer	Credit Card Services	International	All Other	Total
Net Income ($mm)	364	66	56	56	542
Managed Receivables ($bn)	80	17	8	1	105
Managed Assets ($bn)	82	18	9	20	128
ROMA (%)	1.8%	1.5%	2.5%	1.1%	1.7%
Memo:					
Intersegment Revenues ($mm)	43	8	3	0	53

Source: Company report

Exhibit 5 Estimated Effect of Portfolio Growth on Returns

Returns Under 10% Growth Scenario
2001-2007E

						Avg Balances ($bn)		Pre-Tax ROA (%)			After-Tax ROA (%)		
	Beginning Balance ($bn)	Originations ($bn)	Run-Off ($bn)	Ending Balance ($bn)	Growth in End Balance (%)	Old Loans	New Loans	Old Loans	New Loans	Total (Blended)	Old Loans	New Loans	Total (Blended)
2001	22.0	6.1	-1.5	26.6	21%	21.3	3.0	3.8%	3.8%	3.8%	2.5%	2.5%	2.5%
2002	26.6	7.9	-3.4	31.1	17%	18.9	10.0	3.8%	3.3%	3.6%	2.5%	2.2%	2.4%
2003	31.1	7.8	-3.4	35.5	*14%*	15.5	17.8	3.8%	2.8%	3.3%	2.5%	1.9%	2.2%
2004	35.5	7.0	-3.4	39.1	*10%*	12.1	25.2	3.8%	2.8%	3.1%	2.5%	1.9%	2.1%
2005	39.1	7.3	-3.4	43.0	*10%*	8.7	32.3	3.8%	2.8%	3.0%	2.5%	1.9%	2.0%
2006	43.0	7.7	-3.4	47.3	*10%*	5.3	39.8	3.8%	2.8%	2.9%	2.5%	1.9%	2.0%
2007	47.3	8.1	-3.4	52.0	*10%*	1.8	47.8	3.8%	2.8%	2.8%	2.5%	1.8%	1.9%

No Material Change in Any Period

Returns Under 0% Growth Scenario
2001-2007E

						Avg Balances ($bn)		Pre-Tax ROA (%)			After-Tax ROA (%)		
	Beginning Balance ($bn)	Originations ($bn)	Run-Off ($bn)	Ending Balance ($bn)	Growth in End Balance (%)	Old Loans	New Loans	Old Loans	New Loans	Total (Blended)	Old Loans	New Loans	Total (Blended)
2001	22.0	6.1	-1.5	26.6	21%	21.3	3.0	3.8%	3.8%	3.8%	2.5%	2.5%	2.5%
2002	26.6	7.9	-4.5	31.1	17%	18.3	10.6	3.8%	3.3%	3.6%	2.5%	2.2%	2.4%
2003	31.1	3.4	-3.4	31.1	*0%*	14.4	16.8	3.8%	2.8%	3.3%	2.5%	1.9%	2.2%
2004	31.1	3.4	-3.4	31.1	*0%*	6.3	24.8	3.8%	2.8%	3.0%	2.5%	1.9%	2.0%
2005	31.1	3.4	-3.4	31.1	*0%*	0.0	31.1	3.8%	2.8%	2.8%	2.5%	1.9%	1.9%
2006	31.1	3.4	-3.4	31.1	*0%*	0.0	31.1	3.8%	2.8%	2.8%	2.5%	1.9%	1.9%
2007	31.1	3.4	-3.4	31.1	*0%*	0.0	31.1	3.8%	2.8%	2.8%	2.5%	1.9%	1.9%

Source: Company reports, Bernstein estimates

Exhibit 6 Estimated Contribution of Credit Life Insurance Revenue

	1998	1999	2000	2001	H1 02	H2 02E	2002E
Branch-Originated Volume ($bn)	5.5	6.5	7.6	6.1	3.8	4.1	7.9
Average Loan Size ($)*	100,000						
No. of Accounts Originated (000)	55	65	76	61	38	41	79
Penetration of Insurance (%)	60%						
Margin (%)	60%						
Average Premium ($)	5,000						
Premiums booked ($mm)	99	116	137	109	68	74	142
Contribution to 2002 Fees ($mm)***	20	23	27	22	14	15	28
Memo:							
YoY Growth in Branch Volume (%)	na	17%	18%	-21%	36%	25%	30%
Est. Fee Amortization Period (yrs)	5						

Total	
$mm	% Branch Loans**
121	0.40%

* - Based on average loan size in the company's series 2002-1 home equity loan securitization (see prospectus supplement dated March 8, 2002)

** - Based on current branch-based real estate loans of $30 billion.

*** - Based on assumed amortization period of 5 years; this aligns with maximum term under which prepayment penalty is charged.

Source: Company reports, servicer reports, Bernstein estimates

Appendix: Analysis of Segment Returns

Overall Firm

Household reports on the following business segments:

- Consumer lending: This segment includes the branch-based businesses (real estate secured, personal home loans, and personal unsecured), mortgage services (i.e. correspondent lending), retail services (i.e private label cards), and auto finance. Segment receivables total approximately $80 billion, or 80% of the company-wide total.

- Credit Card Services: This consists of the $17 billion Visa/Mastercard portfolio which includes the General Motors and Union Privilege affinity programs, the Household Bank portfolio, and the Renaissance sub-prime portfolio of approximately $2 billion.

- International: This segment includes primarily Canada and UK operations, with $9 billion of Mastercard/Visa loans, real estate secured loans, and personal unsecured loans.

- All Other: This includes all other businesses including insurance services, tax refund lending, and small direct lending and commercial lending portfolios. Total receivables total just over $1 billion.

Table A1 shows the breakdown of managed receivables, net income, and return on managed receivables for these businesses for Q2 02 based on disclosures in the 10Q.

Table A1 Breakout of Consumer Lending Segment

	Consumer	Credit Card Services	International	All Other*	Total**
Net Income ($mm)	364	66	56	56	542
Managed Receivables ($bn)	80	17	8	1	105
ROML (%)	1.8%	1.6%	2.9%	20.3%	2.1%
Memo:					
Managed Assets ($bn)	82	18	9	20	128
ROMA (%)	1.8%	1.5%	2.5%	1.1%	1.7%

* - Includes investment portfolio along with small mixed loan portfolio (e.g., tax refund loans), which increases the relative ROML - we show ROMA as a counter-balance.

** - Before adjustments for intersegment revenues.

Source: Company reports

Sub-Segments of Consumer Lending

Household does not provide a full sub-segment analysis within consumer lending. However, we are able to construct estimates that calibrate to disclosures related to the normalized profitability of each business (with adjustments where necessary). Specifically, we believe that the Q2 02 after-tax return-on-loans:

- For the branch-based real estate business was approximately 2.0%. This is slightly lower than management indications of 2.2%. However, the sum of the returns indicated by management for the sub-segments is greater than the whole and we make our adjustment here – note that this business includes both real estate secured and unsecured products (e.g., PHLs).

– For the auto business was 1.1% (lower than the run-rate of 2.0% on higher loss rates due in part to lower recovery rates in the used car after-market).

– For mortgage services was 1.6% (based on the required hurdle rate of 20% return-on-equity used to price new business and the company's current equity-to-managed assets ratio of 8%).

– For the retail services (private label) business was 1.8% (corresponding to a pre-tax return of 2.6% - this is lower than management indications of nearer 3.0% on seasonal declines in usage).

Table A2 provides the breakdown of the managed loans by sub-segment together with these estimates for the net income and returns on managed receivables.

Table A2 Breakdown of Consumer Lending Segment

	Branch-Based Real Estate	Branch-Based Other	Branch-Based Total	Correspondent	Private Label Cards	Auto Finance	Total
Net Income ($mm)	191	23	214	73	59	18	364
Managed Receivables ($bn)*	30.0	14.9	44.9	19	13	7	84
ROML (%)	2.5%	0.6%	2.0%	1.6%	1.7%	1.1%	1.8%

* - Correspondent loans of $19 billion are based on management disclosure in August 14th conference call; private label and auto finance managed receivables are from Q2 02 earnings release; branch-based receivables are based on earnings release disclosures. Our bottom-up total of $84 billion is 5% larger than the disclosed $80 billion.

Source: Company reports, Bernstein estimates

Detailed Assumptions

The detailed assumptions for the sub-segment analysis presented in ***Table A2*** are as follows:

– *Net Interest Margin*: We know the net interest margin for the consumer lending segment as a whole is 8.4% and the cost of funds for the firm is 4.4%. Assuming the consumer lending segment attracts the same cost of funds as the rest of the business (a reasonable approximation given that consumer lending is 80% of the managed portfolio), the average yield on consumer loans is therefore 13%. In addition, we have information from the company 10Ks for average yield and net interest margin on the sub-segments in 2001, 2000, and 1999 (***see Table A3***). Assuming the relative yields are unchanged in Q2 02 from 2001, we can estimate the average yields and net interest margin by sub-segment in Q2 02 for the private label, auto finance, and branch-based other ("personal non-card") portfolios. We then estimate the yield on the branch-originated real estate loans using the average of 11% on the portfolio in the most recently filed securitization prospectus. We assume a slightly lower yield of 10% on the correspondent portfolio because of the amortization of the premium at purchase that is currently 4-6 points (and so represents near 1% running over an estimated average life of 5 years – see ***Table A4***).

Table A3 Yield and Net Interest Margin History by Product

	Average Yield (%)			Net Interest Margin		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**
Real Estate Secured	11.6%	12.0%	11.6%	5.7%	4.7%	5.7%
Auto Finance	17.5%	18.3%	19.0%	11.6%	11.0%	13.1%
Personal Non-Card	20.0%	20.5%	19.6%	14.1%	13.2%	13.7%
Private Label	13.5%	14.4%	13.6%	7.6%	7.1%	7.7%
HI Cost of Funds (%)	5.9%	7.3%	5.9%			

Source: Company reports, Bernstein analysis

Table A4 Estimates of Yield and NIM for Q2 02

Sub-Segment NIM Estimates	Branch-Based Real Estate	Branch-Based Other	Branch-Based Total	Correspondent	Private Label Cards	Auto Finance	Total
Weighted Average APR (%)	11%	19%	13%	10%	12%	16%	13%
Cost of Funds (%)	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
NIM (%)	6.5%	14.1%	9.0%	5.6%	7.6%	11.6%	8.4%
Memo:							
Managed Receivables ($bn)	30.0	14.9	44.9	19	13	7	84

Source: Company reports, Bernstein estimates

– *Loss Ratios*: From the 10Q, we have the Q2 02 loss ratios for the auto finance, private label, and branch-based other portfolios. We do not have loss rates for branch-based real estate secured loans versus those originated through the correspondent channel. We assume the loss ratio in the correspondent segment is 1.1% versus 0.8% for the branch portfolio to give the required average result for the real estate secured portfolio of 0.9% (as disclosed in the 10Q). Our results are summarized in ***Table A5***. On a weighted average basis, the segment loss ratio is 3.4% against reported provision expense of 4.1%. We assume the ratio of provision expense to net loss ratio for the total loan portfolio is constant across the sub-segments to develop the provision estimates shown in ***Table A5***.

Table A5 Credit Loss and Provision Estimates

Sub-Segment Credit Loss Rates	Branch-Based Real Estate	Branch-Based Other	Branch-Based Total	Correspondent	Private Label Cards	Auto Finance	Total
Loss Ratios (%)	0.8%	8.6%	3.4%	1.1%	5.4%	6.2%	3.4%
Provision Expense (%)	1.0%	10.3%	4.1%	1.3%	6.4%	7.4%	4.1%
Memo:							
Managed Receivables ($bn)	30.0	14.9	44.9	19	13	7	84

Source: Company reports, Bernstein estimates

Having completed this "horizontal" analysis for net interest margin and loss items – along with estimated sub-segment returns – we now move to a vertical analysis of each of the sub-segments to derive the remaining items: noninterest revenue and operating expenses

– Private Label Cards: As outlined above, we estimate a net interest yield of 12% for private label using the spread reported for 2001 in the 10K. ***Table A6*** presents further support of this estimate by deriving this finance charge as the blended APR of high (20%) go-to rates and teaser rates. Our estimate of noninterest revenue is 3.1% of balances, and is based on an average balance of approximately $1,200 (using 10K data that managed receivables were $11.6 billion and the number of active accounts was 9.9 million) and one $35 fee event per year per active account. We estimate the pre-tax return on managed receivables for the business at 2.6% corresponding to an after-tax return of 1.8%. Given these assumptions, operating expenses must represent 1.6% of managed receivables (corresponding to approximately $20/active account per year).

Table A6 Revenue Estimates for Private Label

Go-to APR	19.9%	Receivables Balance ($bn)	11.6
Teaser APR	0.0%	Active Accounts (mm)	9.9
% Portfolio at Teaser	40%	Balance/Active Account ($)	1172
Blended APR	11.9%	Fee Revenue (% Avg Balance)*	3.1%

* - Assumes two penalty events per year at $35 per event.

Source: Company reports, Bernstein estimates

– Auto Finance: From the securitization trust (see ***Exhibit A1***), we estimate the overall portfolio yield at 17.3% (assuming the securitized portfolio is representative of the managed portfolio). Given our estimate of the finance charge at 16%, this means fee income represents 1.3% of average balances. Fees are generated only when customers pay late or are offered extensions . We assume that Household's operating expenses are 4.0% of managed receivable (slightly above the 3.6% level reported at AmeriCredit). Together, these assumptions generate an after-tax return on loans of 1.1%. This is lower than the normalized after-tax return of nearer 2.0% (and the 2.6% return reported by AmeriCredit) but we believe this reflects recent credit challenges (particularly related to the disposal of repossessed cars) experienced at Household.

– Correspondent Lending: For real estate loans originated through correspondents, we assume no fee income since the originator retains up-front points. Premiums currently run at between 4 and 6 points and are amortized into finance income over the average life of the loan (that we estimate at 5 years). This is consistent with the yield (and net interest margin) on correspondent loans being approximately 1% less than the yield on branch loans. For total returns, we note that this is a wholesale business – with loans typically purchased in bulk – and is priced to achieve a 20% ROE or better. At the current equity-to-managed assets ratio for the company of 8%, this gives us an estimated ROMA for the business of 1.6% (see ***Exhibit A2***). This allows us to back into an estimate for operating expense of 1.9% for the business.

We now turn to the branch-based business for the remaining statement items – noninterest revenue and operating expense – and the split of each across the real estate secured and other unsecured products:

- *Noninterest revenue*. We can back out total noninterest revenue of 1.4% for the branch-based business using the segment total of 1.3% on receivables and our estimates for the other subsegments. We estimate the split of these revenues to branch-based real estate by assuming that these revenues consist entirely of amortizing fees – including both upfront "points" on mortgages and credit insurance products, and estimate the value of each as follows:
  - In ***Exhibit A3***, we estimate the upfront fees for full-year 2002 using annual origination volume data back to 1998. This assumes a five-year average life on these loans (which coincides with the outer range under which prepayment penalties are charged). Furthermore, we assume that half of new volume in the years 1998-2000 was originated in the branches, with one-third of 2001-2002 total volumes as Household has become more aggressive in the correspondent channel. We then apply an average upfront fee of 6.5% (based on management commentary) to these originations, and amortize these fees over the proceeding five-year period. For 2002, we calculate the cumulative value of these fees as $436 million, or 1.4% on the current $30 billion portfolio of managed branch-based loans.
  - In ***Exhibit A4***, we take a similar approach for credit insurance. However, we estimate these fees on an account basis. First, we estimate the number of originated loans each year using an average loan value of $100k. We then estimate the penetration rate using data disclosed in the Washington state DFI report, which presented penetration rates by branch (see ***Exhibit A5***); for conservatism, we use the average penetration rate of the bottom half of 60% and apply this uniformly to the entire period. We then estimate an average premium of $5,000 for each product sold, again using DFI report disclosures. We remove benefit costs by assuming a 60% margin, and total the estimated credit insurance net revenues per year (again, amortizing over the five-year period). Cumulating these amortized fees for 2002 gives a total for the year of $121 million, or 0.4% on the current branch-based portfolio.

The total of 1.8% in noninterest revenue margin on branch-based real estate lending implies a 0.6% noninterest margin on the other branch-based loans (given the branch-based total of 1.4% and the respective loan balances). This is in line with the lower average points charged on these loans (e.g., nearer 3 points versus 6-7 on the secured loans) and the fact that credit life insurance tends to be charged on first mortgages but not seconds.

- *Operating Expense*: On operating expense, we can back into a total of 3.4% for the branch-based business from both the horizontal approach (total consumer lending expenses net of the other sub-segment's expenses) and the vertical approach (total revenues net of pre-tax return and provision expense). This ratio is higher than the total segment ratio of 2.9% and reflects the cost of operating a large branch network. We equalize the expense across the secured and unsecured branch-based products since they share the branch infrastructure.

Exhibit A1 Auto Finance Trust Yield History

Household Automotive Trust
Series 2001-2

Month	Yield
Jul 2001	17.5%
Aug 2001	18.3%
Sep 2001	17.0%
Oct 2001	17.3%
Nov 2001	17.3%
Dec 2001	16.9%
Jan 2002	18.3%
Feb 2002	17.1%
Mar 2002	17.3%
Apr 2002	17.2%
May 2002	17.6%
Jun 2002	17.1%
Jul 2002	17.2%

Quarter	
Q3 01	17.6%
Q4 01	17.2%
Q1 02	17.6%
Q2 02	17.3%

Source: Company reports, Bernstein estimates

Exhibit A2 Estimated Returns in Correspondent Business

Hurdle Rate ROE on New Business (%)	20%
Equity/Managed Assets (%)	8%
Assumed ROMA	1.6%

Source: Company reports, Bernstein estimates

Exhibit A3 Estimated Contribution of Upfront Fee (Points) Revenue

	1998	1999	2000	2001	H1 02	H2 02E	2002E
Total Origination Volume ($bn)*	11.1	12.9	15.3	18.2	11.3	12.4	23.7
- Assumed % Through Branches	50%	50%	50%	33%	33%	33%	33%
Branch-Originated Volume ($bn)	5.5	6.5	7.6	6.1	3.8	4.1	7.9
Upfront Fees (% Loan Balance)	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Upfront Fees ($mm)	359	419	496	394	245	268	513
Contribution to 2002 Fees ($mm)***	72	84	99	79	49	54	103
Memo:							
YoY Growth in Branch Volume (%)	na	17%	18%	-21%	36%	25%	30%
Est. Fee Amortization Period (yrs)	5						

Total	
$mm	% Branch Loans**
436	1.4%

* - Based on reports from *Inside B&C Lending*.

** - Based on current branch-based real estate loans of $30 billion.

*** - Based on assumed amortization period of 5 years; this aligns with maximum term under which prepayment penalty is charged.

Source: Company reports, Bernstein estimates

Exhibit A4 Estimated Contribution of Credit Life Insurance Revenue

	1998	1999	2000	2001	H1 02	H2 02E	2002E
Branch-Originated Volume ($bn)	5.5	6.5	7.6	6.1	3.8	4.1	7.9
Average Loan Size ($)*	100,000						
No. of Accounts Originated (000)	55	65	76	61	38	41	79
Penetration of Insurance (%)	60%						
Margin (%)	60%						
Average Premium ($)	5,000						
Premiums booked ($mm)	99	116	137	109	68	74	142
Contribution to 2002 Fees ($mm)***	20	23	27	22	14	15	28
Memo:							
YoY Growth in Branch Volume (%)	na	17%	18%	-21%	36%	25%	30%
Est. Fee Amortization Period (yrs)	5						

Total	
$mm	% Branch Loans**
121	0.40%

* - Based on average loan size in the company's series 2002-1 home equity loan securitization (see prospectus supplement dated March 8, 2002)

** - Based on current branch-based real estate loans of $30 billion.

*** - Based on assumed amortization period of 5 years; this aligns with maximum term under which prepayment penalty is charged.

Source: Company reports, servicer reports, Bernstein estimates

Exhibit A5 Estimated Credit Life Insurance Penetration

WA Branch	Penetration of Credit Life (% Loans)	
McLoughlin	100%	
Federal Way	94%	
Bellingham	92%	
Burien	89%	
Yakima	75%	
Seattle	75%	
Kennewick	74%	
Tacoma	74%	
Lynnwood	71%	
Parkway	69%	
Puyallup	61%	
Renton	61%	
Vancouver	60%	
Bellevue	58%	
Lakewood	56%	
Edmonds	53%	
Olympia	44%	
Everett	37%	
Average	69%	
Median	70%	
Bottom Half Average		60%

Source: WA DFI report

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- **Bernstein analysts are compensated based on aggregate contributions to the research franchise as measured by account penetration, productivity, and proactivity of investment ideas. No analysts are compensated based on performance in, or contributions to, generating investment banking revenues.**

- **Bernstein rates stocks based on forecasts of relative performance for the next 6-12 months versus the S&P 500 for US listed stocks and versus the MSCI Pan Europe Index for stocks listed on the European exchanges--unless otherwise specified. We have three categories of ratings:**

  Outperform: Stock will outpace the market index by more than 15p.p. in the year ahead

  Market perform: Stock will perform in-line with the market index to within +/- 15p.p. in the year ahead

  Underperform: Stock will trail the performance of the market index by more than 15p.p. in the year ahead

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Company Rating:	*Sector Performer*
Sector Weighting:	*Market Weight*

September 22, 2002

Company Update

Household International

Lowering Price Target On Persistent Headline Risk, But Maintaining SP Rating

Specialty Finance

HI-NYSE (9/20/2002)	$29.05
12-18 mo. Price Target	$36.00
Key Indices: S&P 500, DJ Ind, S&PFincl	
3-5-Yr. EPS Gr. Rate (E):	15.0%
52-week Range	$63.25-$27.66
Shares Outstanding	461M
Float	356.1M shrs
Avg. Daily Trading Vol.	4,740,000
Market Capitalization	$13.4B
Dividend/Yield	$1.00/3.4%
Fiscal Year Ends	December
Book Value	15.31 per Shr
2002 ROE	20.3%
LT Debt	$60,536.2
Preferred	$1,818.20M
Common Equity	$7,057.20M
Convertible Available	Yes

- We have lowered our price target for HI to $36 from $57 given persistent headline risk which may further pressure the valuation, despite the strong outlook. We have also fine tuned our quarter estimates for 2002 and reduced our 2003 estimate to $5.12 from $5.18 per share.

- Despite the headline risk associated with the company, our confidence in HI's growth strategy and fundamental strength remains strong. Given the solid housing market, HI's home equity portfolio (which represents nearly 50% of the total) should further rise, while credit quality is manageable.

- Furthermore, we believe there could be upside to third quarter earnings owing to the low interest rate environment and robust refinancing activity. Although headline risk and low investor sentiment may continue to be an overhang, we believe fundamentals should remain relatively strong.

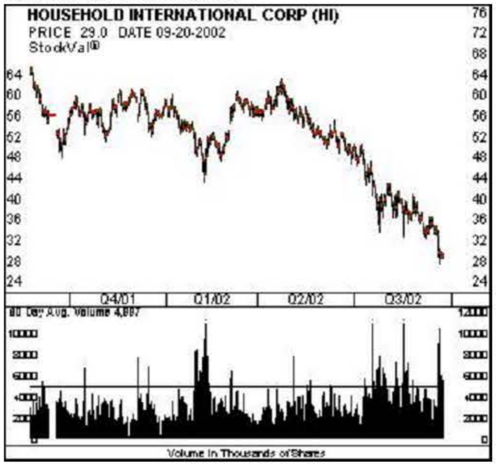
- Credit quality should remain in-check, even if loss rates rise further, as heavy loan loss provisioning has supported reserve levels without depressing earnings growth. At the end of the second quarter, loan loss reserves were at record high levels. HI is rated Sector Performer.

Company Description

Household International is a diversified financial services company focused primarily on consumer lending.

Earnings per Share	Prev	Current
2001A		$3.92A
2002E	$4.58E	$4.58E
2003E	$5.18E	$5.12E
P/E		
2001A		7.4x
2002E	6.3x	6.3x
2003E	5.6x	5.7x

Stock Price Performance



Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1435

Jennifer Scutti
1 (212) 667-6867
Jennifer.Scutti@us.cibc.com

Barrie Stesis
1 (212) 667-8191
Barrie.Stesis@us.cibc.com

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Headline risk has been unrelenting, and we see no clear sign that it will abate

We have lowered our price target for Household International to $36 from $57 as persistent headline risk should continue to pressure Household's valuation. Over the past several months, scrutiny of sub-prime lenders has intensified among regulators and investors alike, which has placed unrelenting pressure on Household's market valuation. In particular, building concerns regarding the company's lending practices, which have been accused of being predatory in nature and is currently the subject of an investigation by the Washington Department of Financial Institutions, have dampened price performance. Moreover, skepticism regarding the company's rapid portfolio growth, particularly within the auto business, and mounting credit quality concerns related to Household's loan workout and re-aging practices have also been a drag on the stock.

While close scrutiny of HI is warranted in the current environment, recent concerns may be overblown

Although we believe there is reason for some concern given the uncertain economic outlook and recent troubles at the independent auto finance company Americredit (ACF), the scrutiny may be overblown. Despite our confidence in Household's growth strategy and fundamental strength, we believe that the headline risk associated with the company has intensified in recent weeks and could place downward pressure on the stock valuation in the near term. As such, we have reduced our price target on the stock given the lack of visibility as to a resolution of the highlighted investigations and pending lawsuits. We have also fine tuned our quarterly earnings progression for 2002 and trimmed our 2003 earnings estimates to $5.12 from $5.18 per share owing primarily to the likelihood of slower refinancing activity as interest rates begin to rise. Furthermore, given the potential for higher interest rates and greater securitization activity, the net interest margin could come under modest pressure in 2003.

At current levels, Household is trading at roughly 5.6X our 2003 estimate, which reflects more than a 50% discount to the company's historical price/forward earnings multiple since 1995, and more than half its long term earnings growth rate. Although we do not foresee any material catalyst for multiple expansion back into the historical average range of 11X-12X until the pending regulatory issues are resolved and the economy demonstrates clearer signs of improvement, we do believe the current discount is too sharp. Furthermore, given the potential for third quarter earnings to be strong because of the strength of refinancing activity and likelihood of robust gains in the home equity portfolio, we believe a more appropriate valuation would reflect a price/forward earnings of roughly 7X, or $36 per share. Based on the solid fundamentals but continuing headline risk, we have maintained our Sector Performer rating on the stock

Risks to our rating include the possibility of additional regulatory investigations, particularly on the heels of long-standing scrutiny. Adding fuel to the fire was the recent $215 million settlement of the investigation into The Associates by the Federal Trade Commission, which had been Household's closest independent peer and was acquired by Citigroup in September 2000. We believe that there could be a spillover effect on Household, as the regulatory witch-hunt among sub-prime lenders continues.

Moreover, the ongoing skittish market and investor sentiment could continue to punish the stock. Finally, should the economic recovery reverse or interest rates rise sharply, production could slow and adversely impact earnings growth. Given the current state of the economy, however, we do not believe that interest rates should move dramatically and may remain at low levels into 2003, which should continue to fuel heavy refinancing activity.

American Banker

May 31, 2002

SECTION: Pg. 1 ; ISSN: 0002-7561

IAC-ACC-NO: 86509437

LENGTH: 1088 words

HEADLINE: For Household, New Fight and Small Victory; Household International Inc. blocks regulatory-exam report

BYLINE: Bergquist, Erick

BODY:

Its lending practices under fire on a number of fronts, Household International Inc. is fighting a new battle in Washington State.

The Prospect Heights, Ill., company scored at least a temporary victory this week, getting an injunction against state regulators who had planned to release a report detailing 179 borrower complaints against its consumer finance units. Household argued that regulatory-exam information should not be made public.

According to the injunction, Washington State's Department of Financial Institutions cannot disclose any report or examination of Household, any information or documents "obtained in connection with an examination," or any opinions expressed or "policies formulated" in connection with an investigation.

It was unclear Thursday how long Household could keep the report under wraps; the judge's 15-line decision merely says the injunction is temporary.

But the state's attorney general has already read the regulators' report.

"We have some serious allegations about misrepresentations that they made to people and potentially unfair practices that they engaged in," said David Huey, an official in the attorney general's consumer protection division. "We're looking into their activities and we may be doing something about it."

Megan Hayden, a Household spokeswoman, said the $ 90 billion-asset company sought the injunction because it did not want proprietary information released to competitors. She also called the report "a draft" with "factual errors" that Household wants to correct.

In an interview Thursday, the banking department's acting director, Mark Thompson, said 179 complaints have been filed since 1995 against Household Finance Corp. and Beneficial Washington, Household's two consumer finance units operating in the state.

But the volume started escalating in 1999, and by last summer the agency decided to investigate the complaints from borrowers claiming to be confused about rates and fees on their loans.

"Anytime we get that number of complaints against one of our licensees, we heighten our scrutiny," said Chuck Cross, a program manager for the the banking agency's consumer services division.

Mr. Thompson said that the agency wants aggrieved borrowers "made whole." He said Household is cooperating with the department, and he hopes for a settlement this summer.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1446

Hayden Hoker
DEP. EXH. # 50
Date: 8/18/06

"The company has engaged with us and we think over the summer we will be able to work that out," he said.

"If that's not the case, we will take appropriate legal action," he said.

Ms. Hayden tried to downplay what is happening in Washington as state officials merely doing their jobs.

"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," she said. "As part of that they, of course, bring forth those issues to us and we take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower."

In fact, Household has reached out to some customers of its branch in Bellingham and lowered the interest rates on their loans. These customers had joined a potential class-action suit against Household that claims they were charged higher rates than lenders had promised.

"Some customers" in Bellingham "may indeed have been justified in their confusion about the rate of their loan," she said.

Ms. Hayden said Household "took full and prompt responsibility." Household, she said, is "satisfied that this situation was localized to the Bellingham branch."

But Wall Street analysts wonder if this is the tip of an expensive iceberg.

"Household has acknowledged that customers in Bellingham may have indeed been justified in their confusion about the rate of their loans," said Howard K. Mason, an analyst with Sanford C. Bernstein in New York. "The question arises about whether this confusion is limited to the Bellingham branch or extends to other branches in Washington state and in other states.

"If indeed they are more widespread, there is a material risk to Household's earnings as the firm moves to ensure compliance with its best-practices policy."

William Ryan, an analyst with Portales Partners in New York, said, "The more negative publicity Household receives about its lending practices, the more likely their own home equity loan customers in other states will begin reviewing their own personal situation, which could increase the company's litigation risk elsewhere."

And the move to suppress the report provided fuel for Household's harshest critic, the Association of Community Organizations for Reform Now, which has made reforming the company's lending procedures a top priority.

"There is a pattern with Household: Evidence about the abuses in their lending is overwhelming and keeps bubbling up," said Lisa Donner, the director of Acorn's financial justice center. "Household's response is to deny the problem and to do everything they can to squash the appearance of the problem rather than acknowledging it and doing something to change it."

Household has taken a hit in the markets, its stock falling from over $ 62 in late April to less than $ 52 during trading Thursday. Over that period, financial stocks have generally held their ground.

In the past nine months, several consumer groups, including Acorn and AARP, as well as the California Department of Corporations have sued Household. And New York State Comptroller H. Carl McCall in early May lit into Household, saying it had to "take drastic steps to reform its predatory lending practices."

And in Washington, late last week Household agreed to refund $ 586,000 after state officials said computer systems errors led to overcharges in 3,100 accounts.

Robert Parlette, a lawyer with Davis, Arneil Law Firm in Wenatchee, Wash., is representing the 35 to 40 Household customers seeking class-action status. Mr. Huey said the attorney general's office became interested in Household after Mr. Parlette filed his lawsuit and the Washington chapter of Acorn brought several complaints by Washington borrowers to his attention in April.

To be sure, Household has taken steps to quell criticism.

It has released to two sets of best practices for its lending activities, and it just last week it hired Pennsylvania Secretary of Banking James B. Kauffman Jr. to become its vice president of compliance.

IAC-CREATE-DATE: June 25, 2002

LOAD-DATE: June 26, 2002

Deutsche Bank Securities Inc.

US
Specialty Finance

Deutsche Bank

September 12, 2002

Household International Inc.

Household: Management Visit- Addressing The Challenges

Rating
Buy

Price at 9/11/02
US$ 35.43

Target Price
US$ 43

Exchange: Ticker
NYSE: HI

FY: (Dec.)	1Q	2Q	3Q	4Q	FY EPS	FY P/E	CY EPS	CY P/E	Rev MM
EPS (US$):									
2001A	$0.91	$0.93	$1.07	$1.17	$4.08	8.7x	$4.08	8.7x	$10,847.4
2002E	1.04R	1.07R	1.15	1.24	4.50	7.9	4.50	7.9	12,953.7
Old 2002E		*1.11*							
2003E	NE	NE	NE	NE	5.10	6.9	5.10	6.9	14,494.0

Source: Deutsche Bank Securities estimates and company data

52-Week Range:	$63–$33	ROE:	22%
Shares Outstanding: (MM)	456.30	Div./Yield:	$1.00/2.82%
Market Cap: (MM)	$16,166.71	3-5 Yr. Grth. Rate:	11%
Float: (MM)	354.70	CY 02 P/E-to-Grth:	0.7x
Avg. Daily Volume:	5,034.49		

- We met with Tom Detelich, Group Executive for Consumer Lending, at Household's headquarters in Chicago earlier this week. Mr. Detelich is responsible for Household's branches and home equity lending businesses.
- Household's energy is focused on resolving allegations of unfair lending practices, and Mr. Detelich addressed the issues directly and candidly.
- We believe the issues can be categorized into three questions: 1) What happened in the past to cause the problem? 2) How has Household addressed the issues? and 3) How will Household's business model be affected going forward?
- We came away feeling more comfortable with the likely resolution than we had anticipated. But resolution will take time. We expect additional negative publicity, and possibly other investigations from different state regulatory bodies (including Attorney Generals), particularly pre-November elections.
- In the long-run, we believe Household's business model will emerge stronger than before. Some profitability will be sacrificed (e.g. less fee income), but we expect the company to gain market share from 1) enhanced lending practices and 2) market share gains from competitors with less staying power.
- With the stock only 7x our 2002 EPS estimate of $5.10, we believe the valuation discounts much of the bad news. There may be more negative headlines in near future that could put pressure on the stock, but we believe the current valuation warrants at least a partial position.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1450

Mark C. Alpert, CFA
212-469-8117
mark.alpert@db.com

Randolf St. Leger
212-469-7118
randolf.st-leger@db.com

Garrett T. Swanberg
212-469-5017
garrett.swanberg@db.com

Household's stock has been under pressure due to concern about accusations of unfair and predatory lending practices, primarily from consumer groups (e.g. ACORN, AARP) and the State of Washington Department of Financial Institutions (DFI). There is the possibility that other authorities/regulatory bodies, including state Attorney Generals (29 are running for office this November, and Household makes an attractive target), and even a greater chance for additional negative headlines in the press.

We met with Tom Detelich, the Group Executive for Consumer Lending (i.e. the branch system which originates the home equity loans in question) in Chicago earlier this week for an in-depth, face-to-face discussion of these issues. We also met with CEO Bill Aldinger in NYC the previous week in which lending practices were also the focus of questions.

We came away from these meetings with more optimism that Household is addressing the issue more than meets the eye, and that its business model will remain intact going forward. Indeed, we are confident that over time, Household's P/E ratio will expand beyond the current 7x our $5.10 (2003) EPS estimate at which it currently trades. In today's market, in our opinion, the fundamentals warrant a P/E ratio three to four points above this level-suggesting a $51-$56 value. Having said that, we recognize it will take time for the issues to be resolved, the cost remains unknown, and there could be additional allegations and negative press in the meantime. Hence, in the next few months, the stock is likely to remain volatile and, over that time, there could be better buying opportunities, but investors objectively looking at the story should find the current valuation compelling for the long-term, in our opinion. We reiterate our Buy rating.

Three Key Questions

We believe the issues can be categorized into three questions:

1) What happened in the past to cause the problem?

2) How has Household addressed the issues?

3) How will Household's business model be affected going forward?

What Happened In the Past: Washington Department of Financial Institutions Report

By far the most damaging reports of unfair lending allegations are contained in the 74 page report released in May 2002, written by an examiner for the Washington DFI. Although the public release of the report is the subject of a Temporary Restraining Order (TRO), it has been widely circulated and reported upon in the press. Household has submitted an 80 page response to the DFI report, but because of the TRO, it has been constrained in making the response public. However, Household did try to clear up some misconceptions.

Household International, Inc.
William F. Aldinger
Chairman and
Chief Executive Officer
2700 Sanders Road
Prospect Heights, IL 60070
847. 564.6200
FAX 847. 205.7515

Household

September 20, 2000

Dear Members of the Board of Directors:

In recent months, the community activist group, ACORN, has sporadically protested at the offices of subprime lenders across the country. Their specific concern is curbing so-called predatory lending practices. Unfortunately, their protests have at times targeted a few of our HFC and Beneficial branches. While these visits have been relatively few in number, we are disturbed to report that ACORN has stepped up its actions by protesting recently at the Chicago office of Cyrus Freidheim at Booz, Allen & Hamilton.

As you know, Household's position against predatory lending is perfectly clear: unethical lending practices of any type are abhorrent to our company, our employees, and most importantly, our customers. Our full confidence in our lending practices stems from our centrally managed loan origination system (VISION), our extensive employee training, and our 122-year culture of ethically serving the lending needs of working Americans.

ACORN's complaints are unfounded and, frankly, their actions are reckless and unwarranted. While we are surprised and disappointed that ACORN is falsely targeting our company, we share their desire of eliminating unethical lenders from our industry. We are evaluating their requests for a meeting. However, we adamantly oppose their tactics of fear and intimidation, which we find totally unacceptable.

In addition to our extensive legislative and regulatory efforts, we have put together a dedicated team of political, legal and public relations experts to step up our communications to legislators, regulators, media, employees, customers and the community at large. The goals of these efforts are to gain a broader recognition of Household's ethical lending practices, to abolish confusion between "subprime lending" and "predatory lending," and to successfully drive unethical lenders from our industry.

While we are aggressively continuing to address ACORN and the broader issue of predatory lending, it is possible that your office or home may be the target of future protests. If you do become a victim of ACORN's misguided behavior, we would suggest you not engage in a verbal confrontation with the group.

Attached to this memo is our media holding statement for your reference. (You may have already received one.) Any media inquiries should be forwarded to Craig Streem, Vice President of Investor Relations, at 847/564-6053. However, please feel free to utilize the language in the statement when communicating with your office personnel or other affected parties.

If you have any questions, please feel free to call me, or Larry Bangs who is heading up our initiatives.

Thank you.

Bill

William F. Aldinger

Attachment

cc: Larry Bangs, Gary Gilmer, Craig Streem, Denis O'Toole
Edelman Public Relations Worldwide: Michael Deaver, Nick Kalm, Megan Hayden

0735

Household

Statement on Predatory Lending
September 20, 2000

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. These practices undermine the integrity of the marketplace in which we compete and limit our ability to provide the financial service needs of this country's diverse consumer market.

Frankly, we are surprised and dismayed that ACORN chose to disrupt the place of business of one of our board members in Chicago today. Attempting to frighten or intimidate people accomplishes nothing. We are proud of our business and of the customers we have served for more than 122 years. Today's disruptive behavior will not impede our efforts to serving the lending needs of millions of working Americans.

Household's position against unethical lending practices consists of more than just words. We have always supported our stance with strong and effective action. Household has strict policies and procedures in place, supported by industry-leading technology, to ensure that there is no room for the disgraceful exploitation of working Americans that we have been hearing about in recent press reports. These standards apply to Household's branches and customers without exception.

In addition to our internal standards, the company complies with all federal, state and local laws and regulations that govern this highly regulated industry. In fact, our company has taken an active role in developing a number of these industry regulations. For example, Household was one of only a few companies to actively support the passage of the 1993-94 Home Ownership Equity Protection Act (HOEPA) into law. Today, the company is an active proponent of responsible and effective actions to rid our industry of these so-called predatory lenders. We reiterated this point most recently at the August 16, 2000, Federal Reserve Board hearing in Chicago on home equity lending.

As our history has documented, we actively seek out opportunities to work with upstanding, responsible private and government organizations that wish to eradicate unethical lending practices.

# # #

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FILED AS OF DATE: 20000328

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COMPANY DATA:
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CENTRAL INDEX KEY: 0000354964
STANDARD INDUSTRIAL CLASSIFICATION: PERSONAL CREDIT INSTITUTIONS [6141]
IRS NUMBER: 363121988
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

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SEC ACT:
SEC FILE NUMBER: 001-08198
FILM NUMBER: 581193

BUSINESS ADDRESS:
STREET 1: 2700 SANDERS RD
CITY: PROSPECT HEIGHTS
STATE: IL
ZIP: 60070
BUSINESS PHONE: 8475645000

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8198
Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road Prospect Heights, Illinois	60070
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (847) 564-5000

Securities registered pursuant to Section 12(b) of the Act:

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PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our executive officers is included pursuant to Item 401(b) of Regulation S-K.

William F. Aldinger, age 52, joined Household in September 1994 as President and Chief Executive Officer. In May 1996 he was appointed our Chairman and Chief Executive Officer. Mr. Aldinger served as Vice Chairman of Wells Fargo Bank and a Director of several Wells Fargo subsidiaries from 1986 until joining us. Mr. Aldinger is also a director of Household Finance Corporation (one of our subsidiaries), Illinois Tool Works Inc. and MasterCard International, Incorporated.

Lawrence N. Bangs, age 63, was appointed Vice Chairman effective January 2000, having previously served as Group Executive--Private Label, United Kingdom, Canada, Insurance, Auto Finance and U.S. Consumer Banking since 1995. Since joining Household Finance Corporation in 1959, Mr. Bangs has served in various capacities in our U.S. consumer finance and United Kingdom operations, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

Rocco J. Fabiano, age 43, was appointed Group Executive--Auto Finance, Income Tax Refund Anticipation Lending and Private Label in January 2000, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

Gary D. Gilmer, age 50, was appointed Group Executive--U.S. Consumer Finance in 1998. Since joining Household Finance Corporation in 1972, Mr. Gilmer has served in various capacities in our consumer banking, private label and life insurance businesses, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

Siddharth N. Mehta, age 41, joined Household in June 1998 as Group Executive--U.S. BankCard. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

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David A. Schoenholz, age 48, was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, Vice President--Chief Accounting Officer since 1993, Vice President since 1989 and Controller since 1987. He joined Household in 1985 as Director--Internal Audit.

Colin P. Kelly, age 57, was appointed Senior Vice President--Administration effective January 2000, having previously served as Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965 and has served in various management positions.

Kenneth H. Robin, age 53, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

Edgar D. Ancona, age 47, was appointed Managing Director--Treasurer in 1996, having previously served as Vice President--Treasurer since joining Household in 1994. For the previous 17 years he held a variety of treasury and operational positions with Citicorp.

John W. Blenke, age 44, was appointed Vice President--Corporate Law and Assistant Secretary in 1996, having previously served as Assistant General Counsel and Secretary since 1993, and Assistant General Counsel--Securities and Corporate Law and Assistant Secretary since 1991. Mr. Blenke joined Household in 1989 as Corporate Finance Counsel.

D. Gordon Cliff, age 40, joined Household in 1999 as Managing Director--Strategy and Development. In February 2000 he took on responsibility for a new business unit called Household Direct. Prior to joining Household, Mr. Cliff was a Financial Services Strategy Partner at Andersen Consulting and a Principal with McKinsey & Company.

Michael A. DeLuca, age 51, was appointed Managing Director--Taxes in 1996, having previously served as Vice President--Taxes from 1988 to 1996. Mr. DeLuca joined Household in 1985 as Director of Tax Planning and Tax Counsel.

Kenneth M. Harvey, age 39, was appointed Managing Director--Chief Information Officer in 1999, having previously served in various systems and technology areas since joining Household in 1989.

Paul A. Makowski, age 48, joined Household in June 1999 as Managing Director--Chief Credit Officer. He previously served as a Principal of Credit Risk Management Associates from 1992 until joining Household.

Steven L. McDonald, age 39, was appointed Managing Director and Corporate Controller in 1999, having previously served as Vice President--Controller

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8198
Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road	60070
Prospect Heights, Illinois	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: (847) 564-5000
Securities registered pursuant to Section 12(b) of the Act:
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Title of each class	Name of each exchange on which registered
<S>	<C>
Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 1/4% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange

</TABLE>
Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 15, 2001 was approximately $28.1 billion. The number of shares of the registrant's common stock outstanding at March 15, 2001 was 464,934,337.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 15, 2001 there were 19,468 record shareholders of Household's common stock.

Additional information required by this Item is incorporated by reference to pages 51 and 85 of our 2000 Annual Report.

Item 6. Selected Financial Data.

Information required by this Item is incorporated by reference to pages 26 and 27 of our 2000 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information required by this Item is incorporated by reference to pages 28 through 50 of our 2000 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this Item is incorporated by reference to pages 39 through 43 of our 2000 Annual Report.

Item 8. Financial Statements and Supplementary Data.

Our Financial Statements meet the requirements of Regulation S-X. Such Financial Statements and supplementary financial information specified by Item 302 of Regulation S-K, are incorporated by reference to pages 51 through 84 of our 2000 Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our executive officers is included pursuant to Item 401(b) of Regulation S-K.

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Lawrence N. Bangs, age 64, was appointed Vice Chairman effective January 2000, having previously served as Group Executive--Private Label, United Kingdom, Canada, Insurance, Auto Finance and U.S. Consumer Banking since 1995. Since joining Household Finance Corporation in 1959, Mr. Bangs has served in various capacities in our U.S. consumer lending and United Kingdom operations, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

Rocco J. Fabiano, age 44, was appointed Group Executive--Auto Finance, Retail Services and Tax Services in January 2000, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

<PAGE>

Gary D. Gilmer, age 51, was appointed Group Executive--Consumer Lending in 1998. Since joining Household Finance Corporation in 1972, Mr. Gilmer has served in various capacities in our consumer banking, private label and life insurance businesses, most recently as Managing Director and Chief Executive

Officer of our United Kingdom operations.

Siddharth N. Mehta, age 42, joined Household in June 1998 as Group Executive--Credit Card Services. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

David A. Schoenholz, age 49, was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, Vice President--Chief Accounting Officer since 1993, Vice President since 1989 and Controller since 1987. He joined Household in 1985 as Director--Internal Audit.

Colin P. Kelly, age 58, was appointed Senior Vice President--Administration effective January 2000, having previously served as Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965 and has served in various management positions.

Kenneth H. Robin, age 54, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

There are no family relationships among our executive officers. The term of office of each executive officer is at the discretion of the Board of Directors.

Additional information required by this Item is incorporated by reference to "Nominees For Director" and "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" in our definitive Proxy Statement for our 2001 Annual Meeting of Stockholders scheduled to be held May 9, 2001 (the "2001 Proxy Statement").

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference to "Executive Compensation", "Report of the Compensation Committee on Executive Compensation", "Performance of Household", "Employment Agreements", "Savings--Stock Ownership and Pension Plans", "Incentive and Stock Option Plans", and "Director Compensation" in our 2001 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item is incorporated by reference to "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in our 2001 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information required by this Item is incorporated by reference to "Incentive and Stock Option Plans" and "Agreement with Mr. James H. Gilliam Jr." in our 2001 Proxy Statement.

<PAGE>

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements.

The consolidated financial statements listed below, together with an opinion of Arthur Andersen LLP dated January 15, 2001 with respect thereto, are incorporated by reference herein pursuant to Item 8. Financial Statements and Supplementary Data of this Form 10-K. An opinion of Arthur Andersen LLP is also included in this Annual Report on Form 10-K.

Household International, Inc. and Subsidiaries:

<DOCUMENT>
<TYPE>10-K405
<SEQUENCE>1
<FILENAME>d10k405.txt
<DESCRIPTION>FORM 10-K
<TEXT>
<PAGE>

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from__________ to__________

Commission file number 1-8198

Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road Prospect Heights, Illinois (Address of principal executive offices)	60070 (Zip Code)

Registrant's telephone number, including area code: (847) 564-5000
Securities registered pursuant to Section 12(b) of the Act:

<TABLE>
<CAPTION>

Title of each class	Name of each exchange on which registered
<S>	<C>
Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 1/4% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 7.50% Cumulative Preferred Stock, Series 2001-A, no par, $1,000 stated value)	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust I	New York Stock Exchange
Guarantee of 7.25% Preferred Securities of Household Capital Trust IV	New York Stock Exchange
Guarantee of 10.00% Preferred Securities of Household Capital Trust V	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust VI	New York Stock Exchange
Guarantee of 7.50% Preferred Securities of Household Capital Trust VII	New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 8, 2002 was approximately $27.347 billion. The number of shares of the registrant's common stock outstanding at March 8, 2002

Report and are included in Exhibit 13 to this Form 10-K. In addition, we incorporate by reference the information under the following sections of our 2001 Annual Report which are included in Exhibit 13 to this Form 10-K: "Credit Quality Statistics-Owned Basis," "Credit Quality Statistics-Managed Basis," "Analysis of Credit-Loss_Reserves Activity-Owned Receivables," "Analysis of Credit Loss Reserves Activity-Managed Basis," "Net Interest Margin-2001 Compared to 2000 (Owned Basis)," "Net Interest Margin-2000 Compared to 1999 (Owned Basis)," "Net Interest Margin-2001 compared to 2000 and 1999 (Managed Basis)", and "Selected Quarterly Financial Data (Unaudited)".

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Audit Committee of the Board of Directors of Household International, Inc. annually considers and recommends to the Board the selection of Household's independent public accountants. As recommended by Household's Audit Committee, Household's Board of Directors on March 12, 2002 decided to no longer engage Arthur Andersen LLP ("Andersen") as Household's independent public accountants and engaged KPMG LLP to serve as Household's independent public accountants for 2002. The appointment of KPMG LLP will be presented to Household's stockholders for ratification at the 2002 Annual Meeting.

Andersen's reports on Household's consolidated financial statements for the two most recent fiscal years ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During Household's two most recent fiscal years and through the date of this Form 10-K, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Household's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

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Household has provided Andersen with a copy of this disclosure. Attached as Exhibit 16 is a copy of Andersen's letter, dated March 13, 2002, stating its agreement with such statements.

During Household's two most recent fiscal years and through the date of this Form 10-K, Household did not consult KPMG LLP regarding any of the matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our senior executive policy-making officers is included pursuant to Item 401(b) of Regulation S-K.

William F. Aldinger, age 54, joined Household in September 1994 as President and Chief Executive Officer. In May 1996 he was appointed our Chairman and Chief Executive Officer. Mr. Aldinger served as Vice Chairman of Wells Fargo Bank and a Director of several Wells Fargo subsidiaries from 1986 until joining us. Mr. Aldinger is also a director of Household Finance Corporation (one of our subsidiaries), Illinois Tool Works Inc. and MasterCard International, Incorporated.

Gary D. Gilmer, age 52, was appointed Vice Chairman--Consumer Lending in 2002 after having served as Group Executive--Consumer Lending since 1998. Mr. Gilmer joined Household Finance Corporation in 1972 and has served in various capacities in our consumer lending, retail services and insurance services businesses, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

David A. Schoenholz, age 50, was appointed Vice Chairman--Chief Financial Officer in 2002. He has responsibility for our Mortgage Services, Direct Lending and United Kingdom businesses. He was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, and Vice President--Chief Accounting Officer since 1993. He joined Household in 1985 as Director--Internal Audit.

Rocco J. Fabiano, age 45, was appointed Group Executive--Retail Services, Refund Lending, Auto Finance and Insurance Services in January 2002, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

Siddharth N. Mehta, age 43, was appointed Group Executive--Credit Card

Services and Canada in 2002. He joined Household in June 1998 as Group Executive--Credit Card Services. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

Kenneth M. Harvey, age 41, was appointed Executive Vice President--Chief Information Officer in 2002. He was our Managing Director--Chief Information Officer since 1999, having previously served in various systems and technology areas with Household since 1989.

Colin P. Kelly, age 59, was appointed Executive Vice President--Administration in 2002 after having served as Senior Vice President--Administration since January 2000. Mr. Kelly previously acted as our Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965.

Kenneth H. Robin, age 55, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

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Sandra L. Derickson, age 47, joined Household as Managing Director--Retail Services in 2000. Prior to joining Household, Mrs. Derickson was employed with GE Capital Services Corp. since 1975, most recently as President and General Manager of GE Capital Auto Financial Services.

Adrian L. Hill, age 43, was appointed Managing Director--United Kingdom, in 1998. Mr. Hill began his career with HFC Bank plc in 1989 as Director--Treasury, serving as Chief Financial Officer from 1990 to 1995 and Chief Operating Officer from 1995 until his current appointment.

There are no family relationships among our executive officers. The term of office of each named executive officer is at the discretion of the Board of Directors.

Additional information required by this Item is incorporated by reference to ''Nominees For Director'' and ''Shares of Household Stock Beneficially Owned by Directors and Executive Officers'' in our definitive Proxy Statement for our 2002 Annual Meeting of Stockholders (the ''2002 Proxy Statement'').

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference to ''Executive Compensation'', ''Employment Agreements'', ''Savings--Stock Ownership and Pension Plans'', ''Incentive and Stock Option Plans'', and ''Director Compensation'' in our 2002 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item is incorporated by reference to ''Shares of Household Stock Beneficially Owned by Directors and Executive Officers'' and ''Security Ownership of Certain Beneficial Owners'' in our 2002 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information required by this Item is incorporated by reference to ''Incentive and Stock Option Plans'' and ''Employment Agreement with Larry Bangs'' in our 2002 Proxy Statement.

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements.

The consolidated financial statements listed below, together with an opinion of Arthur Andersen LLP dated January 14, 2002 with respect thereto, are incorporated by reference herein pursuant to Item 8. Financial Statements and Supplementary Data of this Form 10-K. An opinion of Arthur Andersen LLP is also included in this Annual Report on Form 10-K.

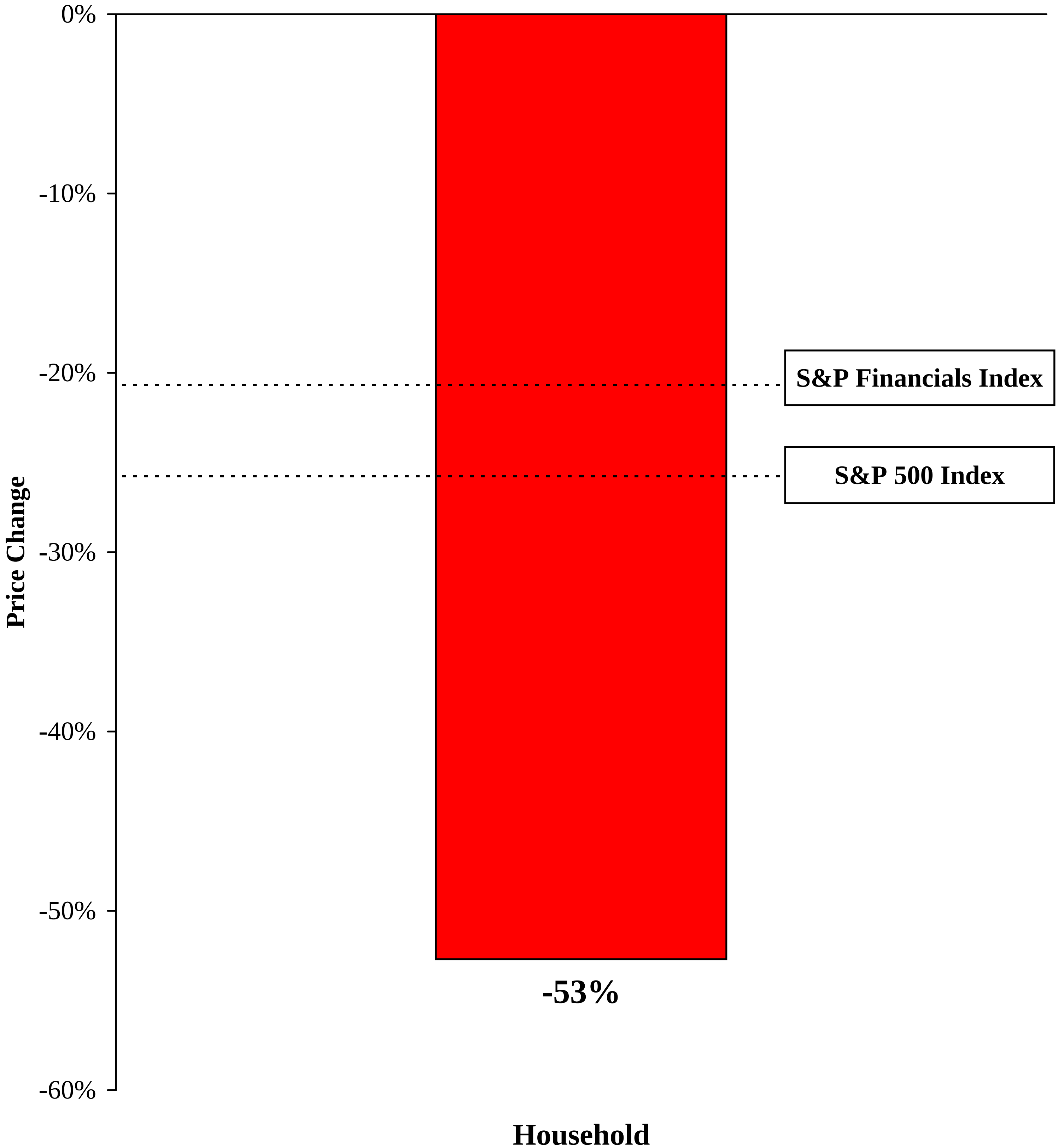
Household International, Inc. and Subsidiaries:

Consolidated Statements of Income for the Three Years Ended December 31, 2001.

Consolidated Balance Sheets, December 31, 2001 and 2000.

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2001.

Household's Stock Performed Substantially Worse Than Market and Industry Indices From November 15, 2001 to October 11, 2002



Source: Fischel Report Exhibit 49.

Prof. Fischel's Specific Disclosures November 15, 2001: CDC Lawsuit Residual Price Change: -$1.86

- After the close of trading on November 14, 2001, the California Department of Corporations issued a press release announcing that it had sued Household for imposing "'excessive and improper fees, penalties, interest and charges' in violation of state consumer protection laws." (California Department of Corporations Press Release, 11/14/01 & *Bloomberg*, 11/14/01, 5:16 PM)
- Household International responded that it "is currently reviewing the specifics of the lawsuit, but vehemently denies any assertion that it has willfully violated the lending laws that regulate its business." (Household Press Release from *Bloomberg*, 11/15/01, 1:40 PM)

Prof. Fischel's Specific Disclosures December 3, 2001: *Barron's* Article Residual Price Change: -$1.90

- On Saturday December 1, 2001, *Barron's* published an article questioning Household's accounting and re-aging practices
  - "[A]t least a few observers…suggest that the bottom line might also have benefited from aggressive accounting to, among other things, minimize net loan losses."
  - An analyst whose firm worked for Household stated that he was "bothered" that, among other things, "other subprime mortgage lenders have experienced losses at twice [the level reported by Household]."

  (*Barron's* article from *Dow Jones Capital Markets Report*, 12/1/01)
- Some analysts expressed their concerns about issues raised in the *Barron's* article
  - "Given the increased uncertainty, we are suspending our investment rating and removing HI shares from the Legg Mason Select List until we have more information…." (Legg Mason, 12/3/01)
  - "[Household's] stock is reacting to concerns about management credibility. Specifically, is management using the latitude provided by its loss recognition policies…to distort reported payment behavior by postponing the recognition of losses?" (Sanford C. Bernstein, 12/4/01)

Prof. Fischel's Specific Disclosures
December 5, 2001: Aldinger Presentation
Residual Price Change: +$1.85

- Late in the day on Tuesday December 4, 2001, Household CEO William Aldinger rebutted and denied criticisms of Household in the December 1, 2001 *Barron's* article at a Goldman Sachs Bank CEO Conference (*American Banker*, 12/5/01)
- On December 5th, some market participants commented on Aldinger's rebuttal and denial, for example:
  - "[Aldinger] addressed concerns raised in a recent Barron's article regarding the company's accounting practices. Household remains confident in its ability to deliver 15% EPS growth in 2001 and 13-15% growth in 2002." (UBS Warburg, 12/5/01)
  - "The chairman and chief executive of Household International stepped forward Tuesday with a rebuttal of accusations that his consumer finance company is playing accounting tricks to mask bad loans. Saying repeatedly that his company has a 'good balance sheet and conservative approach,' William F. Aldinger used his time at a conference in New York to respond to criticisms of Household published in the past week...." (*American Banker*, 12/5/01)

Prof. Fischel's Specific Disclosures December 12, 2001: Legg Mason Report Residual Price Change: -$2.39

- After the close of trading on December 11, 2001, analysts at Legg Mason issued a report detailing their criticisms of Household's re-aging policies
  - "We find this lenient reaging policy disturbing as it undermines the analytical value of the reported asset quality statistics. … We are not asking for HI to discontinue its flexible collections practices, just report asset quality problems more conventionally (a late is a late until repaid in full)."
  - "What we don't know: how many months delinquent can an account be (1 month, 4 months?) and still be brought current with just two consecutive payments. How often can an account (not seriously delinquent) be reaged? How is delinquency reported? What portion of the portfolio has been reaged and how has it performed? Is there a maximum number of times that an account can be reaged?"

(Legg Mason, 12/11/01, 6:04 PM)

Prof. Fischel's Specific Disclosures
February 27, 2002: Expansion of "Best Practices"
Residual Price Change: +$1.64

- Before the market opened on February 27, 2002, Household issued a press release announcing new "Best Practice Lending Initiatives"
  - Household "announced today significant additions to its already extensive set of voluntary responsible consumer lending practices. … Household is once again raising industry standards for responsibly serving middle-market borrowers."
  - William F. Aldinger stated that "it has long been Household's commitment to continuously raise the bar in establishing 'best-in-class' lending principles and policies."

(Company Press Release from *Bloomberg*, 2/27/02, 8:31 AM)

Prof. Fischel's Specific Disclosures
July 26, 2002: *Bellingham Herald* Article
Residual Price Change: -$2.20

- On July 26, 2002, *The Bellingham Herald* reported on the results of an internal Household probe
  - "For the first time, Household International has acknowledged that its employees may have misrepresented mortgage loan terms to [customers] who refinanced their homes at the Bellingham office…." [emphasis added]
  - Household spokeswoman Megan Hayden said the "internal company probe of [customer] complaints had uncovered some serious problems" and that the "Bellingham office manager has been replaced as a result."
- The article also raised doubts about whether the problems were isolated to the Bellingham office
  - The former Bellingham branch manager said "she's being made a scapegoat" and "the sales pitches she used on potential borrowers came from the company."

(*The Bellingham Herald*, 7/26/02)

Prof. Fischel's Specific Disclosures
August 14, 2002: Financial Restatement
Residual Price Change: -$0.94

- Before the market opened on August 14, 2002, Household announced that it was restating downward the earnings it had reported dating back to 1994 by $386 million (Company Press Release, 8/14/02 & *Reuters News*, 8/14/02, 8:59 AM)
- Many stock analysts lowered their earnings expectations following the restatement, for example:
  - "As a result of the accounting adjustment, we have lowered our 2002 and 2003 earnings estimates" and "lowered our price target on the stock to $57 from $65 to reflect the earnings adjustment and the negative investor sentiment typically attached to any accounting revisions." (CIBC, 8/14/02)
  - "We're taking our 2002 EPS [estimate] down to $4.56 from $4.65…. The restatement of earnings suggests to us that returns in the credit card business are lower than we previously thought." (Morgan Stanley, 8/15/02)

Prof. Fischel's Specific Disclosures
August 16, 2002: *Forbes* "Home Wrecker" Article
Residual Price Change: -$1.84

- After the market closed on August 15, 2002, *Forbes* posted an article on in its website that accused Household of improper lending practices
  - "In addition to the bait-and-switch on interest rates, [Household] charges high prepayment penalties and service fees; it lures clients with proposals showing monthly savings that at times fail to materialize; and it structures mortgages to include last-minute second loans that make it difficult for borrowers to defect and get refinancing elsewhere. Household agents call it 'closing the back door.'"
- The article reported that these practices were not isolated instances as Household claimed
  - "In July, FORBES has learned, authorities from more than a dozen states descended on Household to demand refunds and reforms."
  - The Minnesota Commerce Commissioner stated: "Household encourages, or at least tolerates, these abuses…. It's not just an occasional rogue officer or a rogue office. It has to do with the corporate culture."

(Household email dated 8/15/02 with 9/2/02 *Forbes* article attached)

Prof. Fischel's Specific Disclosures
August 27, 2002: KBW Report & *Bellingham Herald*
Residual Price Change: -$1.19

- On August 27, 2002, Keefe, Bruyette & Woods analysts initiated coverage of Household stating the company is in an "un-investable situation"
  - "We can't help but think that the implementation of the company's best practices could reduce the future profitability of a Household home equity loan. Management contends this is not the case.... However, unless the company substitutes 'predatory revenues' (i.e., upfront fees) with 'non-predatory revenues', we do not see how profitability not being affected is possible."
  - "[M]anagement's aggressive philosophy toward accounting is not immaterial, in our view."

  (Keefe, Bruyette & Woods, 8/27/02)
- On the same day, a *Bellingham Herald* article described the contents of the Washington DFI Report and noted the widespread nature of the predatory lending practices detailed in the report
  - "The report rejects any notion that the abuses are due to renegade local representatives who are violating corporate policies. … '[Household] has created a situation in which they can completely mislead and confuse the borrower, while later providing a plausible explanation of their actions to the Department or other regulatory agencies'...."
  - "'The Department believes that the 'equivalent rate' sham proffered by [Household] representatives is known and likely fostered by the corporation itself or at the least, by corporate officers overseeing large segments of the country'...."

  (*The Bellingham Herald*, 8/27/02)

Prof. Fischel's Specific Disclosures
September 3, 2002: Bernstein Report
Residual Price Change: -$1.21

- On September 3, 2002, Bernstein analysts lowered their long-run growth estimates for Household
  - "Household will likely need to abandon its target EPS growth rate of 13-15% to a range of 10-12% as a result of sales practice reform in its branch-based real estate lending business."
  - "[O]ur assumption of a long-run growth rate of 10% for the branch-based real estate portfolio may prove a best case. Zero or even negative growth…could occur…."
  - "The combined impact of sales practice reform, the suspension of the stock buyback program, and the accounting restatement announced on August 14th…is an estimated 15 cents in 2002 and 40 cents in 2003. As a result, we are lowering our EPS estimate for 2002 to $4.48 from $4.63 (versus consensus of $4.57) and for 2003 to $4.96 from $5.36 (versus consensus of $5.14)."

  (Sanford C. Bernstein, 9/3/02)
- An *American Banker* article on September 10, 2002 referred to the Bernstein report and stated that "[f]or the first time, an equity analyst has put some hard numbers behind concerns that Household International Inc.'s lending troubles would reduce its earnings." (*American Banker*, 9/10/02)

Prof. Fischel's Specific Disclosures September 23, 2002: CIBC Report Residual Price Change: -$1.52

- On Sunday September 22, 2002 CIBC stock analysts lowered their price target from $57 to $36
  - "[B]uilding concerns regarding the company's lending practices, which have been accused of being predatory in nature and is [*sic*] currently the subject of an investigation by the Washington Department of Financial Institutions, have dampened price performance."
  - "[W]e have reduced our price target on the stock given the lack of visibility as to a resolution of the highlighted investigations and pending lawsuits."

(CIBC, 9/22/02)

Prof. Fischel's Specific Disclosures
October 4, 2002: *Wall Street Journal* Article
Residual Price Change: -$1.26

- On October 4, 2002, *The Wall Street Journal* reported that Household "may be near a settlement with state attorneys general that could total $350 to $500 million…." (*The Wall Street Journal*, 10/4/02)

Prof. Fischel's Specific Disclosures October 10-11, 2002: AG Settlement Residual Price Change: +$4.88

- On October 10, 2002, rumors circulated that Household might reach a settlement with state attorneys general the following day (*American Banker*, 10/11/02)
- On October 11, 2002, Household announced a $484 million settlement of predatory lending allegations and a series of business practice reforms which the company expected to reduce earnings by 10 cents per share in 2003, 20 cents per share in 2004, and 30 cents per share in 2005 (*Dow Jones News Service*, 10/11/02)

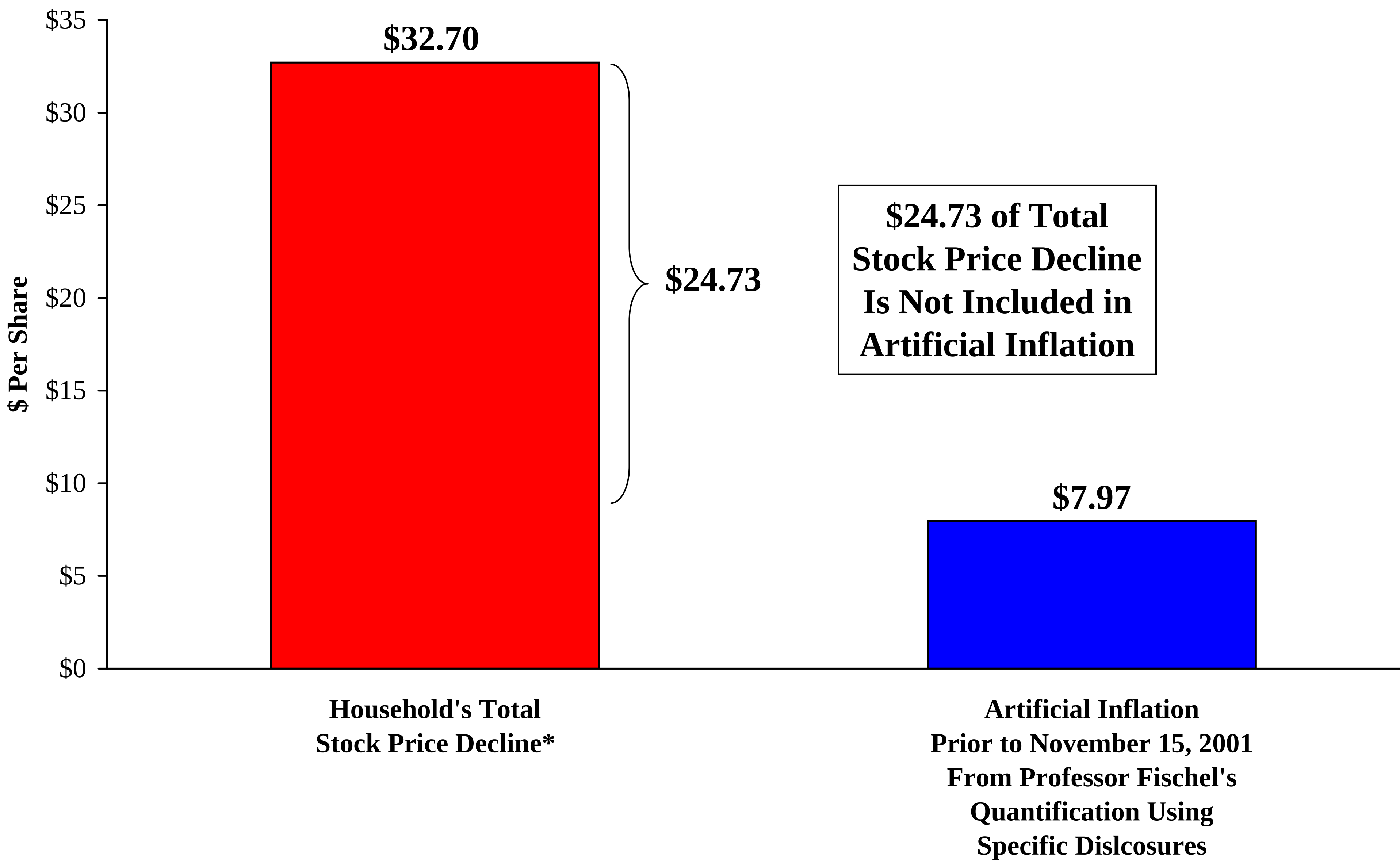
Calculation of Artificial Inflation
From Professor Fischel's Quantification Using Specific Disclosures

	Date	Event	Residual Price Change Statistically Significant?	Amount of Residual Price Change
1	11/15/01	CDC Lawsuit	Yes	-$1.86
2	12/03/01	*Barron's* Article	Yes	-$1.90
3	12/05/01	Aldinger Presentation	Yes	+$1.85
4	12/12/01	Legg Mason Report	Yes	-$2.39
5	02/27/02	Expansion of "Best Practices"	Yes	+$1.64
6	07/26/02	*Bellingham Herald* Article	Yes	-$2.20
7	08/14/02	Financial Restatement	Yes	-$0.94
8	08/16/02	*Forbes* "Home Wrecker" Article	Yes	-$1.84
9	08/27/02	KBW Report & *Bellingham Herald*	Yes	-$1.19
10	09/03/02	Bernstein Report	Yes	-$1.21
11	09/23/02	CIBC Report	Yes	-$1.52
12	10/04/02	*Wall Street Journal* Article	Yes	-$1.26
13	10/10/02	AG Settlement Rumors	Yes	+$4.20
14	10/11/02	AG Settlement Announced	Yes	+$0.68
			Subtotal for 10 Declines:	**-$16.33**
			Subtotal for 4 Increases:	**+$8.37**

Total Net Effect of Price Declines and Price Increases: -$7.97

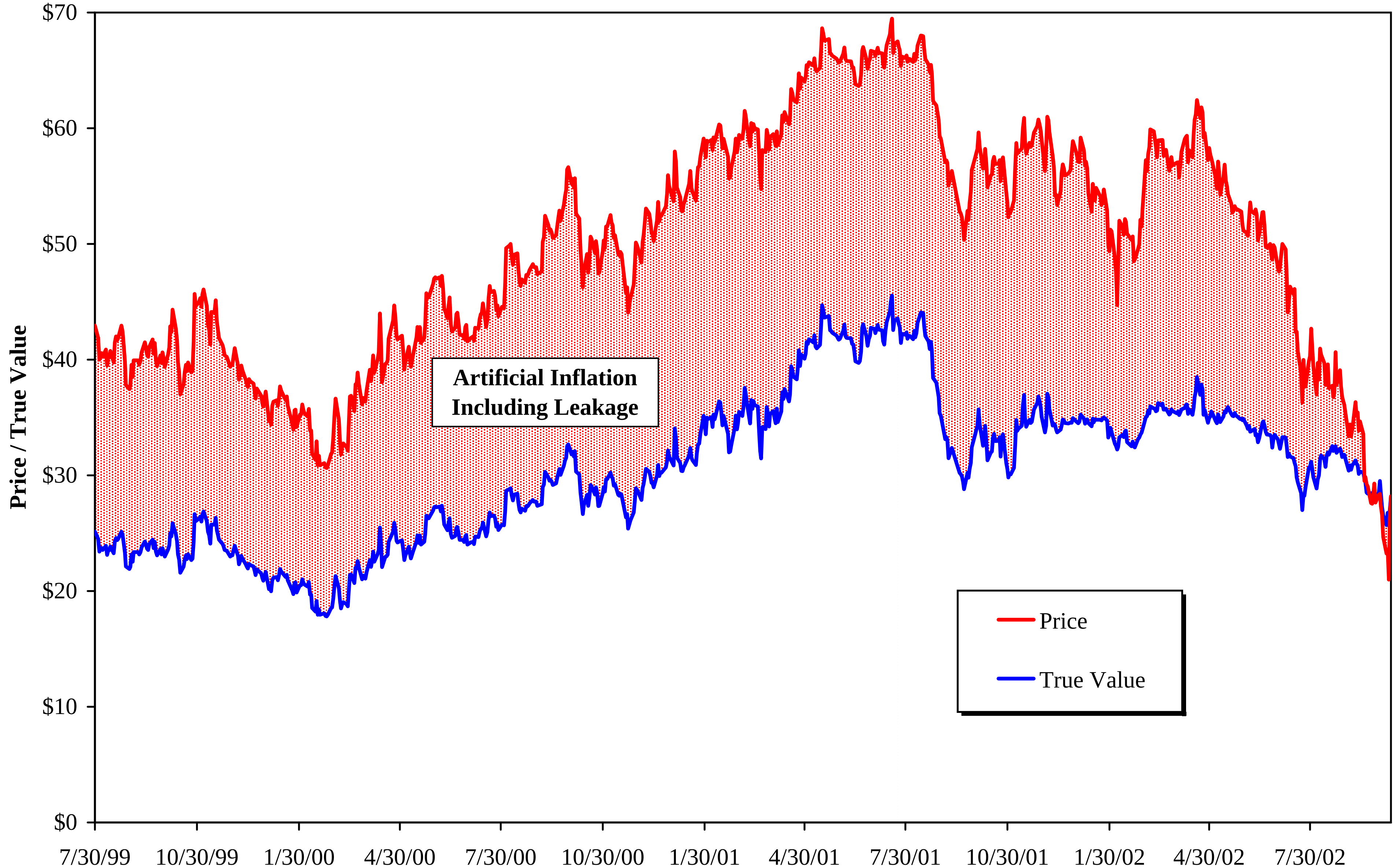
Note: Figures may not sum due to rounding.
Source: Fischel Report Exhibit 49.

Artificial Inflation from Prof. Fischel's Quantification Using Specific Disclosures Compared with Household's Total Stock Price Decline November 15, 2001 - October 11, 2002



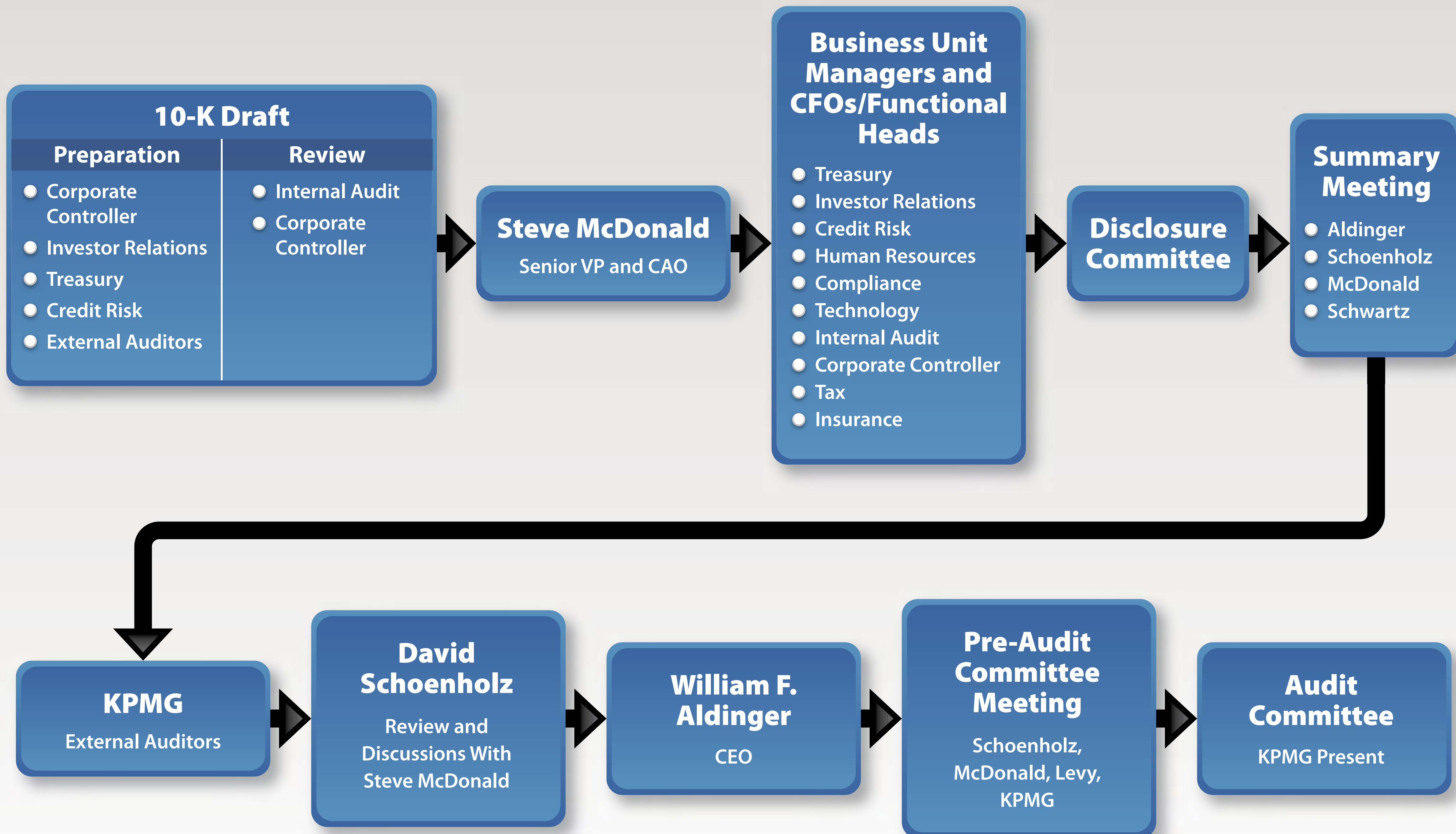
* Household's closing price on November 14, 2001 was $60.90 and on October 11, 2002 was $28.20, a decline of $32.70.
Source: Fischel Report Exhibit 53.

Household Stock Price and True Value
From Professor Fischel's Quantification Including Leakage
July 30, 1999 - October 11, 2002



Source: Fischel Report Exhibit 56.

Post-July 30, 2002



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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

02 cv 5893

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

~~[PROPOSED]~~ FINAL PRETRIAL ORDER

VOLUME 1 OF 2

8. Possibility of settlement of this case was unsuccessfully considered by the parties in the course of two separate private mediation sessions on May 24, 2005 and again on May 19, 2008 and once before this Court on August 22, 2005.

DATED: 3/12/09

THE HONORABLE RONALD A. GUZMAN
UNITED STATES DISTRICT JUDGE

[Attorneys are to sign the form before presenting it to the court.]

DATED: January 30, 2009

Respectfully submitted,

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
PATRICK J. COUGHLIN (111070)
MICHAEL J. DOWD (135628)
SPENCER A. BURKHOLZ (147029)
DANIEL S. DROSMAN (200643)
MAUREEN E. MUELLER (253431)

Michael J. Dowd/LAF
MICHAEL J. DOWD

655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
AZRA Z. MEHDI (90785467)
D. CAMERON BAKER (154432)
LUKE O. BROOKS (90785469)
JASON C. DAVIS (253370)
100 Pine Street, Suite 2600
San Francisco, CA 94111
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs

EXHIBIT A

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) <u>CLASS ACTION</u> Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

<u>STATEMENT OF UNCONTESTED FACTS</u>

The parties agree that the following facts are uncontested. Except where a specific objection to admissibility (as noted herein) is upheld, the following uncontested facts will become a part of the evidentiary record in the case and may be read to the jury by the court or any party. The parties agree that the following facts are uncontested without prejudice to their motions ***in limine, Daubert*** motions, or other pretrial motions.

Uncontested Fact No. 1

There is no unresolved jurisdictional question in this case. The parties agree that the United States District Court for the Northern District of Illinois has jurisdiction over this civil class action because it arises under the laws of the United States.

Uncontested Fact No. 2

The claims asserted arise under and pursuant to §§10(b) and 20(a) of the Securities Exchange Act of 1934 ("1934 Act") [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC") [17 C.F.R. §240.10b5].

Uncontested Fact No. 3

This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the 1934 Act [15 U.S.C. §78aa].

Uncontested Fact No. 4

This is a class action. Plaintiffs are all persons who purchased or otherwise acquired common stock of Household International, Inc. ("Household" or the "Company") between July 30, 1999 and October 11, 2002 (the "Class Period"). The class will be represented by three co-Lead Plaintiffs, Glickenhaus & Company, PACE Industry Union Management Pension Fund, and The International Union of Operating Engineers Local No. 132 Pension Plan.

Uncontested Fact No. 5

Co-lead plaintiff PACE Industry Union Management Pension Fund ("PACE") is a self-insured, qualified Taft-Hartley De-fined Benefit plan. PACE administers pension and retirement benefits for 75,000 plan participants, including paper, pulp and board mills workers and refinery workers from the Oil, Chemical & Atomic Workers Union that merged with the PACE International Union in 2000.[1] As of March 2003, it administered over $3.5 billion of pension and retirement benefits.

Uncontested Fact No. 6

Co-Lead plaintiff The International Union of Operating Engineers Local No. 132 Pension Plan ("IUOE") is a self-insured, qualified Taft-Hartley Defined Benefit plan. IUOE administers over $160 million of pension and retirement benefits for over 3,000 plan participants.

Uncontested Fact No. 7

Co-Lead Plaintiff Glickenhaus & Company ("Glickenhaus") is an SEC-registered investment advisor in New York. As of March 2003, it had hundreds of millions of dollars of assets under management.

Uncontested Fact No. 8

During the Class Period, Defendant Household International, Inc. ("Household") was a publicly-traded company whose common stock traded on the New York Stock Exchange under the symbol HI.

Uncontested Fact No. 9

Shares of Household common stock were securities.

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[1] Defendants stipulate to the factual accuracy of Uncontested Fact No. 5. However, Defendants object that the stated information regarding occupations of participants in the plan is not admissible. (FRE 402, FRE 403)

Uncontested Fact No. 10

Household common stock traded in an efficient market.

Uncontested Fact No. 11

The "in connection with the purchase or sale of any security" requirement is satisfied as to each statement set forth in Exhibit A (attached).

Uncontested Fact No. 12

Those statements set forth in Exhibit A that were included in Household Form 10-K filings, Household Form 10-Q filings, or Household press releases were made by Household. The parties do not agree as to whether any statements other than the statements made in Household Form 10-K filings, Household Form 10-Q filings, or Household press releases were made by Household.

Uncontested Fact No. 13

During the Class Period, Household served over 50 million customers and had 31,000 employees in several different business units, including Consumer Lending, Mortgage Services, Retail Services, Auto Financing and Credit Card Services. Household's Consumer Lending Business Unit operated about 1,400 consumer lending branch offices in 46 states and employed approximately 12,000 people.

Uncontested Fact No. 14

During the Class Period, Household issued reports on Form 10-Q for its first, second, and third fiscal quarters, which ended March 31, June 30 and September 30, respectively, and a report on Form 10-K for each fiscal year, which ended December 31. Defendant William F. Aldinger ("Aldinger") signed each of the Household Form 10-K's, which were filed with the SEC. Defendant David A. Schoenholz ("Schoenholz") signed each of the Household Form 10-Q's and Form 10-K's, which were filed with the SEC.

Uncontested Fact No. 15

Defendant Aldinger was, during the Class Period, Chief Executive Officer ("CEO") of Household and Chairman of the Household Board of Directors.

Uncontested Fact No. 16

Defendant Schoenholz was, during the Class Period, President and Chief Operating Officer and Vice-Chairman of the Household Board of Directors. During the Class Period, Schoenholz also served as Chief Financial Officer of Household.

Uncontested Fact No. 17

Defendant Gilmer was, during the Class Period, Vice-Chairman of Consumer Lending and Group Executive of U.S. Consumer Finance.

Uncontested Fact No. 18

During the Class Period, Household reported 2+ delinquency and charge-off statistics to investors in press releases and SEC filings.

Uncontested Fact No. 19

On June 21, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company headquartered in Wilmington, Delaware.

Uncontested Fact No. 20

Following Household's merger with Beneficial, Household's Consumer Lending business unit operated under two brand names, Household Finance Company ("HFC") and Beneficial Finance Company ("BFC").

Uncontested Fact No. 21

During the Class Period, HFC and BFC branch offices were run by the Branch Sales Managers. The Branch Sales Managers were supervised by District Sales Managers, who, in turn, were supervised by Division General Managers.

Uncontested Fact No. 22

During the first quarter of 1999 through December 31, 2001, District Sales Managers were responsible for conducting sales and compliance audits for any branch office within their district.

Uncontested Fact No. 23

The Home Owner Loan Proposal (HOLP) was a sales document used by the branch salespeople to propose a first or second mortgage to a potential customer.[2]

Uncontested Fact No. 24

On November 14, 2002, Household and HSBC Holdings plc ("HSBC") announced that HSBC would acquire Household.[3]

Uncontested Fact No. 25

On March 28, 2003, HSBC acquired Household for approximately $28.75 per share.[4]

Uncontested Fact No. 26

On June 14, 1996, Household entered into two agreements with the AFL-CIO and AFL-CIO's marketing entity, Union Privilege ("UP"), with the purpose of developing an affinity credit card program offering credit cards to members of unions that were affiliated with the AFL-CIO. In connection with entering into the these two agreements, Household purchased the existing AFL-CIO portfolio of credit card accounts from the Bank of New York.

Uncontested Fact No. 27

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[2] Defendants stipulate to the factual accuracy of Uncontested Fact No. 23. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

[3] Defendants stipulate to the factual accuracy of Uncontested Fact No. 24. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

[4] Defendants stipulate to the factual accuracy of Uncontested Fact No. 25. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

On June 23, 1999, Household entered into three agreements with Kessler Financial Services and Kessler Capital Company under which these companies were to assist Household in the marketing of Household's credit cards.

Uncontested Fact No. 28

On April 14, 1992, Household and General Motors entered into an agreement under which Household would issue a credit card that would allow customers to earn rebates for GM products.

Uncontested Fact No. 29

On or about April 1, 2002, KPMG LLP replaced Arthur Andersen as Household's independent external auditor.

Uncontested Fact No. 30

On August 14, 2002, Household publicly announced that it would restate its earnings for the prior eight years based on the accounting for the AFL-CIO, UP, Kessler and GM credit card contracts, reducing its reported net income for those years.

DATED: January 20, 2009

Respectfully submitted,

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
PATRICK J. COUGHLIN (111070)
MICHAEL J. DOWD (135628)
SPENCER A. BURKHOLZ (147029)
DANIEL S. DROSMAN (200643)
MAUREEN E. MUELLER (253431)

Michael J. Dowd /MAF
MICHAEL J. DOWD

655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
AZRA Z. MEHDI (90785467)
D. CAMERON BAKER (154432)
LUKE O. BROOKS (90785469)
JASON C. DAVIS (253370)
100 Pine Street, Suite 2600
San Francisco, CA 94111
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs

MILLER LAW LLC
MARVIN A. MILLER
LORI A. FANNING
115 S. LaSalle Street, Suite 2910
Chicago, IL 60603
Telephone: 312/332-3400
312/676-2676 (fax)

Liaison Counsel

LAW OFFICES OF LAWRENCE G.
SOICHER
LAWRENCE G. SOICHER
110 East 59th Street, 25th Floor
New York, NY 10022
Telephone: 212/883-8000
212/355-6900 (fax)

Attorneys for Plaintiff

DATED: January 20, 2009

CAHILL GORDON & REINDEL LLP
THOMAS J. KAVALER
HOWARD G. SLOANE
PATRICIA FARREN
SUSAN BUCKLEY
LANDIS C. BEST
DAVID R. OWEN

Thomas J. Kavaler
THOMAS J. KAVALER

80 Pine Street
New York, NY 10005
Telephone: (212) 701-3000
212/269-5420 (fax)

- and -

EIMER STAHL KLEVORN
& SOLBERG LLP
NATHAN P. EIMER
ADAM B. DEUTSCH
224 South Michigan Avenue, Suite 1100
Chicago, Illinois 60604
Telephone: (312) 660-7600
312/692-1718 (fax)

Attorneys for Defendants Household International, Inc, Household Finance Corporation, William F. Aldinger, David A. Schoenholz, Gary Gilmer and J. A. Vozar

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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,	)	
	)	
v.	)	**02 C 5893 (Consolidated)**
	)	
HOUSEHOLD INTERNATIONAL, INC.,	)	**Judge Ronald A. Guzmán**
MERRILL LYNCH, PIERCE, FENNER,	)	
& SMITH, INC., GOLDMAN SACHS &	)	
CO., INC., ARTHUR ANDERSEN, L.L.P.,	)	
WILLIAM F. ALDINGER, DAVID A.	)	
SCHOENHOLZ, GARY GILMER,	)	
J.A. VOZAR, ROBERT J. DARNALL,	)	
GARY G. DILLON, JOHN A.	)	
EDWARDSON, MARY JOHNSTON	)	
EVANS, J. DUDLEY FISHBURN,	)	
CYRUS F. FREIDHEIM, LOUIS E. LEVY,	)	
GEORGE A. LORCH, JOHN D.	)	
NICHOLS, JAMES B. PITBLADO,	)	
S. JAY STEWART, and LOUIS W.	)	

SULLIVAN,)

)

Defendants.)

MEMORANDUM OPINION AND ORDER

Before the Court are the parties' submissions regarding post-verdict Phase II of this case. This Order addresses the parties' concerns and creates the protocol for Phase II, as well as the appropriate method of calculating damages with respect to each class member's claims.

Background

On May 7, 2009, the jury found that defendants Household International, Inc., William Aldinger, David Schoenholz and Gary Gilmer violated 15 U.S.C. § 78(j)(b) ("§ 10(b)") of the Exchange Act of 1934 ("1934 Act")), and 17 C.F.R. § 240.10b-5 ("Rule 10b-5") and 15 U.S.C. § 78(t)(a) ("§ 20(a)") with respect to statements made from March 23, 2001 to October 11, 2002. In addition, the jury determined the inflation per share from March 23, 2001 to October 11, 2002.

We now move to Phase II of the class action. Previously, Magistrate Judge Nan R. Nolan bifurcated class discovery and held that discovery as to any individual plaintiff's reliance would occur after a determination of class-wide liability and the applicability of the fraud-on-the-market theory. Neither party filed objections to that ruling. Accordingly, Phase II shall address the issue of defendant's rebuttal of the presumption of reliance as to particular individuals as well as the calculation of damages as to each plaintiff. In creating a Phase II protocol, this Court receives very little guidance from other courts because securities fraud class actions have rarely proceeded to trial, let alone reached subsequent proceedings. *See, e.g.*, *Edward J. Bartolo Corp. v. Coopers & Lybrand*, 928 F. Supp. 557, 560 (W.D. Pa. 1996).

On one hand, plaintiffs contend that the only remaining tasks are implementing the procedure by which defendants will exercise the right to rebut the presumption of reliance and determining the formula for calculating class members' claims and calculating damages. Plaintiffs ask the Court to approve a notice to be sent to class members advising them of the verdict and their right to file a claim for recovery along with an interrogatory addressing the issue of reliance.

On the other hand, defendants argue that due process guarantees their right to a jury trial as well as pretrial discovery regarding the contested individual issues of reliance. Defendants contend that there is no reasonable substitute for the consideration of class members' actual trading history to quantify damages.

Discussion

I. Rebutting the Presumption of Reliance

Having prevailed on their fraud-on-the-market theory, plaintiffs are entitled to a presumption of reliance. *Basic Inc. v. Levinson*, 485 U.S. 224, 247 (1988). In *Basic*, the Court explained the fraud-on-the-market doctrine as follows:

> An investor who buys or sells stock at the price set by the market does so in reliance on the integrity of that price. Because most publicly available information is reflected in market

price, an investor's reliance on any public material misrepresentations, therefore, may be presumed for purposes of a Rule 10b-5 action. *Id.* The fraud-on-the-market doctrine provides "a practical resolution to the problem of balancing the substantive requirement of proof of reliance in securities cases against the procedural requisites of [Federal Rule of Civil Procedure] 23." *Id.* at 242 (alteration in original). Following *Basic*, the Seventh Circuit has explained that the reliance required for a Rule 10b-5 action is not reliance as used in the lay sense of the term:

> "[R]eliance" is a synthetic term. It refers not to the investor's state of mind but to the effect produced by a material misstatement or omission. Reliance is the confluence of materiality and causation. The fraud on the market doctrine is the best example; a material misstatement affects the security's price, which injures investors who did not know of the misstatement.

Eckstein v. Balcor Film Investors, 58 F.3d 1162, 1170 (7th Cir. 1995).

When someone makes a false (or true) statement that adds to the supply of available information, that news passes to each investor through the price of the stock. And since all stock trades at the same price at any one time, every investor effectively possesses the same supply of information. The price both transmits the information and causes the loss.

Schleicher v. Wendt, __ F.3d ____, No. 09-2154, 2010 WL 3271964, at *1 (7th Cir. Aug. 20, 2010). Thus, when the fraud-on-the-market theory applies, "the plaintiff has indirect knowledge of the misrepresentation or omission underlying the fraud. He is reacting to a change in price, and the change was induced by a misrepresentation, so he receives as it were the distant signal of the misrepresentation and acts in response to it." *Hartmann v. Prudential Ins. Co. of Am.*, 9 F.3d 1207, 1213 (7th Cir. 1993). Accordingly, "[w]hen a company's stock trades in a large and efficient market, the contestable elements of the Rule 10b-5 claim reduce to falsehood, scienter, materiality, and loss." *Schleicher*, 2010 WL 3271964, at *1.

In order to rebut the presumption of reliance, defendants must show that in purchasing Household shares, class members did not rely on the integrity of Household's stock price. The *Basic* Court said a defendant could rebut the presumption by making a showing that: (1) "the 'market makers' were privy to the truth . . . , and thus that the market price would not be affected by [defendants'] misrepresentations"; (2) the truth had "credibly entered the market and dissipated the effects of the misstatements"; or (3) something severed "the link between the alleged misrepresentation and either the price received (or paid) by the plaintiff." *Id*. at 248-49.

At trial, defendants addressed the first two methods when they raised a "truth-on-the-market" defense and attempted to prove that the truth about Household's predatory lending practices and credit quality manipulation was well known. (*See* Trial Tr. at 1264:21-23 (testimony by Gary Gilmer, then-Vice-Chairman of Consumer Lending and Group Executive of U.S. Consumer Finance, that there was a discussion in the marketplace about Household's use of prepayment penalties); *id.* at 1266:20-1269:2 (discussing press coverage of Household's use of origination points); *id.* at 1268:25-1269:3 ("A: It is true that the things that we have been discussing were well publicized. Q: No secret. A: None whatsoever."); *id.* at 1287:11-1288:3 (stating that Household never "hid" the fact that it often placed a second mortgage on top of first mortgages); *id.* at 1292:7-15 (discussing that the market was aware of Household's use of the high loan-to-value ("LTV") loan (loan amount that exceeds or nearly exceeds the value of the house that is used as collateral); *id.* at 1308:6-10 (testifying that the "world knew" that Household loans had prepayment penalties); *id.* at 1385:8-1387:20 (stating that the market was aware that Household utilized incentive compensation methods with its employees); *id.* at

1283:9-17 (discussing analyst report recommending "sell" due to ACORN lawsuit and questioning Household's lending practices); *id.* at 1284-1286:21 (stating information about the ACORN lawsuit was "out in the marketplace" and "available to the shareholders"); *id.* at 1341:17-1345:7 (testifying that Household's lending practices were criticized routinely in the press); *id.* at 1391:10-1394:15 (stating that there was discussion "in the press and in the marketplace about Household's customer complaints"); *id.* at 1403:22-1406:3 (testifying that investors knew that Household faced headline risk); *id.* at 1410:5-1412:7 (stating that there was an awareness in the marketplace that Household was facing a "more onerous regulatory environment"); *id.* at 1711:4-20, 1713:6-10; (discussing that investors knew about the debate in the market on the subject of predatory lending, knew what Household's products were, knew that Household's employees violated Company policy and knew that state and federal regulators "were on to that"); *id.* at 2133:16-23 (stating that Household's one-payment reage and automatic reage policies were disclosed to the public in securitization documents); *id.* at 2137:5-18; 2152:16-2153:4 (testimony by David Schoenholz, then-President and COO and Chairman of the Board, stating that Household utilized a "two-pronged disclosure approach" regarding its re-aging policies in 2002); *id.* at 2147:13-22, 3265:22-3266:2 (arguing that Household's reage policies were explained to the investment community at the April 9, 2002 Financial Relations Conference); *id.* at 3085:8-15 (testimony by William Aldinger, then-CEO and Chairman of the Board, explaining that "professional investors — and individual investors, in fact — rely on [analyst] reports," such as the Legg Mason report, in making their investment decisions."); *id.* at 3100:12-14 (stating that it was his "understanding that a document filed with the SEC is available to everybody"); *id.* at 3156:17-3158:9 (testifying that while there was no disclosure in the 2001 Form 10-K of Household's one-payment practice, this practice was disclosed in a

November 12, 1999 securitization prospectus); *id.* at 3158:13-3159:24 (explaining that while Household did not disclose its automatic reage practice in the 2001 Form 10-K, the practice was disclosed in a securitization document filed with the SEC on August 3, 2001); *id.* at 3159:23-24 (stating, "It's hard to conceal anything that you've filed with the SEC. It's a public record after that."); *id.* at 3185:2-3193:21 (discussing the Legg Mason analyst report that analyzed Household's use of high LTV loans and other Household lending practices); *id.* at 3251:24-3254:23 (arguing that Household had been disclosing its re-aging policies for quite some time); Defs.' Trial Ex. ("Defs.' Ex.") 91 (analyst report discussing Household's growth strategy of writing the largest home equity loan it prudently could write); Defs.' Ex. 222 (Salomon Smith Barney analyst report discussing Household's predatory lending-rebated headline risk); Defs.' Ex. 338 (*American Banker* article discussing Household's predatory lending-related headline risk); Defs.' Ex. 230 (discussing Goldman Sachs analyst report that defendants claim made the market aware of Household's incentive compensation programs); Defs.' Ex. 534 (analyst report discussing lawsuit filed by ACORN); Defs.' Ex. 613 (newspaper article discussing ACORN complaints); Defs.' Ex. 624 (news article questioning predatory lending); Defs.' Ex. 695 at HHT0002335 (stating that "[d]elinquent accounts may be restructured (deemed current) every six months. Accounts are automatically restructured if the customer has made the equivalent of one payment equal to at least 95% of a full standard payment. Once restructured, the account is deemed current; however, the credit limit is zero."); Defs.' Ex. 852 at F11-ITOO15798 ("Our policies . . . 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."); Defs.' Ex. 880 at HHTOO17968 (providing that "[t]he master servicer may in its discretion . . . treat a home equity loan as current if the borrower has made one scheduled payment to cure the delinquency status of the home equity loan").

Throughout the trial, defendants presented evidence that the investors in Household stock were among the most sophisticated in the world and could not have been fooled by the alleged misrepresentations regarding Household's predatory lending and re-aging practices and their impact on its credit quality. Unfortunately for defendants, however, the jury concluded otherwise. The jury found that defendants made material false statements or omissions and caused plaintiffs' economic loss on a class-wide basis, in other words, that the truth did not enter the market and dissipate the effects of defendants' false statements or omissions. Thus, the issues with regard to the first two of the three methods of rebutting the presumption of reliance have been litigated and defendants will not be afforded a second bite at the apple, regardless of how they frame the issue.

As to the third method of rebutting the presumption of reliance, however, Phase II will afford defendants an opportunity to rebut the presumption using the third method set forth in *Basic*, *i.e.*, that the link between the alleged misrepresentations and either the price received or paid by the plaintiff was severed. Plaintiffs argue that it is difficult to imagine a circumstance in which a class member would have purchased Household stock with actual knowledge of defendants' fraud and that there is no basis to believe that any class member did so. The Court agrees. The evidence establishes that defendants did not provide any material nonpublic information to any investors (except Wells Fargo). Thus, there is no evidence that any class member purchased Household stock with actual knowledge that its price had been artificially inflated by defendants' fraud. However, that does not foreclose the remote possibility that some class member may have purchased Household stock for a reason totally unrelated to its value as reflected by the market price.

Accordingly, the Notice and Preliminary Claim Questionnaire to plaintiffs will require each class member to answer, under the penalty of perjury, the following question:

> If you had known at the time of your purchase of Household stock that defendants' false and misleading statements had the effect of inflating the price of Household stock and thereby caused you to pay more for Household stock than you should have paid, would you have still purchased the stock at the inflated price that you paid? YES ___ NO ___.

(Court's Modified Proof of Claim and Release.) This question goes to the heart of the issue of individual reliance.[1] If the answer is "no," it does not matter whether the individual plaintiff purchased or sold any Household share (1) via an options contract, (2) as a day trader, (3) to hedge another tracking strategy, (4) through an automatic dividend reinvestment program or (5) pursuant to a proprietary trading model. However, if the answer is "yes," defendants will have evidence that helps them rebut the presumption of reliance. Defendants may issue additional interrogatories to plaintiffs answering "yes" to obtain convincing proof that price paid no part whatsoever in their decision-making. This protocol sensibly resolves the tension between the rebuttable presumption of reliance and the practicalities and purposes behind Federal Rule of Civil Procedure 23.

There is one exception to this protocol: Wells Fargo. Defendants already have reason to suspect that Wells Fargo, as part of its due diligence investigation of a potential (but

[1] Defendants concede that they have no incentive to waste time and money on examining small shareholders who do not indicate that they would have purchased stock regardless of whether they knew of defendants' false and misleading statements.

unconsummated) merger with Household in 2002, was privy to non-public information regarding Household's pervasive and aggressive write-off, expense deferral and re-aging policies, which ultimately scotched the merger. As to Wells Fargo, the Court will allow discovery as to whether its knowledge of these policies in 2002 severs the link between Household's misrepresentations and either the price received (or paid) by Wells Fargo for Household stock. Defendants will be permitted to proceed with discovery as to Wells Fargo without waiting for Wells Fargo to return its completed questionnaire.

II. Calculating Damages

A. The Netting Approach

Next, the Court addresses threshold damages issues with regard to the calculation of the class members' claims. Although damages cannot be based on pure speculation, they need not be calculated with mathematical precision. *Hoefferle Truck Sales, Inc. v. Divco-Wayne Corp.*, 523 F.2d 543, 553 (7th Cir. 1975); *see, e.g.*, *Olympia Equip. Leasing Co. v. W. Union Tel. Co.*, 797 F.2d 370, 383 (7th Cir. 1986) ("Speculation has its place in estimating damages, and doubts should be resolved against the wrongdoer."). The parties agree that the correct measure of damages in a Rule 10b-5 case is out-of-pocket loss. *See Associated Randall Bank v. Griffen, Kubik, Stephens & Thompson, Inc.*, 3 F.3d 208, 214 (7th Cir. 1993); 5E ARNOLD S. JACOBS, *Out of Pocket Measure of Damages, in* DISCLOSURE AND REMEDIES UNDER THE SECURITIES LAWS § 20:7 (2010). Under this measure, damages are defined as the difference between the purchase price and the price that would have been received but for the alleged fraud. *Harris Trust & Sav. Bank v. Ellis*, 810 F.2d 700, 706-07 (7th Cir. 1987). Defendants argue that recovery should be limited to "actual damages," which would require plaintiffs' out-of-pocket losses to be netted against any of plaintiffs' inflationary gains attributable to defendants' fraud. (Defs.' Resp. 8. (arguing that actual damages are calculated by netting inflation-related gains against losses).) Plaintiffs argue that gains made with respect to the sale of shares are irrelevant because their claims are based on losses that resulted solely from purchases (as opposed to sales) of Household shares. (Pls.' Post-Verdict Submission 18.; *see In re Schering-Plough Corp. Sec. Litig.*, No. 1-029, 2003 U.S. Dist. LEXIS 26297, at *26 (D.N.J. Oct. 9, 2003).

While the Seventh Circuit has yet to address whether out-of-pocket damages are limited to "actual damages" in Rule 10b-5 cases, the Second, Fifth, Ninth and Tenth Circuits have held that they are and require that plaintiffs' losses be netted against their profits attributable to the same fraud.[2] *See Byrnes v. Faulkner, Dawkins & Sullivan*, 550 F.2d 1303, 1313-14 (2d Cir. 1977); *Abrahamson v. Gleschner*, 568 F.2d 862, 878-79 (2d Cir. 1976); *Blackie v. Barrack*, 524 F.2d 891, 908-09 (9th Cir. 1975) (holding that if the stock is resold at an inflated price the purchaser-seller's damages should be offset by any profits recovered due to inflation in the stock price attributable to the fraud); *Wolf v. Frank*, 477 F.2d 467, 478-79 (5th Cir. 1973); *Richardson v. MacArthur*, 451 F.2d 35, 43-44 (10th Cir. 1971). Courts in this district have also generally held that damages should be offset by any inflationary gains attributable to the defendant's fraud. *See Makor Issues & Rights, Ltd. v. Tellabs, Inc.*, 256 F.R.D. 586, 599 (N.D. Ill. 2009) (netting plaintiffs' losses with gains from inflated stock prices attributable to fraud); *In re Comodisco Sec. Litig.*, 150 F. Supp. 2d 943, 945-46 (N.D. Ill. 2001) (holding the same). This Court agrees that in a Rule 10b-5 action out-of-pocket damages should be limited to actual damages because it is a better measurement of the true economic loss sustained by plaintiffs due to defendants'

2 These courts said that conclusion was dictated by the Securities Exchange Act of 1934, which states that "no person . . . shall recover, [] a total amount in excess of his *actual damages* on account of the act complained of." § 78bb(a) (emphasis added). Rule 10b-5 does not endorse any specific theory or methodology of quantifying economic loss.

fraud. *See Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 345 (2005) (stating that securities laws are not designed to provide investors with insurance against market losses, but to protect them against economic losses that misrepresentations actually cause); *Arenson v. Broadcom Corp.*, No. SA CV 02-301GLT, 2004 WL 3253646, at *2 (C.D. Cal. Dec. 6, 2004) (holding that where a plaintiff engages in multiple purchases and sales during the period in which the stock is inflated, the proper damages methodology is to take all the inflation losses resulting from all purchases at the inflated price and reduce this amount by all the inflation gain resulting from all sales at the inflated price); *see also* Frank H. Easterbrook & Daniel R. Fischel, *Optimal Damages in Securities Cases*, 52 U. CHI. L. REV. 611, 651-52 (1985) (basing damages on the net harm that an offender's acts cause should achieve optimal deterrence). Therefore, this Court holds that out-of-pocket damages are limited to actual damages such that plaintiffs' losses must be netted against any of their profits attributable to the same fraud.

The jury has already determined the per share inflation for each day Household's stock was affected by defendants' fraud—March 23, 2001 through October 11, 2002 ("Damages Period"). Accordingly, the measure of each plaintiff's out-of-pocket damages depends on when, and if, he bought and sold shares during the Damages Period. Consistent with the standard set forth above, damages in this case will be as follows: (1) for shares purchased during the Damages Period but not sold, damages will be the amount of artificial inflation at the time of purchase; (2) for shares purchased before the class period and sold during the Damages Period at a gain or a loss damages will be plaintiff's out-of-pocket loss less any gain obtained or loss avoided because of artificial inflation at the time of the sale; and (3) for shares purchased during the Damages Period, damages will be the artificial inflation at the time of purchase less the artificial inflation at the time of sale.

Further, plaintiffs' damages will be limited by the mathematical formula provided in the 90-Day Bounce Back Rule. The Private Securities Litigation Reform Act of 1995 ("PSLRA") 90-Day Bounce Back Rule provides that damages:

> [S]hall not exceed the difference between the purchase . . . price paid . . . by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated to the market.

§ 78u-4(e)(1). For purposes of the 90-Day Bounce Back Rule, the "mean trading price" of a security shall be an average of the daily trading price of that security, determined as of the close of the market each day during the 90-day period. § 78u-4(e)(3).

Here, the 90-day period begins on October 11, 2002, the date the jury found defendants' fraud no longer affected Household's stock. Consistent with the formula set forth above, recoverable damages in this case will be limited by the 90-Day Bounce Back Rule as follows: (1) no limitation for Household shares sold prior to October 11, 2002; (2) for Household shares sold during the 90-Day Bounce Back period from October 11, 2002 through January 8, 2003, damages will be limited to the purchase price per share less the average closing price from October 11, 2002 through the day of the sale; and (3) for Household shares retained at the end of January 8, 2003, damages will be limited to the purchase price per share less the 90-day average closing price from October 11, 2002 through January 8, 2003. § 78u-4(e)(1)-(3).

B. FIFO v. LIFO

The parties also disagree as to the appropriate method for matching purchases and sales when a shareholder has engaged in multiple transactions. Here, the parties propose two opposing theories for matching transactions: the first-in first-out ("FIFO") method and the last-in first-out ("LIFO") method. Each method, however, clearly favors one party over the other. The LIFO method favors the defendants by taking into consideration gains that might have accrued to plaintiffs during the class period. *See In re eSpeed, Inc. Sec. Litig.*, 232 F.R.D. 95, 101-02 (S.D.N.Y. 2005) (explaining that LIFO leads to lower damages by offsetting gains). Under LIFO, sales of the defendant's stock during the class period are matched against the last shares purchased. *Id.* at 102. Because both the purchase and sale occurred during the class period, it is likely that both transactions were affected by the fraud. *See id.* Thus, any gains that might have accrued to plaintiffs through the sale of stock during the class period because of fraud related inflation in the stock price are offset from plaintiff's total losses during the class period, thereby lowering plaintiff's total damages. *Id.*

The FIFO method, however, often gives plaintiffs a windfall by not taking into consideration gains they obtained from sales of stock during the class period at a price that was inflated by fraud. *In re Schering-Plough.*, 2003 U.S. Dist. Lexis 26297, at *26. Under FIFO, plaintiff's sales are matched first against the earliest purchases of stock, often matching sales during a class period with stock purchased prior to the class period. *Hodges v. Akeena Solar, Inc.*, 263 F.R.D. 528, 532 (N.D. Cal. 2009). Because some of the sales are matched with pre-class period stock, courts applying FIFO exclude such transactions from the damage calculations (including any gains from such transactions), thus usually resulting in a higher damages for the plaintiffs.[3] *Johnson v. Dana Corp. et al.*, No. 3:05 CV 7388, 2006 WL 782746, at *1-3 (N.D.

[3] Courts that find deterrence to be the primary objective of Rule 10b-5 tend to use FIFO because it creates higher damage awards, while courts emphasizing compensation as the primary objective tend to use LIFO. *Compare Kane v. Shearson Loeb Rohades, Inc.*, No. 86-551-CIV, 1989 U.S. Dist. LEXIS 19022, at *15, *23 (S.D. Fla. May 3, 1989), *with S.E.C. v. Bear, Stearns & Co., Inc.*, No. 03 Civ. 2937, 2005 WL 217018, at *7 (S.D.N.Y. Jan. 31, 2005). This Court attempts to apply a solution that reasonably and fairly accomplishes both objectives.

Ohio May 24, 2006) (explaining that FIFO does not provide for netting of inflation-related gains). Consequently, the major reason (if not the only reason) why numerous courts have held that LIFO is the appropriate method for matching transactions in securities fraud cases is because it takes into account inflation related gains due to the fraud, and therefore, is a more accurate reflection of plaintiff's damages. *See In re eSpeed*, 232 F.R.D. at 102. If, however, as this Court provides, plaintiffs' gains attributable to defendants' fraud are netted from the plaintiffs' total loss, then such gains are taken into consideration and utilizing FIFO as a method of matching does not produce a windfall to the plaintiffs. *See* RAYMUND WONG, NERA ECON. CONSULTING, PURCHASE-SALE MATCHING IN SECURITIES LITIGATION: FIFO, LIFO, AND OFFSETS 9, 17, 22-23 (2008) (noting that many court decisions reveal that losses claimed by plaintiffs in securities class action cases should be offset by gains related to the alleged fraud regardless of whether FIFO or LIFO is used to avoid a windfall to plaintiff, even if these gains were from sales of securities purchased prior to the class period), *available at* http://www.nera.com/image/PUB_Purchase_Sale_Matching_Wong_1008.pdf.

Further, FIFO has historically been the accounting method of choice for governmental institutions. For instance, FIFO has been used by courts and the Internal Revenue Service ("IRS") to determine losses and gains for tax purposes. Treas. Reg. § 1.1012-1(c); *see Holmes v. Comm'r of Internal Revenue*, 134 F.2d 219, 221 (3d Cir. 1943) ("[FIFO] is so old and well known . . . it is incorporated in [the tax code]. It is sufficient to say that it establishes a presumption to be followed."); *Thompson v. Shaw Group, Inc.*, No. 04-1685, 2004 U.S. Dist. Lexis 25641, at *14 n.5 (E.D. La. Dec. 15, 2004) ("Many federal appeal courts and commentators regard FIFO, which the IRS consistently uses, as a firmly established methodology for calculating loss for tax purposes in the context of securities investments.”). FIFO also has been the preferred method of calculating losses by the IRS “where shares of stock cannot be identified with any particular lots purchased.” *Helvering v. Campbell*, 313 U.S. 15, 20-21 (1941). Further, because of the convergence between Generally Accepted Accounting Principles (“GAAP”) and International Financial Reporting Standards (“IFRS”), which do not permit the use of LIFO as an inventory method, LIFO will likely become obsolete for both financial reporting and tax purposes in the near future.[4] FIFO has been established as a reasonable measure for computing losses or gains from stock purchases or sales in the past, and as such this Court holds that FIFO is the appropriate method for matching purchases and sales given the tax laws and recent developments in the accounting world.

In sum, by utilizing netting this Court has avoided applying FIFO in a way that will result in a windfall to the plaintiffs. Therefore, this Court holds that the fair and reasonable method for calculating damages in this class action is to apply FIFO for the method of matching purchases and sales while netting plaintiffs’ losses against any profits attributable to defendants’ fraud.

Conclusion

[4] Although GAAP is currently authoritative in the United States, IFRS has been developing a set of accounting standards that are becoming the global standard. *IFRS Resources*, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, www.ifrs.com/updates/FASB-IASB_Projects.html (last visited Oct. 21, 2010). These standards do not permit the use of LIFO as an inventory method. IASB International Accounting Standard 2.25. The SEC, backed by the American Institute of Certified Public Accountants (“AICPA”) and others, have agreed to a series of steps that could require the use of IFRS by publicly traded companies in the United States by 2014. Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers, 73 Fed. Reg. 70,816, 70,825 (proposed Nov. 21, 2008) (to be codified at 17 C.F.R. pts. 210, 229, 230, 240, 244 & 249).

As outlined herein, the Court has addressed the parties' arguments regarding the protocol for Phase II and determined the appropriate method of calculating damages with respect to each class member's claims. The Court approves lead plaintiff's proof of claim form and release as modified by the Court's rulings herein. Plaintiffs shall prepare and file a final version that includes the proposed schedule for mailing the form and release to the class as well as the deadline for responses thereto prior to the status hearing of January 5, 2011.

SO ORDERED.

ENTERED: November 22, 2010

Ronald A. Guzmán

HON. RONALD A. GUZMAN

United States District Judge

UNITED STATES DISTRICT COURT
FOR THE Northern District of Illinois − CM/ECF LIVE, Ver 4.2
Eastern Division

Lawrence E Jaffe, et al.

Plaintiff,

v.

Case No.: 1:02−cv−05893
Hon. Ronald A. Guzman

Household International Inc., et al.

Defendant.

NOTIFICATION OF DOCKET ENTRY

This docket entry was made by the Clerk on Friday, January 14, 2011:

MINUTE entry before Honorable Ronald A. Guzman: The Court has granted in part the defendants' motion for reconsideration [1710] in that defendants are allowed 120 days to conduct discovery as stated in open court. Further, the Court has granted the motion insofar as amendments were made to the language of the notice to class members as stated in open court. The Court has denied the motion without prejudice in all other respects as premature. Mailed notice (cjg,)

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,	)	
Plaintiffs,	)	**No. 02 C 5893**
v.	)	**Hon. Ronald A. Guzmán**
Household International, Inc., et al.,	)	
Defendants.	)	

Order

Plaintiffs move the Court for a protective order pursuant to Federal Rule of Civil Procedure 26(c)(1)(D). Plaintiffs seek an order limiting defendants' discovery demands to: (1) interrogatories and document requests that address whether institutional class members had any material non-public information or otherwise knew of the fraud and still purchased Household stock; (2) only allowing depositions of, and discovery of trading strategies or models from, the institutional class members who indicate in their responses to interrogatories and document requests that they had material non-public information or otherwise knew of the fraud and still purchased Household stock knowing the price was inflated; (3) prohibiting defendants from seeking discovery regarding reliance issues such as the truth on the market defense already rejected by the jury; (4) prohibiting any discovery regarding any firewall policy separating analysts and investment decisions; and (5) limiting the relevant period for discovery to March 22, 2001 through October 11, 2002. Plaintiffs also seek similar restrictions regarding deposition questions.

The motion is prompted by defendants' rather expansive discovery requests. It appears that defendants have served 98 class members and all 3 named plaintiffs with identical Rule 30(b)(6) deposition notices, requests for production of documents and interrogatories.

The issue presented is not new to this case. It was a topic of discussion at the March 2009 pretrial conference. As the Court put it then:

> The problem, of course, is that if a class action is going to mean anything, it's going to mean that we don't have to bring before the court every single investor in this case on any issue including the issue of reliance. On the other hand, a claim of a constitutional right to challenge the presumption of reliance to a jury if taken to its logical extreme, would require giving the defendant the right to bring in every single investor, which would, of course, destroy the entire concept of a class action. So how we balance those concerns is a question.

(3/12/09 Hr'g Tr. 34.) Defendants' discovery requests and plaintiffs' motion for a protective order now require the court to resolve this issue.

Discovery, of course, is not without limits. Federal rule of Civil Procedure 26(c) allows the court to limit discovery to protect the parties or persons from, among other things, undue burden or expense. Moreover, discovery from non-named class members is not warranted as a matter of course. In allowing some such discovery, the Seventh Circuit stated:

> If discovery from the absent member is necessary or helpful to the proper presentation and correct adjudication of the principal suit, we see no reason why it should not be allowed so long as adequate precautionary measures are taken to insure that the absent member is not misled or confused. While absent class members should not be required to submit to discovery as a matter of course, if the trial judge determines that justice to all parties requires that absent parties furnish certain information, we believe that he has the power to authorize the use of the Rules 33 and 34 discovery procedures.

Brennan v. Midwestern United Life Ins. Co., 450 F.2d 999, 1005 (7th Cir. 1971); *see Phillips Petroleum Co. v. Shutts*, 472 U.S. 797, 810 & n.2 (1985) (stating that generally, "an absent class-action plaintiff is not required to do anything"); *Clark v. Universal Builders*, 501 F.2d 324, 340-41 (7th Cir. 1974). Indeed, one of the principal advantages of class actions over massive joinder or consolidation would be lost if all class members were routinely subject to discovery. Manual for Complex Litigation, Fourth, § 21.41.

Plaintiffs object to the interrogatories, requests to produce and deposition notices because, in their view, the proposed discovery items seek information meant to relitigate the truth on the market defense and/or information that is neither relevant nor likely to lead to admissible evidence. For example, Interrogatory 3 states: "Identify all Documents that You reviewed or relied upon in making any decision to engage in any Transaction with respect to Household Securities." Plaintiffs responded:

> Objectionable to the extent it calls for publicly available information. Defendants litigated truth-on-the-market at trial and should not be given a second bite at the apple. Further, class members should not have to respond further, if they answer "no" to the claim form-type question. A response to this Interrogatory should be deferred until a class member answers "yes" to the claim form-type question.

Because the jury has already determined that the publicly available information was insufficient to dissipate the effect of defendants' fraudulent statements, *i.e.*, rejected the truth on the market defense, it is highly unlikely that this inquiry will lead to evidence of class members who chose to purchase knowing that the price of the stock was fraudulently inflated. Moreover, responding to defendants' many detailed interrogatories and production requests about hundreds or thousands of individual transactions that took place nearly a decade ago would impose an unacceptably onerous burden on unnamed class members. As a result, it is very likely that having to respond to the requests will discourage eligible unnamed class members from making claims. This issue is more directly and simply addressed by the question each party claiming damages will have to answer under oath in responding to the class notice/claims form.[1] The answers to that question will allow defendants to determine whether there are any purchasers to whom the presumption of reliance does not apply without imposing a high burden on unnamed class members or discouraging eligible members from making claims.

Because the truth on the market defense has already been fully litigated and rejected, the likelihood that any individual purchaser concluded from his or her knowledge of publicly available information that the price of the stock was fraudulently inflated is small. The same is not true, however, for decisions based upon non-publicly available information. Requests for disclosure of any non-publicly available information relied upon by individual purchasers would be more likely to uncover admissible evidence and would not pose as great a burden on the respondents. If the interrogatories and requests to produce are limited to this issue, are phrased in such a manner as to go directly to the issue and do not impose an unnecessary burden on the unnamed class members, the Court will allow them.

Requests that are improperly tailored, however, will be prohibited. For example, a request to produce all documents relating to any information regarding pricing or market analyses considered in each of hundreds of transactions, would be unnecessarily burdensome. The same is true for discovery requests relating to trading strategies utilized during the damages period. If still available, such information would not likely require inquiry into thousands of individual transactions while still allowing defendants to identify the existence of a consideration that might be reasonably likely to lead to admissible evidence of non-reliance.

Plaintiffs contend that defendants' burdensome discovery requests are intended to harass class members and deter them from filing claims. (Mem. Law Supp. Pls.'Mot. Protective Order 2.) Plaintiffs' argument is a common one in discovery disputes, although it is more often the defendants complaining of plaintiffs' unnecessary requests. And indeed, one of the considerations articulated by the *Brennan* Court in allowing discovery was that it found nothing in the record to suggest that the discovery procedures were being used as a tactic to take undue advantage of the class members or as a stratagem to reduce the number of claimants. But the Court need not reach the conclusion as to defendants' intention that plaintiffs urge. It is sufficient that in this case the request for a protective order is supported, in addition to the reasons given above, by defendants' own prior representations to this Court. As far back as the pretrial conference of March 12, 2009, Ms. Patricia Farren, counsel for the defendants, while discussing the desirable parameters of the second phase of the proceedings, informed the Court that it was not defendants' intention to "drag in every pension fund in the country" to be deposed. In fact, she pointed out:

> [I]f we deposed 10 entities . . . we would capture information on 50% of the stock ownership of this Company. . . . [T]he institutional investors who owned the lions

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[1]Part III of the claim form requires each claimant to answer the following question: "If you had known at the time of your purchase of Household stock that defendants' false and misleading statements had the effect of inflating the price of Household stock and thereby caused you to pay more for Household stock than you should have paid, would you still have purchased the stock at the inflated price that you paid?"

> share of Household stock were big major sophisticated banks and other funds . . . . We could capture information about 50% of stock ownership by deposing only 10 of them. We could capture 60% by deposing only 15 of them. It may be that one or two sample depositions will tell us what we need to know and whether this is a worthwhile defense or not.

(3/12/09 Hr'g Tr. 27.) Ms. Farren repeated this assertion a few minutes later: "[A]s I said, Your Honor, we could encompass 60% of the ownership by looking at only 15 large institutional investors." (*Id.* 32.) Finally, Ms. Farren drove the point home one more time, virtually telling the Court just what defendants needed to do in discovery in order to prepare to rebut the presumption of reliance:

> But we don't have any intention, your honor, of dragging every small investor in here. We need to know what the 15 big institutional investors – what they did, whether or not they can prove reliance on an individual basis, whether we can – I should put it correctly. Whether we can rebut the rebuttable presumption of reliance as to them by simply finding out the facts that were denied during fact discovery.

(*Id.* 33) (emphasis added).

It could not be clearer from these statements that defendants, after careful consideration and investigation, determined that the depositions of 10 to 15 large institutional investors would be sufficient to prepare to rebut the presumption of reliance. And, it was with this premise in mind, that the Court, in response to defendants' requests to reconsider, allowed them to move ahead with discovery even before any responses to the reliance interrogatory were returned. With good reason, the Court fully expected that defendants would proceed to prepare to depose 10, or at most 15, of the large institutional investors. Yet now, these same defendants tell us that they never committed to any such limited number of depositions, but actually require the deposition of nearly 100 investors.[2] The difference is, to say the least, substantial. Yet, defendants do not explain how or why 15 became 98.

The Court finds the defendants' first representations to be reasonable. Therefore, defendants will be allowed a maximum of 15 depositions prior to the return of the claim forms.

SO ORDERED

ENTER: January 31, 2011

Ronald A. Guzman

RONALD A. GUZMAN
U.S. District Judge

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[2]Whether defendants "committed" to a certain number of depositions is irrelevant. The point is they told the Court that 10 to 15 depositions are what they needed and even stated the reasons for this determination.

**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,	)	
	)	**Lead Case No. 02 cv 5893**
Plaintiff,	)	
v.	)	**Judge Ronald A. Guzmán**
	)	**Magistrate Judge Nan R. Nolan**
HOUSEHOLD INTERNATIONAL, INC., et al.,	)	
Defendants.	)	

ORDER

Many custodian banks and other third-party claim filers have submitted their master claim forms attaching information about individual client's transactions. However, at the April 7, 2011 status conference and in their accompanying motion, Plaintiffs informed the Court that certain custodian banks have expressed concerns regarding the difficulty of obtaining answers to the claim form question from their clients. The Court has asked the parties to submit their respective positions on how best to proceed in view of concerns expressed by the claimants. In response, Gilardi & Company ("Gilardi"), the claims administrator, has identified the clients of third-party claim filers who appear, at least preliminarily, to have an allowed loss under the Plan of Allocation. Plaintiff has provided the following detail regarding these third-party claims.

	CLAIMS	AMOUNTS OF ALLOWED LOSS
Total Number of Claims Submitted by third-party filers:	27,939	
Claims with no Allowed Loss:	15,433	
Claims with Allowed Loss of $1-$250,000:	11,760	$233,245,777
Claims with Allowed Loss of $250,001-$500,000:	326	$116,247,924
Claims with Allowed Loss of $500,001-$1,000,000:	204	$142,376,093
Claims with Allowed Loss of $1,000,001+:	216	$756,487,276
Total Number of Claims with Allowed Loss:	12,506	$1,248,357,070

Only 38 entities, custodian banks and third-party filing services filed multiple claims as of May 2, 2011. As can be seen from the table above, of 27,939 claims filed, 12,506 have been determined to generate an allowed loss under the Plan of Allocation totaling $1,248,357,070.00. The vast majority of the claims generating allowed loss, 11,760, are for less than $250,000.00. The remaining 746 of these claims (6% of all claims with allowable losses) account for $1,050,111,293.00 or 81.3% of the total allowable loss.

Based upon conference calls with representatives of the Bank Depository User Group (a trade association of custodian banks and financial institutions), plaintiff reports that certain of the custodian banks responsible for the filing of the above summarized claims have expressed concerns regarding the difficulty of obtaining answers to the claim form question from their clients. More particularly, it appears that these banks estimated it would take a great deal of effort and in excess of 12 months to reach out to each and every class member with an allowable claim and that such an effort is likely to result in a low percentage of responses. Typically, most custodian banks, according to the Bank Depository User Group, do not have direct contact with clients. Therefore, the custodial banks lack knowledge regarding what person, group or department of each of their clients has the information to respond to the claim form question, and thus, to whom the interrogatory should be directed. In order to ascertain this information, the custodian bank would first have to find out who in the bank's own organization is responsible for dealing with that particular client. To do this might first require the bank to separate the accounts by geographic region as well as by type, *i.e.*, corporate, institutional, or private wealth account. Then, the person responsible for dealing with that particular type of client in that particular region would have to be contacted and educated in order to enable or him/her to make the appropriate inquiry of the appropriate client representative in order to obtain the desired information. Of course, this assumes that the particular person with relevant knowledge, whether an employee or an outside investment adviser, is still available and can be located. . When done thousands of times such a process, the association believes, will become not only expensive, but perhaps more important to us, prolonged.

Defendant's response is essentially that the process should be no more difficult than that which is followed when custodian banks send out checks or notices to their clients. While such an approach might be expected to bring about an acceptable result when sending out a check or a notice, *i.e.*, when the aim is merely to impart information, it is much less likely to do so when the aim is to elicit information. In the latter situation, it will be necessary to first pinpoint who within the particular client institution actually has the information being sought. Unless that is done, the result will likely be a large number of inadequate responses. To answer the interrogatory included in the claim questionnaire requires particularized knowledge of an event or multiple events over particular period of time that occurred years ago. Sending such an inquiry without first ascertaining who, or what group or department within an institution, is likely to have such particularized knowledge would likely result in a huge waste of time and resources. Time, of course, is extremely important. The court has previously voiced its concern that the longer the process takes the less likely it is that the defendants will actually have sufficient assets available to satisfy any final judgment that might result from what has already been a long, difficult and expensive process.

The Federal Rules of Civil Procedure specifically recognize and provide for limitations on discovery:

> On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that: (i) the discovery sought is unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive; (ii) the party seeking discovery has had ample opportunity to obtain the information by discovery in the action; or (iii) the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.

Fed. R. Civ. P. 26(b)(2)(C). These explicit limitations represent a recognition that judges have an obligation to limit discovery in order to avoid the abuses of redundancy and disproportionality in all cases.1

This is especially true in class action cases. In general, post-certification discovery of unnamed class members should be conditioned upon a showing that it serves a legitimate purpose. In setting limits the court should consider the availability of obtaining the information from other sources and the burden upon the class members, *e.g.*, whether the proposed discovery will require class members to obtain legal counsel or technical advice from an expert or undertake extensive efforts to obtain information not readily available to them. The court should consider limiting the number of class members to whom interrogatories may be directed, and/or limiting the discovery to a questionnaire proposed and submitted by the court, rather than the litigants. One of the principal advantages of a class-action lawsuit would be entirely lost if all class members were routinely subjected to discovery. (Ann. Manual for Complex Lit. § 21.41 (4th ed.). Some courts have held that such discovery is simply not available in class actions. This court has previously assessed these factors and crafted what it considers to be a reasonable approach to discovery in this case; taking into account both the defendant's need for discovery and the class members; need to be protected from extensive discovery processes that might discourage the filing of claims and delay the proceedings for years to come. From the description given by the Bank Depository User Group, it has become clear that the burden placed on class members by the interrogatory which the court has previously approved is significant, as would be

1 Miller, The August 1983 Amendments to the Federal Rules of Civil Procedure: Promoting Effective Case Management and Lawyer Responsibility, 1984, pp. 32–33

the time involved in obtaining responses from all possible class members with allowable claims. The burden, and most likely the time required to respond, will be greater for the 11,760 smaller claims - these claimants are much more likely to be discouraged from following through on a claim if it requires a burdensome response. The 746 large claims are not likely to be discouraged by a discovery request that requires a substantial effort to fulfill. Dealing with a smaller number of claims will, of course, increase the speed and the likelihood of a meaningful response.

That only a small minority of the claims would account for more than 80% of allowable losses is not entirely surprising. Indeed, defendants have known this for some time; for they represented to the court on multiple occasions – even before the trial - that this would be so:

> This does not mean that Defendants intend to seek discovery of every absent class member irrespective of size. . . . This process would be focused by the concentration of the largest claimants within a small number of large institutional investors. . . . Defendants have no incentive to waste time and money on examining small shareholders.

(Defendants' Post-Verdict Submission Dkt. No. 1623 at 8.)

> [I]t is not Defendants' intention to pursue discovery against every absent class member, as and noted, the large concentrations of Household stock in the hands of a relatively few large Class Period shareholders will permit considerable streamlining.

(*Id.* at 16.)

> [I]f we deposed ten entities . . . we would capture information on 50 percent of the stock ownership of this Company. . . . [T]he institutional investors who owned the lion's share of Household stock were big major sophisticated banks and other funds

> . . . . We could capture information about 50 percent of stock ownership by deposing only 10 of them. We could capture 60 percent by deposing only 15 of them. It may be that one or two sample depositions will tell us what we need to know and whether this is a worthwhile defense or not."

(March 12, 2009 Hrg. Tr. at 27.)

> [A]s I said, Your Honor, we could encompass 60 percent of the ownership by looking at only 15 large institutional investors.

(*Id.* at 32.)

> But we don't have any intention, your honor, of dragging every small investor in here. We need to know what the 15 big institutional investors – what they did, whether or not they can prove reliance on an individual basis, whether we can – I should put it correctly. Whether we can rebut the rebuttable presumption of reliance as to them by simply finding out the facts that were denied during fact discovery."

Id. at 33.

Subsequent events, specifically the statistics of claims filed cited above, have proven defendants' assertions to be correct. We now know that discovery of 80% of the claimed losses can be achieved by addressing only 6% of the claims. This, coupled with the other avenues of discovery the court has already approved, constitutes a reasonable approach to balancing the needs of the defendants for discovery with the need to protect class members from discouragement and the need to move this already 9 year-old case towards a conclusion.

The Court approves the use of Plaintiffs' proposed one page notice with the following modification. The following text shall be deleted. "(A "No" answer to this question means you may be entitled to share in the recovery . A "Yes" answer to this question means you may be subject to additional requests for information and may or may not recover any money.)" The claims administrator is authorized to prepare the customized one-page notice for each claimant and provide the forms to the third-party filers for dissemination to their claimants. The third-party claims filer will be instructed to send the notice to each entity and individual that has a claim with an allowed loss in excess of $250,000.00 and obtain an answer to the question and the signature of the person who provided the answer and submit the executed notices to Gilardi, as they are received. The Court concurs with Lead Plaintiffs suggestion that the third-party filers should be given 90 days from receipt of the one-page notice form to obtain executed forms.

Dated: May 31, 2011

SO ORDERED **ENTER:**

Ronald A. Guzmán

RONALD A. GUZMÁN
District Judge

**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,	)	
Plaintiffs,	)	**No. 02 C 5893**
v.	)	**Judge Ronald A. Guzmán**
HOUSEHOLD INTERNATIONAL INC., et al.,	)	
Defendants.		

ORDER

The parties have filed position papers on the status of discovery and the notification and claims filing process previously ordered by the Court. With this order the Court addresses the main issues raised by the submissions, including challenges to certain claims and defendant's request for an extension of discovery.

The defendants raise several issues with respect to the claims filing process. Apparently, claims are being submitted by third parties without proof of authorization. The Proof of Claim form instructed claimants' representatives (executors, administrators, guardians, conservators and trustees) to include with the claim proof of their authority to submit the claim on behalf of the parties they represent. Many of the custodian banks that submitted claims on behalf of purported clients, defendants argue, failed to do so, and, thus, these third party claims are fatally deficient. As an example, defendants point to over $100 million worth of claims submitted by Northern Trust Company on behalf of Putnam Investment Management and mutual funds managed by Putnam. It seems that

Putnam's attorney has declared that Northern Trust has no authority to file claims for Putnam, that Northern Trust often files duplicate claims for Putnam and other of its clients and that Putnam intends to file its own claims. Defendants also described a similar filing without authorization by Bank of New York Mellon Asset Servicing on behalf of an Oppenheimer Fund. According to an attorney for the representatives of the Oppenheimer Fund, Bank of New York Mellon Asset Servicing's authorization was no longer current. Defendants give other examples as well. They conclude by asserting that claims filed without the required evidence of the filer's alleged authority "should be summarily rejected." Def 's Status Report In Connection with the June 15, 2011 Status Hearing (DOC #1764) at 8.

The Court disagrees. The purpose of the claims submission process is to identify the true victims of the fraudulent conduct the jury has determined the defendants committed and allow such victims a fair and reasonable opportunity to present their claims for redress. If, for example, a claim is filed by a custodian whose authorization to file on behalf of a victim has lapsed, but the victim desires to file substantially the same claim, there is no harm in accommodating the victim's desire to file its claim either independently through another custodian or to ratify the claim already filed. The defendant will already have been apprised of the claim amount and the party on whose behalf the claim is being made and will have the opportunity to verify or disprove the substance of the claim through the claims adjudication process. The Court sees no reason to summarily reject all such claims because of what is likely no more than confusion or overlap in authorization. Whether any particular claim is ultimately deemed invalid because authority to file was lacking, proof of transactions was insufficient, or for some other reason is a determination to be made by the magistrate judge during the claims adjudication process to the extent that a conflict remains after the claims administrator has performed its function.

Defendants also complain of duplicate claims. Again, the validity of any one claim must be determined through the claims adjudication procedure. It should, however, surprise no one that some custodians, in an effort to insulate themselves from any potential liability for failure to act, will file claims on behalf of clients or prior clients when technical authorization may not exist. Such duplicate claims can usually be easily reconciled through the claims adjudication process.

Defendants also request an extension of the discovery period. Plaintiffs object. On November 22, 2010, following the initial phase of the trial, the Court outlined a discovery procedure to address defendants' right to rebut the presumption of reliance. The process consisted of an interrogatory in every claims form to be answered by every claimant in order to determine whether the claimant would have purchased Household stock even if it had known, at the time, that the price of the stock was inflated by defendants' false and misleading statements. As to any claimant who answered yes, defendants would then be allowed to conduct additional discovery in order to prove that price played no part in the decision to purchase the Household stock. This protocol, as explained in the order, was meant to resolve the tension between the defendants' right to rebut the presumption of reliance which had been established by the jury's finding in the initial phase trial and the purpose behind Federal Rule of Civil Procedure 23.

Thereafter, defendants filed a motion for reconsideration claiming that limiting discovery to those who answered "yes" to the interrogatory unfairly limited their ability to discover the evidence necessary to rebut the presumption. While not agreeing with much of the defendants' argument, the Court nevertheless allowed an additional 120 days of discovery of class members without regard to whether the claimant answered “yes” or “no” to the interrogatory.

Defendants then proceeded to serve lengthy and detailed interrogatories on all of lead plaintiffs and no less than 98 other institutional investors and, apparently, sought to depose all such investors. In its order of January 31, 2011 (DOC #52894) the Court expressed surprise at the expansive nature of the discovery undertaken by the defendants. Such discovery ran contrary to every representation previously made by the defendants to the Court regarding the scope of discovery they required or intended in preparation for the second phase of the proceedings. Weighing the arguments from both sides, the Court granted in part plaintiffs’ request for a protective order limiting some aspects of defendants’ proposed discovery. In particular the Court determined that the defendants would be limited to a maximum of 15 depositions prior to the return of the claim forms.

Before the Court is defendants' current request for an extension of the discovery period. Defendants first argue that because they were required to conduct discovery before the "identity and trading patterns of most actual claimants became known," they served discovery on the institutions that were shown by SEC filings to be the largest record holders of Household stock during the class period. But, defendants explain, the public filings proved to be poor "proxies" for identifying actual investors or estimating their possible losses because many of the largest institutional holders held Household stock solely as nominees for affiliates or unidentified beneficial holders or the institutional investors employed outside investment advisors and were not themselves the actual decision makers with regard to investment decisions.

But this is not what defendants previously represented to the Court. As the Court has previously pointed out in great detail, prior to the commencement of the trial of phase one, the defendants repeatedly represented to the Court that they knew who the major investors, not the major *holders* but the major *investors*, were. Further, they explicitly assured the Court that because these major investors held such a large percentage of the Household stock, they were the only investors defendants would need to investigate. In fact, they assured the Court that the depositions of 10 or so such investors would immediately tell them whether there was any basis upon which to dispute the presumption of reliance afforded by the fraud on the market theory.

Defendants also made the same representations to the jury throughout the trial. From lead counsel's opening statement to closing arguments defendants hammered away at the "fact" that their largest “investors” (who they explicitly named) were among the world’s largest and most sophisticated institutional investors who could not possibly have been fooled into investing in Household stock by the alleged misrepresentations. After making such representations both to the Court, for the purposes of defining the parameters of the discovery they would require, and then to the jury, for the purpose of rebutting the plaintiffs' class-wide liability case, defendants now simply execute an about face and represent exactly the opposite as a basis for demanding extended and expanded discovery.

The Court has difficulty crediting these new assertions. The evidence at trial showed that defendants embarked upon a course of action intended to increase the market price of Household stock (and the value of their own stock options) during the relevant time period. The trial evidence also showed that during that period, institutional investors met privately with Household management. (See Def.'s Status Report in Connection with the June 15, 2011 Status Hearing (DOC # 1764, at 12) (alleging that institutional investors who employed active management strategies met privately with members of Household management and relied upon these private discussions in making their investment decisions.)) A reasonable assumption is that Household management was only conducting such private meetings with those persons in charge of making the actual investment decisions for select large investors. Defendants had to have known who the actual investment decision makers of their largest investors were or they could not have planned for and held such private meetings.

Despite their pre-trial assurances about the scope of discovery, a mere three weeks after the jury reached its verdict, before any discovery had been taken, before any claims had been filed or investigated, before any of the Rule 30(b)(6) depositions cited as support for the need for more discovery, defendants suddenly claimed that "[i]t is not possible to predict at the outset how many depositions or other discovery may be required." (Defs.' Recommendations for Phase Two Proceedings (Docket No. 1623) at 19.) Given the timing of this posture change, it is highly unlikely that it was driven by any new knowledge about the identity of the primary decision makers. Rather the logical inference is that it was driven by a new strategy.[1] Discovery has now, suddenly, become a complicated and massive undertaking without which, defendants argue, their "constitutional right to obtain evidence to rebut the presumption of reliance as to *every member* of the class" will be trampled. (Defs.' June 15, 2011 Status Report (DOC #1764), at 11, n 7. (emphasis added.) The Court finds this statement especially surprising since prior to the jury verdict defendants had represented to the Court that they had no intention of taking discovery from every small investor in Household stock. Under the circumstances the Court is not convinced that defendants were mistaken when they earlier represented to the Court and the jury that they knew who the key decision makers were.

Even if we were to assume that defendants' new assertions are entirely accurate, an expansion of discovery would be appropriate only if defendants had been diligent thus far. Quite the contrary is true. In the Court's order of November 22, 2010 (Doc. # 1703, at 9-10) defendants were given leave to proceed with full discovery as to Wells Fargo. Yet they inexplicably delayed and failed to follow up on inadequate responses to their discovery requests for almost four months; waiting until a few days before the discovery

[1] In their June 15, 2011 status report (DOC #1764) defendants cite to various Rule 30(b)(6) depositions (Vurtis Investment Partners, International Union of Operating Engineers Local 132, Oppenheimer), in which representative witnesses testified they were not the actual investment decision-makers. It is noteworthy that defendants announced the radical change in their discovery posture long before any of these depositions were taken.

cutoff date to file a motion to compel. In four months defendants failed to take a Rule 30(b)(6) deposition or elicit any meaningful discovery of any kind from Wells Fargo, a major potential claimant in this case whose reliance upon the market price they had good reason to doubt. When queried in Court, no satisfactory explanation was given for such foot dragging. If allowed to continue at that pace, it would take defendants some 20 years to finish discovery on the “newly discovered” 98 major investors. While such a time frame might be satisfactory to the defendants, it is not acceptable to the Court.

Defendants also argue that they need more time to follow up on discovery which has uncovered evidence that rebuts the presumption of reliance. In this respect they point to The Vanguard Group, one of the industry leaders in indexing, which answered the reliance question "yes." Having received a "yes" response, defendants were authorized, under the Court's ruling, to follow up with further discovery. But the record reflects that they simply failed to do so. After receiving the affirmative response, defendants then spent months taking written discovery, did not notice a Rule 30(b)(6) deposition until April and then, inexplicably, withdrew it. Though they had ample time, they never took Vanguard's deposition, foregoing an opportunity to gather evidence to support or refute their theory that index traders would not have relied on market prices in deciding to purchase Household stock. This is not diligence in pursuing discovery.

Defendants also claim the need to conduct further discovery regarding private meetings between investors and Household management to prove that certain claimants received material nonpublic information. They reference statements by various institutional investors regarding the importance of their private meetings with Household management. But as plaintiffs' point out, and defendants admit, all such deponents asserted that they did not receive any insider information at such meetings. Furthermore, individual defendants were themselves present at any such meetings and would have personal knowledge of all that was said during such meetings. To conduct further discovery in this regard, defendants merely have to query themselves, an exercise that does not require the Court's discovery processes.

In addition, these meetings are not something recently discovered which must now be further investigated by even more discovery. Defendants have known for a long time that such meetings took place, well before the trial of this case. This is evident because some defendants and defense witnesses were obviously prepared to and did testify at trial, under oath, that they were very careful in this regard, and did not disclose any material nonpublic information in their presentations and discussions with investors. To prepare truthful testimony in this regard would require defendants to review and refresh their recollections as to what was actually said during all such meetings. Again, the Court f has difficulty crediting defendants' assertion that they need more time to conduct discovery. In this context, it seems that four months would be more than sufficient time to conduct discovery as to this issue, if indeed, any discovery is required at all.[2]

[2] Defendants emphasize that several investors considered the "insights" gained by such meetings of great importance and the resulting analyses they developed were not available to the public. The inference being that subsequent determinations to purchase Household stock were therefore based on non-public information. But basing a determination to purchase stock on analytical manipulation of public information and/or privately held conclusions about the likely effect of public information is not the equivalent of basing a decision on material non–public information.

Next, defendants posit that their discovery has disclosed that some institutional investors disavowed any belief in, or reliance on, the efficient market hypothesis. Why this forms a basis for the need for further discovery is unclear. The issue is whether any investor would have purchased the Household stock even if he had known that its price had been artificially inflated by defendants' false and misleading statements. Defendants have stipulated that Household stock traded in an efficient market. That being the case, only purchasers who paid no attention to the market price did not rely on defendant's false and misleading statements as reflected in the market price of the stock. Did any of the investors who proclaimed they did not believe in the efficient market theory state that they would have purchased the Household stock even if they had known that its market price had been artificially inflated by defendants' false and misleading statements? Defendants make no such assertion. They have been given the opportunity to inquire, if they failed or intentionally determined not to make this inquiry, they cannot now come before the Court asking for more time to do what they could have done within the time frame allowed by the Court's ruling.

Defendants have apparently now served some form of written discovery on 130 institutions and they have taken 12 depositions. They have withdrawn and revised discovery requests, inexplicably failed to follow up on obvious avenues of discovery and have cancelled depositions. Meanwhile, this nine year old case continues without resolution for either side. At some point, getting a case to a final conclusion becomes paramount. The lawsuit is worthless to the plaintiffs and damaging to the defendants if it goes on for so long that the relief granted is, by virtue of the workings of time, dissipated and the parties involved both come out losers. One of the biggest harms of class action lawsuits, defendants often argue, is the resource drain that such lawsuits inevitably cause even before any determination of liability. In such situations undue delay can place the defendants in a position of peril which damages their ability to move forward with their business. Plaintiffs, on the other hand, argue that, after a determination of class-wide liability such as we have here, such delay works to their extreme detriment. They have no way of ensuring that defendant's ability to pay any damages they are awarded is not being dissipated; leaving them with a worthless judgment that took nine years and a tremendous expenditure of resources to obtain.

For the reasons given above, with the exception of the discovery of Wells Fargo which has already been addressed by minute order, defendants' request for an extension of time to conduct further discovery is denied.

Dated: August 16, 2011

SO ORDERED **ENTER:**

Ronald A. Guzmán

RONALD A. GUZMAN
District Judge

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,	)	
v.	)	**02 C 5893 (Consolidated)**
HOUSEHOLD INTERNATIONAL, INC., MERRILL LYNCH, PIERCE, FENNER, & SMITH, INC., GOLDMAN SACHS & CO., INC., ARTHUR ANDERSEN, L.L.P., WILLIAM F. ALDINGER, DAVID A. SCHOENHOLZ, GARY GILMER, J.A. VOZAR, ROBERT J. DARNALL, GARY G. DILLON, JOHN A. EDWARDSON, MARY JOHNSTON EVANS, J. DUDLEY FISHBURN, CYRUS F. FREIDHEIM, LOUIS E. LEVY, GEORGE A. LORCH, JOHN D. NICHOLS, JAMES B. PITBLADO, S. JAY STEWART, and LOUIS W. SULLIVAN,	)	**Judge Ronald A. Guzmán**
Defendants.	)	

MEMORANDUM OPINION AND ORDER

In phase one of this bifurcated case, a jury returned a verdict in favor of plaintiffs and against some or all of the defendants on the Section 10(b)/Rule 10b-5 claims as to Statement Nos. 14-18, 20-24, 27-29, 32, 36-38 ("the seventeen statements"). (Verdict Form at 14-18, 20-24, 27-29, 32, 36-38; *id.*, Table A, Alleged False or Misleading Statements at 11-26.) This means the jury found that the statements made and/or facts withheld regarding predatory lending, 2+ delinquency/re-aging, and the Restatement were false or misleading, material, made with the requisite state of mind, and substantially caused the economic loss plaintiffs suffered. (*See id.*; *see also* Jury Instructions at 25-

32.) In addition, the jury credited the Leakage Model of damages presented by plaintiffs' expert Daniel Fischel. (*See* Verdict Form at 41.) At trial, defendants offered, and the jury rejected, two of the three types of evidence that can be used to rebut the presumption of reliance, *i.e.*, that market makers were privy to the truth, and the truth had credibly entered the market and dissipated the effects of the omissions and misstatements. Thus, in phase two, the focus has been on the third kind of rebuttal evidence, that which severs the link between the alleged omissions and misstatements and either the price paid or received by any claimant. Accordingly, each claimant was required to respond "yes" or "no" to the following inquiry: "If you had known at the time of your purchase of Household stock that defendants' false and misleading statements had the effect of inflating the price of Household stock and thereby caused you to pay more for Household stock than you should have paid, would you have still purchased the stock at the inflated price that you paid?" (hereinafter "claim form question"). (1/11/11 Order, Ex. 2 at 8.) The Court also permitted the custodian banks and third-party claim filers to send claimants with an allowed loss greater than $250,000.00 a supplemental form that asked the same question. (5/31/11 Order.) In addition, the parties were afforded discovery to meet their respective burdens with regard to the presumption of reliance. The parties now present the individual claims as to which they contend there is no triable issue with regard to reliance.

There are three categories of claimants: (1) those that responded "no" to the claim form question;[1] (2) those that responded "yes" to the claim form question; and (3) those that returned the

[1] When the Court uses the term "claim form question" it refers to the question that appeared in Section III of the initial proof-of-claim notice to all plaintiffs and/or the supplemental form sent to those plaintiffs with an allowed loss of greater than $250,000.00.

claim form but did not answer the claim form question.[2]

If a claimant responded "no" to the claim form question, and defendants do not point to any evidence that reasonably suggests "no" does not mean "no," that claimant is entitled to judgment as to liability because defendants have not created a triable issue of fact as to his reliance on price. Defendants argue that anything short of a jury trial on all issues relating to an award of statutory damages is a deprivation of their Seventh Amendment rights. *See* U.S. Const. amend. VII (stating that "[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved"). It is well settled, however, that summary disposition procedures do not violate the Seventh Amendment. *Burks v. Wis. Dep't of Transp*., 464 F.3d 744, 759 (7th Cir. 2006). Thus, if there are no factual issues to be resolved, the claims can be adjudicated short of trial without running afoul of the Seventh Amendment.

Defendants also argue that the jury verdict itself rebuts the presumption of market reliance as to the entire class because the dates on which the actionable misstatements/opinions occurred do not correspond to an increase in inflationary impact on Household stock. However, the expert testimony credited by the jury was that a misstatement or omission may cause inflation in the stock price merely by maintaining the market expectations or preventing them from falling further, even if the inflation does not increase on the date the misstatement or omission is made. (*See, e.g.*, Trial Tr. at 2605 (plaintiffs' expert Fischel stating that stock is inflated where stock is prevented from falling to a lower level)); *see Schleicher v. Wendt*, 618 F.3d 679, 683 (7th Cir. 2010) (price can be inflated by false statement or omission when it stops price from declining); *Nathenson v. Zonagen*

[2]Claimants who answered "yes" or "no" to the claim form question, but explained that they did not make the contested investment decision are included in this category.

Inc., 267 F.3d 400, 419 (5th Cir. 2001) (statement actionable with no price increase); *In re Vivendi Universal, S.A. Sec. Litig.*, 765 F. Supp. 2d 512, 562 (S.D.N.Y. 2011) ("[A] statement can cause inflation by causing the stock price to be artificially maintained at a level that does not reflect its true value."). Thus, the fact that the artificial inflation did not increase each day on which the jury found an actionable misstatement or omission occurred does not mean that there is a triable issue as to whether the presumption of reliance has been rebutted.

Defendants also argue that the jury verdict itself rebuts the presumption of market reliance as to the entire class because the Leakage Model did not isolate as to any given day the inflation caused by a misstatement or omission regarding each of the three subjects presented to the jury, *i.e.*, predatory lending vs. 2+ delinquency/re-aging vs. Restatement, and thus plaintiffs have failed to show that the actionable misstatement or omission about a particular subject caused an independent inflationary price impact. (Defs.' Submission Regarding Rebuttal Presumption Reliance at 3-17.) As the evidence at trial demonstrated, the actionable misstatements or omissions on these three subjects were inextricably intertwined. The jury found that defendants made actionable misstatements about re-aging to cover up their predatory lending practices and, in turn, made actionable Restatement misstatements to cover up their re-aging methods. Moreover, as Fischel explained, the inflated price of Household's stock at any given time reflected the ever-changing mix of information that was publicly available. Given the interdependence of the fraudulent statements and the volatility of the information mix, it would be virtually impossible to parse out the damages by topic.

Fortunately, the law does not require the impossible. Rather, it gives a jury discretion to determine a damages award, as long as the award has a reasonable basis in the evidence. *See Am.*

Nat'l Bank & Trust Co. v. Reg'l Transp. Auth., 125 F.3d 420, 435-40 (7th Cir. 1997); *Dresser Indus., Inc. v. Gradall Co.*, 965 F.2d 1442, 1447 (7th Cir. 1992) (per curiam); *First Nat'l Bank of Kenosha v. United States*, 763 F.2d 891, 896 (7th Cir. 1985); (*see also* Jury Instructions 34 ("Any damages you award must have a reasonable basis in the evidence. Damages must not be proved with mathematical certainty but there must be enough evidence for you to make a reasonable estimate of damages.")). In this case, there were multiple statements and partial disclosures over an extended time period, and the parties' experts provided testimony in support of their positions regarding whether the stock price was affected by misrepresentations or omissions and the estimate of damages stemming therefrom, and the jury chose to credit Fischel's Leakage Model of damages (discounting industry, market or company-specific non-fraud declines unrelated to the actionable misstatements or omissions) over defendants' counter-arguments. Here, all of the evidence, including Fischel's testimony about the amount of artificial inflation, provided a reasonable basis for the jury's damages award.

Defendants also argue that they have rebutted the presumption of reliance as to index funds that answered "no" to the claim form question because the evidence shows that the price of stock has no impact on their purchasing decisions. (*See, e.g.*, Defs.' Ex. 7, The Munder Institutional Funds Prospectus at MCM 0000410 (stating that it "attempts to duplicate the investment composition and performance of the particular index through statistical procedures").) The Court disagrees. The weight of each stock in a capitalization-weighted index is proportional to each company's market capitalization, *i.e.*, its market price multiplied by the number of outstanding shares. *See* Reuters.com, Financial Glossary, http://glossary.reuters.com/index.php/Capitalization-Weighted_Index &

http://glossary.reuters.com/index.php/Market_Capitalization (last visited Sept. 20, 2012).[3] In other words, indexes rely on investor opinion as reflected in market price to assign weight to stocks. Likewise, the index funds, which adjust their portfolios to match a target index, rely on investor opinion as reflected in stock price each time they make an adjustment. (*See* Defs.' Ex. 9, Rule 30(b)(6) Dep. State Street at 43-44 ("[W]e wouldn't have purchased the stock in any of the portfolios which were found to be fraudulent.").) In short, the evidence about the investment goals of index funds, which is all that defendants offer, does not support the inference that such funds are indifferent to market price. *See In re Countrywide Fin. Corp. Sec. Litig.*, 273 F.R.D. 586, 602 (C.D. Cal. 2009) ("Defendants argue that because index purchases seek to match a predetermined index of securities, such purchases are not made in reliance on any misrepresentation. To the contrary: because index purchases seek only to match the index and exclude other considerations (such as, for example, reliance on nonpublic information or other idiosyncratic motivations), index purchases rely exclusively upon the market to impound any representations (including misrepresentations) into securities' prices."); *see also In re Connetics Corp. Sec. Litig.*, 257 F.R.D. 572, 578 (N.D. Cal. 2009) (rejecting argument that plaintiff, which made some of its trades "based on a computer program that was designed to mirror a stock index," was not typical of the class of investors because there was no evidence suggesting "that the index did not . . . rely on the integrity of the market"). Defendants have not, therefore, created a triable issue of fact as to the reliance of index investors that responded "no" to the claim form question.

The same is true for Capital Guardian Trust Co., Capital Research & Management Co. and

[3]Defendants have not offered any evidence that suggests any of these investors are something other than capitalization-weighted index funds.

Davis Select Advisors ("DSA"), claimants who gave a "no" answer to the claim form question but testified that they rejected or doubted the validity of the efficient capital market theory. (*See* Pls.' Ex. 13, Capital Guardian Trust Co. Rule 30(b)(6) Dep. at 68-69 ("[H]istory . . . show[s] that the efficient capital markets pricing theory" that "all current available information has already been factored into the stock price[,]" is "not always accurate."); Pls.' Ex. 14, Capital Research & Management Co. Rule 30(b)(6) Dep. at 37-38 (testifying that its "investment philosophy" suggests it is "not true" that "the price of a stock reflects all the information available at that time"); Pls.' Ex. 12, DSA Rule 30(b)(6) Dep. at 45-46 (stating that it "cannot be correct," given the stock market's history, that "stocks are fairly priced at all times because [the market price] immediately reflects all information in the public domain")). Given the parties' stipulation that "Household common stock traded in an efficient market" (Final Pretrial Order, Ex. A, Uncontested Fact No. 10), whether these claimants fully subscribe to the efficient market theory is irrelevant. What is relevant is whether they would have traded in Household stock if they had known about the fraud. *See Basic, Inc. v. Levinson*, 485 U.S. 224, 248 (1988). Each of them unequivocally answered "no." (*See* Pls.' Ex. 12, DSA Rule 30(b)(6) Dep. at 143 ("It is definitely not appropriate to invest in companies run by crooked executives."); Pls.' Ex. 13, Capital Guardian Trust Co. Rule 30(b)(6) Dep. at 35 ("If we'd ever known that a management had knowingly misled or misstated or produced false statements, I think that would almost, . . . automatically exclude us from wanting to invest in – with such a company."); Pls.' Ex. 14, Capital Research & Management Co. Rule 30(b)(6) Dep. at 71-73 (deponent testifying that he could not "imagine a scenario where [he] would have bought . . . Household stock knowing that it was inflated above its true value" because "part of our investment philosophy is to find undervalued assets . . . . [and] that involves the values of the enterprise, the strength of the fundamentals and a sense of trust in the management"); *id.* at 74 ("[I]f we would have known [the price of Household stock] was inflated, we wouldn't have purchased the stock.").) Thus, these claimants' testimony about efficient market theory does not create a triable issue as to whether they relied on price when they engaged in the stock transactions at issue in this case.

Alternatively, defendants argue that DSA could not have relied on any Restatement misstatement in purchasing Household stock because the Restatement affected earnings near term and DSA judges its performance over a three- to ten-year term. (*See* Defs.' Ex. 13, DSA Rule 30(b)(6) Dep. at 95, 185.) But DSA does not say that it would have purchased Household stock even if it had known of the fraud. On the contrary, DSA testified that "one of the biggest parts of an investment decision is the price of the stock and management's integrity and what they are telling you." (*Id.* at 185.) Thus, no reasonable jury could infer solely from DSA's emphasis on long-term performance that it did not rely on the integrity of the Household stock price. Defendants have not, therefore, raised a triable issue as to DSA's reliance on the Restatement misstatements.

Defendants also argue that they have created a triable issue as to whether lead plaintiff Glickenhaus & Co. and claimants for which it made investment decisions relied on the March 23, 2001 *Origination News* article misstatement. (*See* Verdict Form, Table A at 11 ("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.") In support, defendants cite to Glickenhaus' deposition testimony that it would not "necessarily believe that [an *Origination News* quote is] accurate or true," but believes that Household's press releases are true and "relies on [them] in making investment decisions." (Defs.' Ex. 8, Glickenhaus Rule 30(b)(6) Dep. at 58-65.)

It is undisputed, however, that the quote from the *Origination News* article appeared in a Household press release. (*Id.*) Thus, viewing the facts in defendants' favor, no reasonable jury could find that Glickenhaus did not rely on Gilmer's quote. The Court, therefore, holds that defendants have not created a triable issue of fact as to Glickenhaus' reliance.

Defendants have, however, created a triable issue of fact as to the reliance of claimants who: (1) responded "yes" to the claim form question; (2) submitted duplicate claims with conflicting answers to the claim form question; and (3) submitted multiple claims with different answers to the claim form question. These claims must be resolved at trial.

That leaves the claims of those who did not answer the claim form question and/or supplemental interrogatory. Defendants contend that, by failing to respond to discovery, these claimants have forfeited their claims. Plaintiffs argue that summary dismissal is too harsh a sanction and contend that these claims should be tried. The parties' arguments underscore the challenge of balancing defendants' right to gather information for their defense with the class members' right not to be subjected to abusive discovery. (*See, e.g.*, 3/12/09 Hr'g Tr. at 34.)

Initially, the task did not seem daunting, as defendants said their discovery needs were slight:

> [T]he institutional investors who owned the lion's share of Household stock were big major sophisticated banks and other funds . . . . We could capture information about 50 percent of stock ownership by deposing only 10 of them. We could capture 60 percent by deposing only 15 of them. It may be that one or two sample depositions will tell us what we need to know and whether this is a worthwhile defense or not.
>
> . . . .
>
> We need to know what the 15 big institutional investors – what they did, whether or not they can prove reliance on an individual basis, whether we can – I should put it correctly. Whether we can rebut the rebuttable presumption of reliance as to them by simply finding out the facts that were denied during fact discovery.

(*Id.* at 27, 33.) Accordingly, the Court ordered that Notice of the Verdict and Claim Form be sent to the class and gave defendants 120 days to take discovery of any class member. (*See* 11/22/10 Mem. Op. & Order at 9; 1/5/11 Hr'g Tr. at 20, 25-26.)

Among other things, the Notice sent to the class members states you "must submit a valid Proof of Claim form enclosed with this notice no later than May 24, 2011" to be able to recover under the verdict. (1/11/11 Order, Ex. 1 at 6.) Moreover, the Proof of Claim form itself states: (1) if you fail to submit a properly addressed . . . Proof of Claim and Release, your claim may be rejected and you may be precluded from any recovery pursuant to the verdict"; (2) "**YOU MUST ANSWER THE QUESTIONS IN PART III OF THE CLAIM FORM IN ORDER TO BE ELIGIBLE TO RECOVER PURSUANT TO THE VERDICT**"; and (3) "**YOU MUST ALSO ANSWER THE** [Claim Form] **QUESTION IN ORDER TO BE ELIGIBLE FOR RECOVERY ON YOUR CLAIM PURSUANT TO THE VERDICT**." (*Id.*, Ex. 2 at 1, 3, 8) (emphasis original).

Subsequently, defendants served document production requests, interrogatories and Rule 30(b)(6) deposition notices on ninety-eight institutional class members. Plaintiffs argued that the discovery was overly burdensome and harassing and asked the Court for a protective order. The Court granted plaintiffs' motion in part and ordered that defendants take no more than fifteen depositions, the number defendants initially said they would need, before the claim forms were returned. (*See* 1/31/11 Order at 4.)

In early April 2011, plaintiffs told the Court that:

> [S]everal custodian banks have expressed concern regarding the difficulty of obtaining the investor clients' answers to a discovery inquiry on the claim form prior to the claim deadline of May 24, 2011. This difficulty arises from the fact that although these custodian banks are authorized to file claims on behalf of their clients, they were not the decision-makers regarding the relevant investments as to those

> clients. Thus, to obtain an answer to the discovery inquiry, such custodian banks must identify, and transmit the discovery inquiry to, each relevant decision-maker.

(4/11/11 Order at 1-2) (footnote omitted). Consequently, the Court ordered plaintiffs "to propose a plan . . . as to the most efficient way to . . . obtain responses" to the claim form question from this group of claimants. (*Id.* at 2.)

Plaintiffs reported that thirty-eight custodian banks and third-party filing services had filed multiple claims, "12,506 [of which] generate an allowed loss . . . of $1,248,357,070." (Lead Pls.' Proposed Plan Obtaining Resp. Disc. Inquiry Proof Claim Form at 2.) 11,760 of these claims had an allowed loss of $250,000.00 or less, 326 had an allowed loss of $250,001.00-$500,000.00, 204 had an allowed loss of $500,001.00-$1,000,000.00 and 216 had an allowed loss of more than $1,000,000.00. (*Id.*) Given this information, plaintiffs proposed that the custodian banks only be required to obtain an answer to the claim form question from the claimants whose losses accounted for the bulk of the claimed damages, those with an allowed loss in excess of $250,000.00 (*Id.* at 5-6.)

Defendants objected to the plan because it did not require the custodian banks to obtain answers from the 11,760 claimants whose allowed loss was less than $250,000.00. (*See* Defs.' Resp. Pls.' Proposed Plan Obtaining Resp. Disc. Inquiry Proof Claim at 1.) They urged the Court to reject the plan and order that "the Proof of Claim form, or a Court-approved follow-up notice, be sent to *all* beneficial owners on whose behalf custodian banks or other nominees submitted Proof of Claim forms that do not contain an answer to the reliance question." (*Id.* at 3) (emphasis original).

The Court considered the parties' arguments in light of defendants' need for the information, the class members' need to be protected from unduly burdensome discovery and the unique circumstances of the case and, with certain modifications, adopted plaintiffs' plan:

> We now know that discovery of 80% of the claimed losses can be achieved by addressing only 6% of the claims. This, coupled with the other avenues of discovery the court has already approved, constitutes a reasonable approach to balancing the needs of the defendants for discovery with the need to protect class members from discouragement and the need to move this already 9 year-old case towards a conclusion.

(5/31/11 Order at 7.) Thus, class members with claims of more than $250,000.00 that were filed by custodian banks were sent a second notice that contained the claim form question and said: "**TO RECOVER FROM THE VERDICT FUND YOU MUST ANSWER THE QUESTION.**" (*See id.* at 7-8; Lead Pls.' Proposed Plan Obtaining Resp. Discovery Inquiry Proof Claim Form, Ex. B.) (emphasis original).

Though they were told repeatedly that they could recover in this suit only if they answered the claim form question, a substantial number of claimants did not. Plaintiffs argue that the Court should ignore this noncompliance and set the claims for trial. That the Court will not do. The Court carefully structured the discovery process to enable defendants to get the information they needed without overburdening the members of the class. Toward that end, each claimant was given the opportunity, larger claimants got two, to perfect his claim by answering "yes" or "no" to one simple discovery question. Given these unique circumstances, the only appropriate sanction for a claimant's failure to answer the question is dismissal of his claim. *See Newman v. Metro. Pier & Exposition Auth.*, 962 F.2d 589, 591 (7th Cir. 1992) ("A plaintiff's failure to comply with discovery orders is properly sanctioned by dismissal of the suit, a defendant's by entry of a default judgment."). Thus, defendants are entitled to judgment on any claims for which the claimant did not answer the claim form question.

To facilitate resolution of the claims that need not be tried, the Court appoints Phillip S. Stenger of Stenger & Stenger as special master to identify in accordance with this Order: (1) the claims on which plaintiffs are entitled to judgment as a matter of law and the amount of each such allowed claim; (2) the claims on which defendants are entitled to judgment as a matter of law; and (3) the claims that must be resolved at trial.

SO ORDERED **ENTERED: September 21, 2012**

Ronald A. Guzman

HON. RONALD A. GUZMAN
United States District Court Judge

United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	Ronald A. Guzman	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	02 C 5893	**DATE**	12/6/2012
CASE TITLE	Lawrence E. Jaffe Pension Plan vs. Household International, Inc.		

DOCKET ENTRY TEXT

For the reasons set forth below, the Court: (1) vacates the portion of its 9/21/12 order dismissing class members' claims of less than $250,000.00 that were submitted by a custodian bank or other third-party filer; (2) gives plaintiffs' counsel until 5/1/13 to issue directly to class members the notice and claim form previously sent to them through a custodian bank or other agent, and gives class members until 6/30/13 to complete and return the claim form; and (3) orders the special master to (a) identify from the claim forms already submitted those for which the answer to the claim form question is, or should be construed as, "no," (b) determine the recoverable loss amount of such claims, both individually and in the aggregate, and (c) submit a report on his findings, so the Court can enter a final judgment on those claims.

■[For further details see text below.] Docketing to mail notices.

STATEMENT

Among other things, the Court's September 21, 2012 order states that the claims of class members who submitted a claim form but did not answer the claim form question will be dismissed. Plaintiffs contend that the order should not apply to any claim of less than $250,000.00 that was submitted for a class member by a custodian bank or other third-party filer because such class members were never given a chance to answer the question. That is so, because plaintiffs' counsel told the third-party filers, who did not want to tackle the formidable and time-consuming task of identifying the decision makers for each stock transaction, that they should submit the claims forms without getting an answer to the question.

Counsel made that representation because he believed, though the Court had never said so explicitly, that these class members were excused from answering the reliance question. Unfortunately, the Court simultaneously inferred, though counsel had never said so explicitly, that plaintiffs waived these "smaller" claims. The pleadings, orders and transcripts generated in this case over the last several months provide some support to each inference but definitively support neither.

Given the confusion, the Court vacates the portion of its September 21, 2102 order dismissing class members' claims of less than $250,000.00 that were submitted by a custodian bank or other third-party filer. Plaintiffs' counsel has until May 1, 2013 to issue directly to class members the notice and claim form previously sent to them through a custodian bank or other agent. These class members have until June 30, 2013 to complete and return the claim form. Class members who do not return the claim form or return it without answering the claim form question will be barred from recovery.

In the interim, the Court orders the special master to: (1) identify from the forms already submitted the claims for which the answer to the claim form question is, or should be construed as, "no"; (2) determine the recoverable loss amount of such claims, both individually and in the aggregate; and (3) submit a report on his

STATEMENT

findings, so the Court can enter a final judgment on those claims.

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

No. 02 C 5893
(No. 07 C 80028 - N.D. of CA)

LAWRENCE E. JAFFE PENSION PLAN,
on behalf of Itself and All
Others Similarly Situated,

Plaintiffs,

vs.

HOUSEHOLD INTERNATIONAL, INC.,
et al,

Defendants.

*

30(b)(6) VIDEOTAPED DEPOSITION OF

WELLS FARGO REPRESENTATIVE TODD MAY

(HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY

PURSUANT TO PROTECTIVE ORDER)

*

DATE TAKEN: 05/01/07 BY: CINDY M. TRATTLES

Q Okay. And did Mr. Kovacevich report back about any of the meetings he had with Mr. Aldinger?
A Yes.
Q And what did he report back?
A That there were still strong beliefs that, you know, an opportunistic transaction could have synergies and be beneficial to Wells Fargo.
Q Do you recall anything else from --. Do you recall anything else about those meetings between Mr. Aldinger and Mr. Kovacevich?
MS. BEST: Object to the form. You can answer.
A No, I do not.
Q (By Mr. Davis) And after you had approximately two to three weeks of internal discussions at Wells Fargo, your investment -- well, strike that. After the two to three weeks of internal meetings did you arrive at a different conclusion than you had at your first evaluation?
A No.
Q Okay. And after Mr. Kovacevich reported back after meeting with Mr. Aldinger, what happened after that point?
A Eventually there was a point that there was agreement to -- that it was at a point at which

Household would start sharing some internal information.
Q And do you recall when that was?
A My recollection is late March.
Q And when you said sharing some information, were you referring to non-public information from Household?
A Yes.
Q And did you start receiving at some point non-public information from Household?
A Yes.
Q And was that after some point in late March?
A Yes.
Q Okay. And what did you do with that non-public information?
A We updated our economic valuation model.
Q And were you using the same economic valuation model throughout the process?
A Well, the template is the same and the hurdles are the same that we're measuring against.
Q I understand. And so you were just updating it with information as you get more information throughout the process; is that correct?
A Correct.
Q Okay. And do you recall having any meetings in

late March with Household?
A Who would have had meetings?
Q You personally.
A No, I did not.
Q Was Mr. Kovacevich the only one from Wells Fargo who was meeting with Household up to the end of March?
MS. BEST: Objection.
A Between the two parties?
Q (By Mr. Davis) Correct.
A Yes.
Q Okay. And do you know if Mr. Kovacevich met with anybody other than Mr. Aldinger up to the end of March 2002?
A My recollection is no.
Q Okay. And can you tell me to the best of your recollection what happened next in the process starting in early April.
A When we started receiving information from Household, there was additional meetings which included Mr. Atkins meeting with an individual from Household.
Q And who was that individual?
A I believe his name is Mr. Schoenholz.
Q Okay. And was he the --. He was the CFO of

Household at the time; is that correct?
A My recollection is yes.
Q And did Mr. Atkins report back to you after talking to Mr. Schoenholz?
A Yes, he did.
Q And what did he tell you?
A My recollection again is that he believed that this would be for an opportunistic transaction financially and culturally beneficial for Wells Fargo.
Q What do you mean by opportunistic?
A When we look at acquisition as a company, they're not a requirement to meet our earnings growth objectives and we take a very conservative viewpoint in that it has to be beneficial for the shareholders of Wells Fargo.
Q And does that relate back to the hurdles you talked about earlier?
A To the hurdles and the underlying assumptions that are built into the models.
Q Okay. And you mentioned, I'll just paraphrase, a cultural fit. What did you mean by that?
A That the people and how the organization operates is similar to Wells Fargo.
Q And is my understanding correct that Mr. Atkins was

meeting primarily with Mr. Schoenholz and Mr. Kovacevich was meeting with Mr. Aldinger?

MS. BEST: Objection.

A My recollection is yes.

Q (By Mr. Davis) Okay. And do you know what happened next in the process after Mr. Atkins reported back from his meetings with Mr. Schoenholz?

A Eventually we got to a point in which both parties got together for a one-day executive review meeting in San Francisco.

Q And was that --. Did you attend that meeting?

A Yes.

Q Okay. Was that at the Mandarin Oriental?

A Yes, it was.

Q And about how long did that meeting last?

A My estimate is five to six hours.

Q And who else attended from Wells Fargo?

A My recollection at the meeting included John Ganoe, myself, Jim Hanson, Neil Librock, Hal Arneson.

Q Could just repeat that last name. I didn't catch it. I'm sorry.

A Hal Arneson.

Q And what were the titles of these folks at the time?

A The functional --. I can tell you the functional

understanding on every transaction.
Q And were there particular items that the Wells Fargo team wanted to follow up with Household on?
A There would have been specific items, yes, that we would have wanted to follow up on.
Q Do you recall any of those?
A One of them would have been the cost of bringing Household in to Wells Fargo from an FFIEC compliance perspective.
Q And why was that important?
A It was important as one of the synergies was to get the funding benefits of bringing their assets in to our bank.
Q And I think you said that Mr. Kovacevich went back to Mr. Aldinger; is that correct?
A Correct.
Q Do you recall when that happened?
A That would have been in late April.
Q And did Mr. Kovacevich report back to you after that meeting?
A Yes.
Q And what did he --. What did you learn?
A At that time there was the potential framework from a pricing transaction where a transaction potentially could take place at.

Q And was it an all-stock framework at that point?
A Yes.
Q And so it would have --. So the framework would have been a stock-for-stock transaction; is that correct?
A Yes.
Q And did Mr. Kovacevich report about any pricing discussions?
A Yes.
Q And what do you remember from that discussion?
A My recollection was that the parties felt that there could potentially be a transaction in the mid to upper $60 range per share for Household's stock.
Q And I'm just trying to understand. Was the focus the price of the stock or an exchange ratio? What was the main focus of price discussions?
MS. BEST: Object to the form.
A My recollection was there was going to be an exchange ratio.
Q (By Mr. Davis) And was the exchange ratio a means by which the parties would hit an agreed-upon stock target?
MS. BEST: Objection.
MR. KLOECKER: Same objection.
A Based on where Wells Fargo's stock was trading at

during that four or five-day period?

MS. BEST: Objection.

A No.

Q (By Mr. Davis) Do you know --. Were there discussions between the parties after the due diligence meeting off site?

A There were limited discussions.

Q Okay. And I'm focused now on the period immediately following the off-site due diligence meeting. And by immediately following I'll just say the week following it. Okay?

A Okay.

Q What do you recall --. What do you know about those discussions?

A Well, my recollection was once we updated the valuation model and we determined that it was not of, you know, economic benefit for Wells Fargo from an opportunistic perspective to acquire Household, that, you know, from our perspective a transaction was not going to take place.

Q And what were some of the reasons why it didn't make sense for the transaction to go forward?

A My recollection is that the primary reason that we were not going to move forward was that the cost of bringing Household in to the bank and making them

MR. DAVIS: That's all I have.

EXAMINATION

BY MS. BEST:

Q Mr. May, am I correct that Wells Fargo did not make an offer for Household International?

A Yes, you are correct.

MR. DAVIS: Objection.

MS. BEST: I'm sorry, did you get the answer?

A Yes, you are correct.

MS. BEST: Okay. Thank you. I have no further questions.

MR. KLOECKER: I'd just like to make a statement for the record. I'd like to designate the entire transcript for now as highly confidential - attorneys' eyes only in accordance with the Northern District of California protective in order, in addition to all the exhibits, also similarly designated with the exception of Exhibit 1, which is the subpoena. And I'll send a letter to counsel to that effect. There may be some other documents we'd want to be designated as well.

MR. DAVIS: Thank you.

THE VIDEO TECHNICIAN: We're going off the record. That will be the end of Tape 5 and the

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,	)	
Plaintiffs,	)	
vs.	)	No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC., et al.,	)	Chicago, Illinois
	)	January 5, 2011
Defendants.	)	9:30 a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiffs:

ROBBINS GELLER RUDMAN & DOWD LLP
BY: MR. SPENCER A. BURKHOLZ
MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
MR. KEITH F. PARK
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

MILLER LAW LLC
BY: MR. MARVIN ALAN MILLER
115 South LaSalle Street
Suite 2910
Chicago, Illinois 60603
(312) 332-3400

For the Defendants:

CAHILL, GORDON & REINDEL LLP
BY: MR. THOMAS J. KAVALER
80 Pine Street
New York, New York 10005
(212) 701-3000

future jury rights, nor does -- nor does the notice.

It also -- the notice expressly states, and the November 22nd order seems to indicate, that if the answer is "No" to the sole and, your Honor, from our standpoint, very biased interrogatory proposed, that that is the end; that based upon the "No," there are no further proceedings with regard to that.

THE COURT: If you want to propose some modification of that language, such as, "If the answer is 'No,' you may be entitled." Add the word "may," which is, I think, probably more accurate. "You may be entitled."

MR. DOWD: We can just strike the "are" and make it "may be."

MR. STOLL: May I ask then, Judge -- because the November 22nd order is unclear -- what are the future jury rights and what is the contemplated discovery?

THE COURT: Well, if you're asking me for a dissertation on the law on this issue, I think if you've read my opinion, you've already seen my thoughts on that. And what you can glean from there is my response to your question.

Is there any other objection to this notice than what you've voiced so far?

MR. STOLL: Your Honor, our issue with the notice is not one of line editing, because of the fund- -- what we view as the fundamental error in the Phase II protocol, that it deemed it would be wasteful -- to seek discovery from small individual investors and that their true interest was to inquire of the large institutional investors, that should be more than sufficient time to conduct discovery, which from my written opinion I think you can see I think is not really all that necessary in this case given the issues that have already been resolved by the jury, truth and any issues of individual knowledge over and above what was publicly known, leaving only really one major issue to be determined, which is addressed directly by the interrogatory we've included in the notice.

But certainly then I think that 120 days of discovery would be more than sufficient to allow the defendants to delve into whatever issues of reliance they wish to address. And I think that would be a fair way to address the defendants' concern regarding discovery.

MR. STOLL: Your Honor, respectfully, a couple of observations on that.

One, we agree that 120 days of discovery -- we were trying to estimate that ourselves -- sounds approximately correct. There is a sequencing issue here, which is significant, in terms of initiating Phase II proceedings. At present, there remains no clarity whatsoever regarding the jury issue with regard to Phase II.

THE COURT: Well, let's assume that that's true and that the precedent that the Supreme Court and others have set one of these notices of class action rights, which we all get now, it seems, knows -- the difficulty of making a claim and how much more difficult it becomes with time. I right now am rummaging around in my basement trying to find a receipt for a printer that I purchased because it turns out that there's a class action -- I think it's in this very building -- regarding what my rights might be as an owner of this printer. And, you know, I can't find that receipt. I'm not going to be able to make a claim.

The kinds of paperwork needed to make claims in this case, of course, are much more sophisticated, much more likely to be lost. And I have in mind a great number of individual investors specifically, in addition to the institutional investors. So I think there's great urgency in moving forward here.

We'll go forward with the notice. I think, with all due respect to counsel -- and clearly you have all the rights given to you by the rules -- it's not this Court's function to structure our processes and procedures in such a way as to facilitate your perceived requirements for proceeding in one way or another. What we have to do is try to get this case to a conclusion. At this point in time, I feel quite comfortable that the Court has bent over backward to accommodate your request for more discovery in this case. And we're going to allow you to move forward with discovery.

The discovery cutoff date will be that all discovery is to be initiated so as to be capable of being completed on or before May 24th. And I urge you to structure your discovery -- sequencing, the amount, the targeting, all of it -- in such a way that you will reach that and be able to utilize to the best effect those 120 days because there will be no extensions. Understand that now. If you leave crucial depositions, 30(b)(6) depositions or whatever, until the last few days of the discovery process, do not think you're going to come into this court and ask for an extension of that process because you have found out some new fact or you have been unable to obtain a deposition or you have not received an appropriate response. Structure your discovery so that it will be completed, including any motions to compel or other avenues that you have to take, before the discovery cutoff date.

MR. DOWD: Your Honor, would you like me to submit the notice with that change from "are" to "may be" and the order with the dates filled in?

THE COURT: Yes.

MR. DOWD: Thank you, your Honor.

THE COURT: Anything else we need to address?

I suppose we should set a status hearing for the first week in June.

MR. DOWD: Yes, your Honor.

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,	)	
Plaintiffs,	)	
vs.	)	No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC., et al.,	)	Chicago, Illinois
	)	December 10, 2013
Defendants.	)	9:53 a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN

APPEARANCES:

For the Plaintiffs: ROBBINS GELLER RUDMAN & DOWD LLP
BY: MR. MICHAEL J. DOWD
MR. SPENCER A. BURKHOLZ
655 West Broadway
Suite 1900
San Diego, California 92101
(619) 231-1058

MILLER LAW LLC
BY: MR. MARVIN ALAN MILLER
115 South LaSalle Street
Suite 2910
Chicago, Illinois 60603
(312) 332-3400

For the Defendants: SKADDEN ARPS SLATE MEAGHER & FLOM, LLP
BY: MR. R. RYAN STOLL
MR. MARK EDWARD RAKOCZY
155 North Wacker Drive
Suite 2700
Chicago, Illinois 60606
(312) 407-0700

THE CLERK: 02 C 5893, Jaffe v. Household International.

MR. DOWD: Good morning, your Honor. Michael Dowd and Spence Burkholz and Marvin Miller for the plaintiffs.

MR. MILLER: Good morning, your Honor.

MR. RAKOCZY: Good morning, Judge. Mark Rakoczy and Ryan Stoll for the defendants.

THE COURT: Good morning.

Okay. Joint proposed discovery schedule?

MR. DOWD: Yes, your Honor. We submitted one to the Court yesterday. I think the parties met and conferred and agreed on a schedule that would provide for written discovery to be propounded first and responded to. And then we would meet and confer again regarding the depositions. And with the deposition discovery and all discovery to be completed by August 29th. And then come back to the Court to talk about a summary judgment schedule or trial.

THE COURT: Okay. The Court adopts the proposed discovery schedule.

Anything else we need to discuss?

MR. DOWD: No, your Honor. The one thing that we did just want to mention to the Court, and it's nothing that has to be dealt with now, is that we've had communications with the special master. The parties jointly sent the special master new lists on November 14th. It's going to move about another -- I guess it's close to 10,000 claimants to a list where judgment should be entered. And I think it's about 10,000 who judgment ultimately will be entered against; in other words, they didn't respond to the question. And then we have list one -- or list three, the one of the yes people, remains the same. It's about 181 claimants. And list four will have about 14,000 claims on it where the parties are going to have to have the special master make decisions with respect to those claims.

So there is a chance, we believe -- I think the parties believe it's probable that in the next month or so, Special Master Stenger will be sending the Court a new list one, two, three and four. And at that point with the new list one, we will move for entry of judgment on those.

In light of that, we want to go forward with the schedule as proposed. Notice has gone out to the people in the first judgment. We may at some point ask the Court to continue -- adjourn the hearing date on the fee and expense application so that we can get -- do the hearing just once as opposed to two or potentially three times. But we'll bring that to the Court's attention when the need arises -- if and when the need arises.

THE COURT: So the long and short of it is you expect us to hold off on the proposed fee petition until you get this all wrapped up?

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 AMENDED OBJECTIONS AND RESPONSES TO HOUSEHOLD DEFENDANTS' [FIFTH] SET OF INTERROGATORIES TO LEAD PLAINTIFFS PURSUANT TO THE JANUARY 10 AND 19, 2007 ORDERS

INTERROGATORY NO. 131 [31]:

Identify the Disclosure(s) that Plaintiffs contend revealed to the market or any member of the class that Household was allegedly engaged in a "Fraudulent Scheme" involving "Illegal Predatory Lending Practices" as set forth in Part VI.A of the Complaint. (AC ¶¶ 50-106).

RESPONSE TO INTERROGATORY NO. 131 [31]:

Lead Plaintiffs hereby incorporate by reference all the General Objections above, as if fully set forth herein. Lead Plaintiffs object to this interrogatory on the grounds that Household has not identified all Disclosures on this topic. Indeed, Household has refused to answer Lead Plaintiffs' interrogatories that specifically request the identification of public statements made by Household. *See* Defendants' Responses to Plaintiffs' Interrogatory Nos. 28, 34 and 39. Lead Plaintiffs also object to this interrogatory as compound on the grounds that it seeks discovery pertaining to the market and to individual class members. Additionally, any interrogatory with respect to individual class members is premature and in violation of prior Court Orders. Lead Plaintiffs also object to this interrogatory as vague and ambiguous, unduly burdensome and harassing and not reasonably calculated to lead to the discovery of admissible evidence. As defendants are aware, the applicable legal standard regarding loss causation does not require a corrective disclosure. Lead Plaintiffs further object on the grounds that the complaint on file in this proceeding identifies certain instances in which there was public disclosure of Household's engagement in predatory lending practices as well as instances where Household specifically denied engaging in such practices. This complaint has been upheld by the Court as adequately alleging the facts necessary to support the element of loss causation.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. Although 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. 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 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).

Lead Plaintiffs also object to this interrogatory as vague and ambiguous, unduly burdensome and harassing and not reasonably calculated to lead to the discovery of admissible evidence. As defendants are aware, the applicable legal standard regarding loss causation does not require a corrective disclosure. This interrogatory incorrectly and improperly presupposes a requirement that in order for the Class members to suffer a loss, defendants' fraudulent scheme must first have been fully disclosed to the market.

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

Certain limited facts regarding Household's operational and financial condition began to leak into the market in late 2001. Each time negative information about Household was disclosed, however, defendants were swift to react with additional false statements in furtherance of the fraud. For example, on November 15, 2001 the *Associated Press* and *Los Angeles Times* reported that the California Department of Corporations sued Household for $8.5 million, alleging the Company engaged in predatory lending practices. That day, Household shares dropped $2.00 per share. Household denied any misconduct: "We've been in business for 123 years. History has shown us you simply don't stay in business that long by taking advantage of your customers. We make good loans to our customers who need them, and frankly have nowhere else to go. And we're proud of that." On November 16, 2001, UBS Warburg issued a report reiterating Household management's explanation that the suit against Household brought by the California Department of Corporations regarding over-billing was the result of a computer "glitch."

On February 6, 2002 the Dow Jones Newswire published a report on a *Wall Street Journal* article regarding an ACORN lawsuit against Household over the company's lending practices. That day, Household shares dropped $2.82 per share. Household denied the allegations and was quoted in the article as stating: "With ACORN, our efforts have been met with factually misleading allegations instead of constructive solutions." Five days later, on February 7, 2002, at the direction of the Officer Defendants, Household spokesperson Megan Hayden-Hakes publicly stated, "We make good loans that not only are legal loans, but are beneficial for our customers." In addition, defendant Schoenholz publicly insisted that predatory lending practices were "not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." On April 22, 2002, again at the direction of the Officer Defendants, Hayden-Hakes told the press: "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."

On May 7, 2002 a series of articles were published in various sources regarding Household's improper lending practices. That day, Household shares dropped $0.93 per share. On May 14, 2002, the *St. Paul Pioneer Press* published Household's denial of allegations that Household misleads families about the terms of their loans.

At the same time Household was issuing such public denials regarding its predatory lending practices, defendants had also filed an injunction in Washington state court seeking to block the publication of the Washington DFI report that detailed Household's predatory tactics. On May 30, 2002, the *New York Post* published an article regarding Household's attempts to block public access to the Washington DFI report. That day, Household shares dropped $1.15 per share. In an *American*

Banker article published on May 31, 2002, Household characterized the Washington DFI report as a "draft" with "factual errors" that Household wanted to correct and tried to downplay the situation, stating, "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." Household admitted that 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."

On July 26, 2002, the *Bellingham Herald* published an article detailing accusations that Household was engaged in predatory lending practices. That day, Household shares dropped $1.14 per share. The Company told the *Bellingham Herald* it was "possible" that one or a small group of rogue employees isolated at one of its remote branches in Washington "may" have misrepresented mortgage terms to "some" Whatcom County homeowners who refinanced their home loans at the Company's Bellingham office, but continued to insist that the problems were limited to a single branch.

On September 2, 2002, *Forbes* published an article "Home Wrecker" which detailed allegations of predatory lending at Household. Household immediately sent a letter to *Forbes* denying the allegations. At the same time, Household sought to conceal from investors the fact that the Company was engaged in settlement talks with the Attorneys General ("AG") Multi-State Working Group. As late as September 2, 2002 and despite the fact that settlement talks had been ongoing for months, defendants falsely stated that they were not aware of any pending enforcement actions or settlement talks.

On September 3, 2002, analyst Howard Mason of Sanford C. Bernstein & Co. published a report cutting growth estimates for Household based on anticipated sales practice reform at Household. That day, Household shares dropped $2.75 per share.

On September 10, 2002, *The American Banker* published an article entitled "Reforms Seen Hurting Household's Profits." That day, Household shares dropped $1.18 per share.

On October 4, 2002, the *Wall Street Journal* published an article entitled "Household May be Near Large Settlement" which discussed the AG's year-long investigation into Household's predatory lending practices and indicated Household and the AG were nearing a $350-$500 million settlement. Household shares fell $1.94 per share that day.

On October 11, 2002, Household issued a release announcing that, in addition to its most recent charge of $600 million (pre-tax) to cover the cost of its restatement, the Company would now be forced to pay $484 million (pre-tax) in restitution to customers nationwide (plus the cost of reimbursing the states for their investigation) to settle claims by a multistate group of attorney generals and banking regulators related to its predatory lending practices from January 1, 1999 through September 30, 2002. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Daniel R. Fischel dated August 15, 2007, his Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports discuss, *inter alia*, partial disclosures concerning Household's predatory lending practices and quantify the effects of such partial disclosures. Lead Plaintiffs also incorporate by reference their Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order and Further Supplement to Its Prior Statements Regarding Damages of February 1, 2008.

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

Household and the Individual Defendants engaged in ongoing activities designed to bolster the stock price of Household. These activities or efforts included numerous statements to analysts, investors, rating agencies and the press that misrepresented that the true state of Household's financial status as to each of the frauds alleged in the complaint and/or were intended to blunt the effect and impact of negative news on these subjects. Examples of such efforts are identified in the complaint, in Lead Plaintiffs' *Dura* brief and include, *inter alia*, statements made by Mr. Aldinger and others to investors and others subsequent to the December 2001 *Barron's* and *BusinessWeek* articles regarding Household's reaging policies as well as statements on that same subject made at the 2002 Financial Relations Conference. Another example is the August 14, 2002 press release where Household included the disclosure of the restatement with other items to mute the negative impact. Other efforts include campaigns to discredit and undercut critics of Household and its practices, including William Ryan and ACORN. The statements and campaigns at issue are referenced in numerous documents contained within Household's own document production and identification of each would be unduly burdensome on Lead Plaintiffs, particularly as Household has greater knowledge respecting its efforts and documents than Lead Plaintiffs do. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

DATED: February 1, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP

Azra Mehdi

AZRA Z. MEHDI

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 AMENDED OBJECTIONS AND RESPONSES TO HOUSEHOLD DEFENDANTS' [FIFTH] SET OF INTERROGATORIES TO LEAD PLAINTIFFS PURSUANT TO THE JANUARY 10 AND 19, 2007 ORDERS

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INTERROGATORY NO. 132-133 [32]:

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

RESPONSE TO INTERROGATORY NO. 132-133 [32]:

Lead Plaintiffs hereby incorporate by reference all the General Objections above, as if fully set forth herein. Lead Plaintiffs object to this interrogatory on the grounds that Household has not identified all Disclosures on this topic. Indeed, Household has refused to answer Lead Plaintiffs' interrogatories that specifically request the identification of public statements made by Household. *See* Defendants' Responses to Plaintiffs' Interrogatory Nos. 28, 34 and 39. Lead Plaintiffs also object to this interrogatory as compound on the grounds that it seeks discovery pertaining to the market and to individual class members. Additionally, any interrogatory with respect to individual class members is premature and in violation of prior Court orders. Additionally, Lead Plaintiffs object to this interrogatory as vague and ambiguous, unduly burdensome and harassing, and not reasonably calculated to lead to the production of admissible evidence. As defendants are aware, the applicable legal standard regarding loss causation does not require a corrective disclosure. Lead Plaintiffs further object on the grounds that the complaint on file in this proceeding identifies certain instances in which there was public disclosure of Household's engagement in improper reaging of delinquent accounts as well as instances where Household specifically denied engaging in such practices. This complaint has been upheld by the Court as adequately alleging the facts necessary to support the element of loss causation.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. 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. Further, expert discovery has not yet been completed. 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:

Certain limited facts regarding the nature of Household's operational and financial condition began leaking into the market – in late 2001. Each time negative information about Household was disclosed, however, defendants were swift to react with additional false statements in furtherance of the fraud. For example, on December 3, 2001 *Barron's* and *BusinessWeek* (although the *BusinessWeek* article bears a date of December 10, 2001, it was publicly available on December 3, 2001) published articles criticizing Household's accounting policies, including its reaging and charge-off practices and policies. That day, Household shares dropped $2.70 per share. Following publication of these articles, Household senior employees, including individual defendants William Aldinger and David Schoenholz held an emergency weekend meeting to work out a response strategy. That weekend Household began contacting analysts and shareholder groups to minimize the impact of the articles. To shore up investors, on December 4, 2001, defendant Aldinger spoke at an investor conference, where he directly addressed the concerns raised in the *Barron's* and *Newsweek* articles regarding the Company's accounting practices. The following day, UBS Warburg analyst J. McDonald maintained a "Buy" rating based on Aldinger's representations and issued a report on Household entitled "Management Remains Confident in Outlook." However, uncertainty regarding Household's loan restructuring activities and credit quality, combined with other allegations and admissions of misconduct caused Household's stock price to steadily decline during 2002. *See* Ex. A.

On March 19, 2003, Household issued a press release announcing that on March 18, 2003, it had agreed to the entry by the SEC of a consent order relating to Household's disclosures about its restructuring and other account management policies. The order included the SEC's findings that prior descriptions of Household's restructuring policies were inaccurate and violated the federal securities laws. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Daniel R. Fischel dated August 15, 2007, his Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports discuss, *inter alia*, partial disclosures concerning Household's reaging activity and quantify the effects of such partial disclosures. Lead Plaintiffs also incorporate by reference their Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order and Further Supplement to Its Prior Statements Regarding Damages of February 1, 2008.

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

Household and the Individual Defendants engaged in ongoing activities designed to bolster the stock price of Household. These activities or efforts included numerous statements to analysts, investors, rating agencies and the press that misrepresented that the true state of Household's financial status as to each of the frauds alleged in the complaint and/or were intended to blunt the effect and impact of negative news on these subjects. Examples of such efforts are identified in the complaint, in Lead Plaintiffs' *Dura* brief and include, *inter alia*, statements made by Mr. Aldinger and others to investors and others subsequent to the December 2001 *Barron's* and *BusinessWeek* articles regarding Household's reaging policies as well as statements on that same subject made at the 2002 Financial Relations Conference. Another example is the August 14, 2002 press release where Household included the disclosure of the restatement with other items to mute the negative impact. Other efforts include campaigns to discredit and undercut critics of Household and its practices, including William Ryan and ACORN. The statements and campaigns at issue are referenced in numerous documents contained within Household's own document production and identification of each would be unduly burdensome on Lead Plaintiffs, particularly as Household has greater knowledge respecting its efforts and documents than Lead Plaintiffs do. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

DATED: February 1, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP

Azra Mehdi

AZRA Z. MEHDI

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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 AMENDED OBJECTIONS AND RESPONSES TO HOUSEHOLD DEFENDANTS' [FIFTH] SET OF INTERROGATORIES TO LEAD PLAINTIFFS PURSUANT TO THE JANUARY 10 AND 19, 2007 ORDERS

INTERROGATORY NO. 134 [33]:

Identify the Disclosure(s) that Plaintiffs contend revealed to the market or any member of the class that Household was allegedly engaged in a "Fraudulent Scheme" involving "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).

RESPONSE TO INTERROGATORY NO. 134 [33]:

Lead Plaintiffs hereby incorporate by reference all the General Objections above, as if fully set forth herein. Lead Plaintiffs object to this interrogatory on the grounds that Household has not identified all Disclosures on this topic. Indeed, Household has refused to answer Lead Plaintiffs' interrogatories that specifically request the identification of public statements made by Household. *See* Defendants' Responses to Plaintiffs' Interrogatory Nos. 28, 34 and 39. Second, the identification of Disclosures at issue is the subject of expert testimony. Lead Plaintiffs also object to this interrogatory as compound on the grounds that it seeks discovery pertaining to the market and to individual class members. Additionally, any interrogatory with respect to individual class members is premature and in violation of prior Court orders. Additionally, Lead Plaintiffs object to this interrogatory as vague and ambiguous, unduly burdensome and harassing, and not reasonably calculated to lead to the production of admissible evidence. As defendants are aware, the applicable legal standard regarding loss causation does not require a corrective disclosure. Lead Plaintiffs further object on the grounds that the complaint on file in this proceeding identifies certain instances in which there was public disclosure of Household's engagement in accounting fraud as well as instances where Household specifically denied engaging in such practices.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until expert discovery has been completed. 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. Further, expert discovery has not yet been completed. 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:

Although defendants were aware of accounting issues surrounding a number of their credit card agreements and had been informed that the Office of the Comptroller of the Currency had issues with the manner in which Household accounted for its AFL-CIO and Union Privilege contracts, it was not until 3Q02 or August 14, 2002, that defendants finally admitted that Household's earnings had been falsely reported for approximately eight and one-half years and that Household would take a $600 million charge and restate its previously reported earnings for each and every quarter of the Class Period. This $600 million (pre-tax) charge had the effect of wiping out $386 million of earnings previously reported by the Company. The Company's release regarding the restatement was issued before the markets opened for trading, and when shares of Household opened, they immediately plunged to as low as $32.09 per share – a decline of over $4.71 per share relative to the prior day's close of $37.80 per share. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Daniel R. Fischel dated August 15, 2007, his Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports discuss, *inter alia*, partial disclosures concerning Household's improper accounting associated with Household's August 14, 2002 restatement of earnings and quantifies the effects of such partial disclosures. Lead Plaintiffs also incorporate by reference their Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order and Further Supplement to Its Prior Statements Regarding Damages of February 1, 2008.

INTERROGATORY NO. 135 [34]:

Identify each of the alleged "efforts by defendants to bolster the price of Household stock" referenced in ¶ 140 of the Complaint.

RESPONSE TO INTERROGATORY NO. 135 [34]:

Lead Plaintiffs hereby incorporate by reference all the General Objections above, as if fully set forth herein. Lead Plaintiffs object to this interrogatory as unduly burdensome to the extent it seals identification of all such efforts. Lead Plaintiffs further object to this interrogatory on the grounds that Household has refused to answer Lead Plaintiffs' interrogatories that specifically request the identification of public statements made by Household that would fall within this interrogatory. *See* Defendants' Responses to Plaintiffs' Interrogatory Nos. 28, 34 and 39. Additionally, Lead Plaintiffs object to this interrogatory as vague, ambiguous, unduly burdensome and harassing.

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

Household and the Individual Defendants engaged in ongoing activities designed to bolster the stock price of Household. These activities or efforts included numerous statements to analysts, investors, rating agencies and the press that misrepresented that the true state of Household's financial status as to each of the frauds alleged in the complaint and/or were intended to blunt the effect and impact of negative news on these subjects. Examples of such efforts are identified in the complaint, in Lead Plaintiffs' *Dura* brief and include, *inter alia*, statements made by Mr. Aldinger and others to investors and others subsequent to the December 2001 *Barron's* and *BusinessWeek* articles regarding Household's reaging policies as well as statements on that same subject made at the 2002 Financial Relations Conference. Another example is the August 14, 2002 press release where Household included the disclosure of the restatement with other items to mute the negative impact. Other efforts include campaigns to discredit and undercut critics of Household and its practices, including William Ryan and ACORN. The statements and campaigns at issue are referenced in numerous documents contained within Household's own document production and identification of each would be unduly burdensome on Lead Plaintiffs, particularly as Household has greater knowledge respecting its efforts and documents than Lead Plaintiffs do. Lead Plaintiffs incorporate by reference their responses to all prior interrogatories served by defendants in this litigation.

DATED: February 1, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP

Azra Mehdi

AZRA Z. MEHDI

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) <u>CLASS ACTION</u> Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

<u>LEAD PLAINTIFFS' FOURTH AMENDED RESPONSES AND OBJECTIONS TO HOUSEHOLD DEFENDANTS' [NINTH] SET OF INTERROGATORIES TO LEAD PLAINTIFFS</u>

In addition to the above, 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*, how Household's reage, restructure, or account management policies and practices rendered the Company's loan loss reserves unreliable.

INTERROGATORY NOS. 292-305 [64]:

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

RESPONSE TO INTERROGATORY NOS. 292-305 [64]:

Lead Plaintiffs hereby incorporate by reference all the General Objections above, as if fully set forth herein. Lead Plaintiffs also incorporate by reference all the General and Specific objections included in Lead Plaintiffs response to Interrogatory Nos. 131-134 [31-33]. Lead Plaintiffs also object to this interrogatory as compound on the grounds that it seeks responses for each of the numerous disclosures set out in three separate interrogatory responses. Lead Plaintiffs object on the grounds this interrogatory is properly the subject of expert testimony and expert discovery has not yet been completed. Lead Plaintiffs also object to this interrogatory as vague and ambiguous since the term "truth" is quoted in the interrogatory but is neither defined in the Interrogatories nor referenced in any of the responses to Interrogatory Nos. 131-134 [31-33].

Pursuant to the Court's June 14, 2007 Order, including the Court's directive to "provide an explanation as to the nature of that 'partial information' and how it contributed to the relevant 'truth' becoming 'generally known' to the marketplace," plaintiffs amend their response to this interrogatory to read as follows:

As noted in plaintiffs' responses to Interrogatory Nos. 131-134 [31-33], beginning in late 2001 certain limited facts regarding Household's true operational and financial condition began to leak into the market. Each time negative information about Household was disclosed, however, defendants were swift to react with additional false statements in furtherance of the fraud. Plaintiffs' responses to Interrogatory Nos. 131-134 [31-33] list examples of these partial disclosures and defendants' false denials in response. As the Court in this action has recognized "there are a tangle of factors affecting price and the market may learn of possible fraud through a number of sources [besides a formal corrective disclosure]: *e.g.*, from whistleblowers, analysts' questioning financial results, resignations of CFOs or auditors, announcements by the company of changes in accounting treatment going forward, newspapers and journals, etc." September 19, 2006 Order at 5 (internal quotations omitted and alteration in original). Thus, "the truth that a misrepresentation or omission conceals can make its way into the market, resulting in dissipation of a fraudulently inflated share price, long before a company issues a formal 'corrective' announcement, and by a variety of other ways" including "a series of earlier, smaller disclosures by the issuer or others that gradually leads market participants whose actions set price to conclude that the misstatement was false" or "a growing quiet awareness on the part of certain highly sophisticated market participants – arbitrageurs and sell side analysts – that previously publicly-available facts, which for a time had gone unnoticed or seemed unimportant, were in fact inconsistent with the misstatements. Yet another is that the higher earnings or sales in the future that one would have predicted based on the misstatement do not materialize or the poor financial condition of the issuer, which the misstatement masked, subsequently becomes obvious." *In re Motorola Sec. Litig.*, No. 03 C 287, 2007 U.S. Dist. LEXIS 9530, at *118-119 (N.D. Ill. Feb. 8, 2007). In this case, over time as more and more information relating to the Company's improper lending, re-aging and credit card accounting practices was revealed to investors, defendants' denials and other false statements became less and less credible and the artificial inflation contained in Household's stock price due to the fraud dissipated, removing artificial inflation. The chart below reflects examples of disclosures by analysts, third parties and defendants that revealed partial information regarding Household's true financial and operating condition with respect to the fraud alleged in the Complaint and describes the information these disclosures revealed:

After the close of trading on November 14, 2001, the *Associated Press*, *Business Wire* and *Los Angeles Times* reported that the California Department of Corporations sued Household for $8.5 million, alleging the Company engaged in predatory lending practices.	The November 14, 2001 articles reported that the State of California sought $8.5 million "as a result of numerous violations of the laws and regulations intended to protect California loan consumers." The articles also noted that the California Department of Corporations "discovered 1,921 incidents of charging excessive administrative fees, the same category of violations that Household was required to correct in 1998." Plaintiffs contend that this disclosure revealed partial information regarding Household's use of improper lending practices and raised uncertainty among investors about the accuracy of the Company's prior financial results announced during the Class Period, including whether Household's prior financials were inflated due to improper lending practices in the state of California and elsewhere. This disclosure also provided information to investors regarding the heightened risk of refunds and changes to existing practices. This disclosure also provided information tending to contradict defendants' public claims that Household complied with all laws governing the Company's lending operations as well as defendants' public denials that the Company was engaged in improper lending practices. As noted by analysts following the disclosure, the announcement that the Company had been sued by the California Department of Corporations raised several unanswered questions for investors, such as "1) how much more in refunds might Household owe? 2) will the accusations escalate (within or beyond the state)? and 3) will there be any operational constraints?" *See* November 15, 2001 Deutsch Bank Alex Brown report. At least one analyst

	concluded that "there could be a cloud overhanging the stock in the short term." *Id.*
On January 8, 2002, the *American Banker* published an article announcing that Household had agreed to pay $12 million to settle the California Department of Corporations lawsuit.	The January 8, 2002 article describes the $12 million settlement between Household and the California Department of Corporations for lending violations. The article states that Household would pay $9 million to the State and $3 million in refunds to injured borrowers. Household also agreed to be subject to "an unprecedented level of oversight from its California regulator." The California Department of Corporations stated that the settlement was "so tough" because Household was a '"recidivist.'" Plaintiffs contend that this disclosure revealed additional partial information regarding Household's improper lending practices and provided information to investors regarding the heightened risk of refunds. The disclosure also raised questions about whether Household's lending practices would come under increased scrutiny by California's regulators or regulators outside of California. This disclosure also contradicted, in part, Household's claims that the Company followed all laws governing the Company's lending operation. Indeed, one industry consultant noted that "[t]his case is of particular interest because it marks what could be the start of increased oversight by state regulatory agencies of consumer finance companies" and that it could spark a trend in other states.
On February 6, 2002, the *Dow Jones News Service* published a report on a *Wall Street Journal* article regarding an ACORN lawsuit against Household over the Company's lending practices.	The February 6, 2002 article describes a class-action lawsuit brought in California by ACORN against Household alleging misleading, confusing and unfair sales practices. Plaintiffs contend that this disclosure revealed partial information regarding Household's use of improper lending

	practices. These disclosures, in connection with prior disclosures including those identified previously, raised uncertainty among investors about the accuracy of the Company's prior financial results announced during the Class Period and whether these financials were inflated due to improper lending practices in the state of California and elsewhere. These disclosures also provided information to investors regarding the heightened risk of exposure due to improper lending practices and indicated that ACORN was ratcheting up its action against Household. These disclosures also provided information tending to contradict defendants' public claims that Household complied with laws governing the Company's lending operations as well as defendants' public denials that the Company was engaged in improper lending practices.
On February 18, 2002, *National Mortgage News* reported on a class action lawsuit in California against Household alleging improper lending practices.	The February 18, 2002 article provides additional detail regarding the California lawsuit including allegations that Household "tricked" and "trapped" customers in high-cost mortgages in amounts so large in relation to the value of their homes that the borrower could not refinance with a competitor. According to the article, the lawsuit sought restitution for customers who refinanced loans through Household or Beneficial in California. The article also discussed Household's settlement with the California Department of Corporations. Plaintiffs contend that this disclosure increased investor awareness as to the possibility that Household was engaged in predatory lending in California and elsewhere, causing investors to question whether the Company's announced financial results were based on improper or illegal practices. The discussion of these lawsuits and the settlement with the California Department of Corporations also tended to undermine defendants' public

	statements that Household was a leader in ethical lending followed all laws governing the Company.
On April 18, 2002, the *Seattle Post-Intelligencer* published an article detailing allegations of improper lending at Household in the State of Washington	The April 18, 2002 article included a summary of the Washington Department of Financial Institution's ("DFI") findings regarding Household's improper lending practices. The article quoted Washington DFI investigation supervisor Chuck Cross as stating he believed that the Company's consumer finance subsidiaries "have the most complaints that we have on record." The article also reported on private lawsuits in Washington and the Company's settlement with the California Department of Corporation. Plaintiffs contend this disclosure provided additional partial information that Household's use of improper lending practices was more widespread and not limited to California. The disclosure also revealed that Household was under investigation in Washington, further undercutting the reliability of Household's financial statements and defendants' claims that the Company was not involved in improper lending.
On May 7, 2002, a series of articles were published in various sources regarding Household's improper lending practices.	The May 7, 2002 articles reported that the New York State Comptroller was considering discontinuing the New York Common Retirement Fund's investment of 2.5 million Household shares worth $140 million. The Comptroller commented that Household needed to take drastic steps to reform its predatory lending practices. The Comptroller also stated that "Management's mishandling of the [predatory lending] issue has placed its ability to control the future viability of the company at risk. Investors should be concerned about the real possibility of a negative impact on the company's performance in the future." The May 7, 2002 articles reported that the Comptroller's announcement came in response to a lawsuit filed in Illinois that

	accused Household of predatory lending. The articles noted that Household had been struggling to maintain its stock price and image amid its legal battles and questions about its accounting practices and reported that "[s]ome on Wall Street are also expressing concern about Household's lending practices." The articles also reported that Company observers stated that the Comptroller's remarks "could ratchet up regulatory scrutiny of the company and make it more likely that other officials would join the chorus." The articles also reported that at the upcoming annual meeting Household shareholders would vote on a resolution asking Household to link its CEO pay to progress in addressing the Company's ongoing problems with predatory lending. Household management recommended shareholders vote against this proposal. Plaintiffs contend that these disclosures revealed additional (albeit incomplete) information regarding Household's use of improper lending practices and, in combination with prior disclosures, raised new doubts among investors about the accuracy of the defendants' public statements concerning the Company's prior financial results during the Class Period and whether these prior financials were inflated due to improper lending practices. These disclosures also provided information undercutting the reliability of defendants' public claims that Household complied with all laws governing the Company's lending operations as well as defendants' public denials that the Company was engaged in improper lending practices.
On May 30, 2002, the *New York Post* published an article regarding Household's attempts to block public access to the Washington DFI report.	The *New York Post* and *American Banker* articles discuss Household's successful attempt to obtain a temporary injunction against the release of the Washington DFI report. The *New York Post* article also

In an *American Banker* article published on May 31, 2002, Household characterized the Washington DFI report as a "draft" with "factual errors" that Household wanted to correct and tried to downplay the situation, stating, "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." Household admitted some "customers in Bellingham may indeed have been justified in their confusion about the rate of their loan" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch." On June 2, 2002 the *Chicago Tribune* published an article discussing increasing pressure caused by mounting lawsuits and investigations related to the Company's improper lending practices.	states that "Wall Street is concerned that Household International's profits won't be up to expectations – because the company might not be able to continue doing some nasty things it has been accused of doing." The *Chicago Tribune* article listed recent lawsuits and other events related to Household's improper lending practices and discussed the increasing pressure faced by Household. Plaintiffs contend that these disclosures revealed an attempt by Household to suppress negative information about the Company's improper lending practices. This attempt, in combination with prior disclosures of lawsuits and allegations of predatory lending, raised further uncertainty among investors about the accuracy of defendants' public statements concerning the Company's engagement in improper lending practices and whether prior Class Period financials were inflated due to improper lending practices. These new disclosures also revealed additional information that the Company used confusing and misleading sales tactics to generate revenue which also tended to contradict defendants' public claims that Household complied with all laws governing the Company's lending operations as well as defendants' public denials that the Company was engaged in improper lending practices.
On July 26, 2002, the *Bellingham Herald* published an article detailing accusations that Household was engaged in predatory lending practices.	The July 26, 2002 article stated, "[f]or the first time, Household International has acknowledged that its employees may have misrepresented mortgage loan terms to some Whatcom County homeowners who refinanced their homes at the Bellingham office of Household Finance Co., a subsidiary." The article also stated, "[u]ntil now, company spokesmen have portrayed Household as an industry leader in consumer protection, with elaborate safeguards to make sure borrowers

	understand the deals they are signing" but "this week, [a company spokesperson] said an internal probe of the complaints had uncovered some serious problems." The article also describes a "rash" of recent complaints from Household customers regarding "misleading Household sales pitches." The article also notes that Household borrowers had complained about "exorbitant loan fees and life insurance premiums added to the principal of their loans, plus high prepayment penalties that made it nearly impossible for them to refinance with another lender." Finally, the article reports that the Department of Financial Institutions stated that, contrary to Household's assertions, the complaints about Household's improper lending practices were not confined to the Bellingham branch. Plaintiffs contend that this disclosure is a partial admission about Household's engagement in improper lending practices in the State of Washington. Combined with prior disclosures regarding lawsuits, regulatory fines and allegations of predatory lending, this partial admission increased investor and analyst concerns that the improper practices were more widespread than Household and other defendants acknowledged. This information also raised further uncertainty among investors about the accuracy of defendants' public statements concerning the Company's engagement in improper lending practices and whether prior Class Period financials were inflated due to improper lending practices. This disclosure, combined with information previously in the market, also raised concerns about the future performance of Household. For example, on July 31, 2002, Morgan Stanley analysts wrote, "[t]o reflect predatory lending risks, we reduced our estimate of Household's five-year EPS growth rate to 8% from 14% and cut our

	2003 EPS estimate to $5.02 from $5.26." On August 12, 202 Deutsche Bank analysts stated that "we are lowering our target price to $53 [from $63]" and "[w]e are also lowering our long-term growth rate to 10%-12% from 14% . . . as we believe Household's loan growth will slow as lending restrictions gradually take hold." In addition, this admission contradicted, in part, defendants' assurances that Household complied with all laws governing the Company's lending operations and undercut defendants' public denials of predatory lending allegations.
On August 26, 2002, *American Banker* discussed the contents of the Washington DFI Report and stated that the WA DFI had shared the Washington DFI Report with other officials in Washington and in other states. On August 29, 2002 the *Bellingham Herald* reported that the Washington DFI Report was available in full on the newspaper's website.	The August 26, 2002 article discusses in depth the Washington DFI Report which, despite an injunction obtained by Household, had been leaked to the press. According to the article, the Washington DFI Report identified numerous "patterns of consumer abuse" and states that the DFI was dissatisfied with efforts made by Household to respond to allegations. The article reported that after identifying that Household had intentionally misused its good-faith estimate form in several branches in Washington and receiving reports from regulators in other states concerning this practice, the Washington DFI Report stated that the DFI "does not believe the practice is isolated." The article also reported that the Washington DFI had shared the WA DFI Report with officials outside of Washington and that the Washington attorney general's office was in contact with other states investigating Household. The article also stated "[s]ources said that the Washington banking regulators are trying to negotiate a settlement with Household that would cover borrowers in a number of states." The article also discusses the numerous lawsuits faced by Household regarding the Company's lending practices. Plaintiffs contend that this article provided additional, but incomplete, information that

	the Company's improper lending practices were more widespread than initially believed. The disclosure also raised (1) the specter of investigations into the Company's lending practices outside Washington, raising additional uncertainty about the accuracy of the Company's prior financial results and public denials of improper practices and (2) that the Company could potentially face large fines and/or settlements as well as changes to its business model negatively impacting future results.
On September 2, 2002, *Forbes* published an article entitled "Home Wrecker" which detailed allegations of predatory lending at Household (this article was first available on *Forbes.com* after the close of trading on August 15, 2002 and hit newsstands on August 19, 2002). On August 19, 2002 *National Mortgage News* reported that ACORN had filed a class-action lawsuit in Massachusetts, and had previously filed a state class action in California and a nationwide class action in Illinois.	The August 19, 2002 and September 2, 2002 articles detailed complaints across the nation about Household's predatory lending practices. These practices included misrepresenting interest rates, using misleading HOLP's to underestimate the cost of the loan, and improper fees and insurance. The articles linked the improper lending practices Household previously admitted occurred in Washington to other areas of the country. The September 2, 2002 article also quoted Minnesota Commerce Commissioner James Bernstein who stated "Household encourages, or at least tolerates, these abuses . . . . It's not just an occasional rogue loan officer or a rogue office. It has to do with the corporate culture." Plaintiffs contend that these disclosures revealed partial information regarding the widespread nature of improper lending practices, and tended to contradict defendants' prior claims that the improper practices were limited to a single based office in Washington. These disclosures also raised additional questions among investors and analysts regarding the accuracy of the Company's prior financials and future prospects.
On September 3, 2002, analyst Howard Mason of Sanford C. Bernstein & Co. published a report cutting growth estimates for Household based on anticipated sales	The September 3, 2002 report authored by analyst Howard Mason of Sanford C. Bernstein & Co. reduced earnings growth estimates for Household. This report

practice reform at Household.	analyzed the Washington DFI Report which indicated that "confusing sales practices in the Household branch system are more widespread than a few renegade loan officers, and quite possibly systemic." The report also questioned the sustainability of Household's business model and reduces Household's long-term EPS growth target of 13-15% to 10-12%. Plaintiffs contend that this disclosure revealed additional information regarding the potential impact of Household's predatory lending practices on the Company's future growth and earnings. The report reflected (1) growing disillusionment among analysts and investors with Household's business model and (2) concern that the Company could not operate as profitably absent the current practices. This disclosure also provided information tending to further contradict defendants' public claims that Household complied with all laws governing the Company's lending operations as well as defendants' public denials that the Company was engaged in improper lending practices.
On September 10, 2002, *The American Banker* published an article entitled "Reforms Seen Hurting Household's Profits."	The September 10, 2002 article discusses analyst Howard Mason's September 3, 2002 report. The article also quoted Aldinger as conceding that charges to Household's lending practices had resulted in slower revenue growth. Aldinger also contended that the changes would not alter the business dramatically. The article also noted that other analysts were questioning whether Household's debt would be downgraded as the result of concerns over earnings growth. Plaintiffs contend that this disclosure contains a partial admission as to Household's prior reliance on improper lending practices to inflate its earnings without disclosing the use of such practices. This disclosure and Aldinger's statements

	also tended to raise further doubts about the continued viability of Household's lending business works and the assorted revenue streams.
On October 4, 2002, the *Wall Street Journal* published an article entitled "Household International May be Near Large Settlement" which discussed the Attorneys General's ("AG") year-long investigation into Household's predatory lending practices and indicated that Household and the AG were nearing a $350-$500 million settlement.	This disclosure discussed the AG's year-long investigation into Household's predatory lending practices and indicated that Household and the AG were nearing a $350-$500 million settlement. The article was based on an analyst report authored by Howard Mason of Sanford C. Bernstein & Co. According to the article, Mason arrived at his settlement estimate by calculating the fees, loan rates and credit insurance provided to Household's clients. Plaintiffs contend that this disclosure revealed further information that the scope of Household's improper lending practices was nationwide and contradicted defendants' public claims that Household complied with all laws governing the Company's lending operations as well as the defendants' public denials that the Company was engaged in improper lending practices. This article also discussed the possibility of a large settlement in the face of Household's continued denials that improper practices were widespread. This also revealed that Household likely would face huge fines as punishment for the Company's improper lending practices. This disclosure also revealed partial information about defendants' attempts to conceal the widespread nature of Household's improper lending practices and that Household had been under investigation by the multistate group of AGs and conflicted with their public statements that as late as September 2002 that the Company was not engaged in negotiations with the AGs. This article also provided investors with partial information regarding the magnitude of the Company's improper lending and the potential impact of the settlement, both in

	terms of a settlement amount and with regard to the Company's future growth and earnings. Indeed, on October 8, 2002, UBS Warburg analysts stated that "[w]e are cutting our 2003 estimate to reflect the impact of a regulatory fine on HI's earnings and capital base . . . we estimate this fine could exceed $500 million." These analysts further noted that "the company would likely have difficulty paying a fine of this magnitude out of cash flow" and [i]rrespective of the size and timing of a fine, we continue to believe HI's business model, in terms of its marketing and pricing practices, is likely to change, resulting in a longer term earnings growth rate which we estimate of 7%."
On October 11, 2002, Household issued a press release announcing that, in addition to its most recent charge of $600 million (pre-tax) to cover the cost of its restatement, the Company would now be forced to pay $484 million (pre-tax) in restitution to customers nationwide (plus the cost of reimbursing the states for their investigation) to settle claims by a multistate group of AGs and banking regulators related to its predatory lending practices from January 1, 1999 through September 30, 2002. The Company also stated it expected the changes in business practices to cut earnings by 10 cents a share in 2003, by 20 cents in 2004, and by 30 cents in 2005.	Plaintiffs contend that Household's announcement of the $484 million pre-tax settlement with a multistate group of AGs and banking regulators confirmed Household's widespread use of improper lending practices from 1999 to 2002. The disclosure also confirmed prior rumors that Household would face a large fine for its improper lending activities and that cessation of the Company's widespread improper lending practices would severely reduce future earnings. This disclosure also confirmed that Household had been under investigation by the multistate group of AGs and conflicted with their public statements that as late as September 2002, the Company was not engaged in negotiations with the AG's.
On December 1, 2001, *Barron's* published an article criticizing Household's accounting policies, including its reaging and charge-off practices and policies. On or around the same date, *BusinessWeek* also published an article on the same topics.	The December 1, 2001 article entitled "Does it Add Up? A Look At Household's Accounting" questioned the Company's accounting and reaging practices. The article states that a securities analyst whose firm worked for Household was concerned the Company's credit quality was worse than actually reported and that Household had "boosted reported earnings by, among other things, slowing recognition of credit losses." The article quoted this analyst as stating: "Household's loss rate on subprime

	mortgages is close to that of the savings-and-loan industry, even thought S&Ls generally have more affluent borrowers and issue fewer second mortgages which, by their nature, are shakier than first mortgages." The *BusinessWeek* article touched on many of the same subjects. Plaintiffs contend that this disclosure revealed partial information regarding the Company's true financial and operating condition. Specifically, this disclosure partially revealed that Household was using various accounting gimmicks such as reaging to manipulate the Company's publicly reported charge-off and delinquency statistics and boost earnings. These disclosures created headline risk with regard to Household's published credit quality metrics and raised uncertainty among investors about the accuracy of the Company's financial and operational results as publicly disclosed during the Class Period.
On December 11, 2001, Legg Mason issued a report discussing Household's accounting policies and practices.	In the December 11, 2001 report Legg Mason analysts expressed confusion regarding the Household's recent reports concerning the Company's accounting, in particular its reaging policies. After discussing Household's disclosures, the analysts listed numerous questions and concerns. Plaintiffs contend that this report provided investors with partial information that Household's previously reported asset quality statistics may have been distorted by reaging and/or other accounting practices. For instance, this report found Household's "lenient reaging policy disturbing as it undermines the analytical value of the reported asset quality statistics" and asked the Company to "report asset quality problems more conventionally (a late is a late until repaid in full)." After having suspended their investment rating on December 3, 2001, the analysts downgraded Household's stock two notches from SB ("Strong Buy") to M ("Medium")

	and lowered their risk rating from 1 ("Low") to 2 ("Average").
On June 7, 2002, the Center for Financial Research and Analysis, Inc. ("CFRA") published a report criticizing Household's reaging policies.	Plaintiffs contend that this disclosure revealed additional (but incomplete) information that Household's publicly announced credit quality statistics were manipulated through reaging. The June 7, 2002 report stated that Household's "reaging may obscure its credit quality picture" because "deferral of charge-offs occurs by definition upon reaging." After discussing the information disclosed in the April 9, 2002 8-K, CFRA stated that "the Company's reaging policies cause these figures to understate HI's delinquency and charge-off experience." This disclosure contributed to the increasing erosion of defendants' credibility with investors and raised uncertainty regarding the credit quality of Household's loans.
An August 17, 2002 article in *The New York Times* stated that "Household has not supplied enough data on re-aged loans for a year earlier to show whether credit problems are rising sharply" and quoted a Credit Suisse First Boston analyst who said that "[i]t would be very helpful to have re-aging data disclosed on a regular basis." On August 19, 2002, the CFRA published a follow-up to its June 7, 2002 report, again criticizing Household's reaging policies.	In the August 19, 2002 report the CFRA observed that "[i]n the June 2002 quarter, the Company changed the format for its disclosure of reaging." CFRA noted that "whereas [Household] had previously broken out the percent of credits which had been reaged multiple times, the latest 10Q details only whether the account has been reaged" and that the Company "refrained from disclosing the amount of recidivism, which reflect [sic] accounts that are delinquent or charged-off one year after having been reaged and (in retrospect, one could argue) should have been charged-off at the time of reaging." The August 17, 2002 *New York Times* article similarly questioned the usefulness of Household's published re-age data.

On March 19, 2003, Household issued a press release announcing that on March 18, 2003, it had agreed to the entry by the SEC of a consent order relating to Household's disclosures about its restructuring and other account management policies.	The consent decree revealed that Household's Class Period disclosures regarding its restructure policies failed to present an accurate description of the Company's policies and practices. The SEC found that Household chose to disclose its restructure policies in a way that connoted strict controls, rather than in a way that accurately described the true "loose" policies. The consent decree also revealed that the Company's false disclosures regarding management of delinquencies were material and violated Sections 10(b) and 13(a) of the Exchange Act, and Rules 10b-5 and 12b-20, 13a-1 and 13a-13 under the Exchange Act.
On August 14, 2002, defendants finally admitted that Household's earnings had been falsely reported for approximately eight and one-half years and that Household would take a $600 million charge and restate its previously reported earnings for each and every quarter of the Class Period.	These disclosures revealed that Household had improperly accounted for certain credit card co-branding and marketing agreements which resulted in false financial statements during the Class Period and would restate the Company's prior financials to reduce earnings for each quarter during the Class Period. These disclosures contributed to uncertainty among investors about defendants' accounting practices and led to an erosion of credibility as to their statements on the improper lending, reaging and credit quality issues discussed earlier in this chart.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Daniel R. Fischel, dated August 15, 2007, and the Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports discuss, *inter alia*, the "truth" that was revealed to the market by the partial disclosures referenced throughout the report, and quantifies the economic impact of such partial disclosures.

<u>INTERROGATORY NO. 306 [65]</u>:

Identify any document reflecting the authorization or approval by Household of any policy that you contend was illegal or prohibited by any relevant banking or lending laws.

Subject to and specifically incorporating the foregoing General and Specific Objections, and without waiving them, and based on clarification made by defendants during the meet and confer that scienter as used in this interrogatory relates to defendants' state of mind connected to a false statement, Lead Plaintiffs amend their response to this interrogatory to read as follows:

See Response to Interrogatory No. 315 [74].

DATED: February 1, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
AZRA Z. MEHDI (90785467)
D. CAMERON BAKER (154452)
LUKE O. BROOKS (90785469)
JASON C. DAVIS (4165197)

Azra Mehdi

AZRA Z. MEHDI

100 Pine Street, Suite 2600
San Francisco, CA 94111
Telephone: 415/288-4545
415/288-4534 (fax)

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
PATRICK J. COUGHLIN
SPENCER A. BURKHOLZ
JOHN J. RICE
JOHN A. LOWTHER
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Plaintiffs

MILLER LAW LLC
MARVIN A. MILLER
LORI A. FANNING
115 S. LaSalle Street, Suite 2910
Chicago, IL 60603
Telephone: 312/332-3400
312/676-2676 (fax)

Liaison Counsel

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) <u>CLASS ACTION</u> Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

LEAD PLAINTIFFS' THIRD AMENDED SUPPLEMENTAL RESPONSES AND OBJECTIONS TO HOUSEHOLD DEFENDANTS' [FOURTH] SET OF INTERROGATORIES TO LEAD PLAINTIFFS

documents referenced therein. Mr. Devor's report discusses, *inter alia*, the financial impacts of the Company's multi-component fraud scheme, including the financial impacts of the Company's alleged predatory lending practices; reaging and restructuring practices; and materially inaccurate credit card accounting practices. Plaintiffs contend the financial impact of such practices, coupled with the Officer Defendants' compensation arrangement motivated the Officer Defendants' to perpetrate the fraud.

INTERROGATORY NO. 18-23 [6]:

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

RESPONSE TO INTERROGATORY NO. 18-23 [6]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs further object to this interrogatory on the grounds that it seeks information protected by the attorney work-product doctrine. Lead Plaintiffs further object to this interrogatory on the grounds that it is compound. This interrogatory contains at least six distinct subparts and appears to have been designed to avoid the interrogatory limit set by the Court's January 6, 2006 Order. Lead Plaintiffs further object on the grounds that this interrogatory is overly broad and unduly burdensome.

Lead Plaintiffs further object to this interrogatory on the grounds that its requirement that Lead Plaintiffs identify "all" facts and documents is contrary to the Court's November 10, 2005 Order. Lead Plaintiffs also object to this interrogatory because it is incomprehensible, unintelligible and inconsistent as drafted. Most, if not all, of the documents produced in this litigation could conceivably either support, refute or otherwise concern this allegation. 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 and as well as the destruction of documents and spoliation of other relevant evidence that occurred both during and after the Class Period. Lead Plaintiffs cannot fully respond to this interrogatory unless defendants can produce a sample of each document or an index of the documents directed to be destroyed in the "purge," which defendants have presently refused to do.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until discovery has been substantially completed. Many of the documents responsive to this interrogatory are under the defendants' control and subject to ongoing discovery. Defendants have not completed their production of documents responsive to Lead Plaintiffs' requests and have refused to produce additional narrow categories of documents requested. Given defendants' (i) recent unexplained production of responsive documents that were requested over two and a half years ago, (ii) persistent refusal to certify the completion of their document production, and (iii) improper withholding and/or redaction of responsive documents without listing them on a privilege log in violation of Fed. R. Civ. P. 26, Lead Plaintiffs' ability to provide complete answers is significantly limited. Many of the witnesses with knowledge of the facts needed to provide a response to this interrogatory have not yet been deposed. Further, the defendants have objected to depositions of a number of witnesses that they have identified as having knowledge of facts relevant to this litigation. Indeed, the Individual Defendants have refused to respond to the discovery propounded on them by the Class, directing the Class instead to wait until after their depositions to obtain information from the Individual Defendants relevant to this litigation. Finally, expert discovery has not been completed. Lead Plaintiffs reserve the right, as necessary and appropriate, to supplement, amend, modify or revise their response to this interrogatory following: (i) the defendants' verification under oath that their document production is complete; and (ii) the completion of expert discovery. Subject to and specifically incorporating the foregoing General and

Specific Objections and without waiving them, Lead Plaintiffs respond to this interrogatory as follows:

Lead Plaintiffs note as an initial matter that the quote taken from ¶21 of the Complaint in this interrogatory is incomplete. The sentence from which the quote was lifted reads in full: "By mid-2002, defendants' scheme was beginning to unravel, as the Officer Defendants worked tirelessly to conceal their wrongful course of business." Lead Plaintiffs' response to this interrogatory is expressly limited to the Officer Defendants' concealment of Household's predatory lending practices during 2002. Lead Plaintiffs incorporate by reference their Response to Interrogatory Nos. 28-33, *infra.*

In an effort to conceal their predatory lending, defendants consistently took the public position that no predatory lending practices were occurring at Household, and any assertion to the contrary was false. In fact, defendants maintained that Household's strong performance was based on its use of underwriting criteria that prevented the potential for customer abuse and that it had adopted technology that would alert management to early signs of abuse and that Household applied a "tangible benefits" test for its loans to ensure fair treatment of its customers. Household did not disclose its predatory lending practices in its filings with the Securities and Exchange Commission ("SEC"), conference calls or other meetings with analysts and investors.

For example, on February 7, 2002, at the direction of the Officer Defendants, Household spokesperson Megan Hayden-Hakes publicly stated, "We make good loans that not only are legal loans, but are beneficial for our customers." In addition, defendant Schoenholz publicly insisted that predatory lending practices were "not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." On April 22, 2002, again at the direction of the Officer Defendants, Hayden-Hakes told the press: "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."

The Officer Defendants continued their media offensive, publishing several full-page ads in *The Wall Street Journal*, with headlines that read, "For 124 years, we've set the standard for responsible lending. And now we're doing it again." The bottom of the ad carried the legend, "Advocates for Responsible Lending."

At the same time Household was issuing such public denials regarding its predatory lending practices, defendants had also filed an injunction in Washington state court seeking to block the publication of the Washington Department of Financial Institutions ("DFI") report that detailed Household's predatory tactics. Household characterized the Washington DFI report as a "draft" with "factual errors" that Household wanted to correct and tried to downplay the situation, stating, "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." Household admitted that 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."

On July 16, 2002, the Washington DFI announced that it had caused Household to return over $400,000 to over 1,000 Washington borrowers who were overcharged by the Company in connection with their real estate loans. On July 17, 2002, Household attempted to deflect attention from the very practices encouraged by the Company's corporate culture to drive its "record" results, stating that the overcharges were the result of simple computer system errors.

On July 26, 2002, they again attempted to minimize exposure of its predatory lending practices. The Company told the *Bellingham Herald* it was "possible" that one or a small group of rogue employees isolated at one of its remote branches in Washington "may" have misrepresented mortgage terms to "some" Whatcom County homeowners who refinanced their home loans at the Company's Bellingham office, but continued to insist that the problems were limited to a single branch.

In addition to concealing its predatory practices, Household sought to conceal from investors the fact that the Company was engaged in settlement talks with the Attorneys General ("AG") Multi-State Working Group. As late as September 2, 2002 and despite the fact that settlement talks had been ongoing for months, defendants falsely stated that they were not aware of any pending enforcement actions or settlement talks. During the settlement negotiations, moreover, Household sought to broker a deal concealing the extent of its practices from the public and minimize the impact of the Company's predatory practices on its stock price. As the Iowa Attorney General observed following a settlement meeting, Household was "very concerned about Wall Street reaction – very, very."

Documents supporting the allegation set forth in ¶21 of the Complaint that "the Officer Defendants worked tirelessly to conceal their wrongful course of business" as limited above include, but are not limited to, the following:

- Household International, Inc.'s Securities Exchange Commission filings during the Class Period
- Household Finance Corporation's Securities Exchange Commission filings during the Class Period
- News articles concerning Household International, Inc. published during and after the Class Period
- Analyst reports concerning Household International, Inc. published during the Class Period
- Household International, Inc. Press Releases published during the Class Period
- Transcripts and recordings of Household International, Inc. conference calls during the Class Period
- Deposition transcript of Lori Gale dated 1/28/2003
- Deposition transcript of Melissa Rutland-Drury dated 3/4/2003
- Deposition transcript of Kae Concannon dated 3/19/2003
- Deposition transcript of Robert O'Han dated 4/28/2005
- Deposition transcript of Robert O'Han taken by Lead Plaintiffs on 5/24/2006
- Deposition transcript of Celeste Murphy taken by Lead Plaintiffs on 4/11/2006

- Deposition transcript of Lisa Sodeika taken by Lead Plaintiffs on 6/6/2006 and 11/2/2006
- Deposition transcript of Megan Hayden-Hakes taken by Lead Plaintiffs on 8/18/2006
- Declaration of Melissa Rutland-Drury dated 2/21/2003
- 7/3/2002 e-mail from Kathleen Keest to David Huey (ATG), Chuck Cross (DFI), Sandra Kane, T. James, Herschel Elkins, Scott Borchert, Dan Gallatin, Benjamin Bruce, Robyn Smith, Lisa Landau, Mark Fleischer, Tynia Richard and A. Hampton re: Household International, Inc. meeting with Tom Miller
- HHS 02173881
- HHS 02190693
- HHS 02257720-HHS 02257724
- HHS 02375391
- HHS 02484785-02485109
- HHS 02489539-HHS 02489620
- HHS 02859564-HHS 02859578
- HHS 02859654-HHS 02859668
- HHS 02868113-HHS 02868115
- HHS 02868116
- HHS 02868135
- HHS 02868137-HHS 02868147
- HHS 02868221-HHS 02868228
- HHS 02868781-HHS 02868794
- HHS 02880629-HHS 02880646
- HHS 02904703-HHS 02904717
- HHS 02907501
- HHS 02908986-HHS 02908991
- HHS 02911562-HHS 02911563
- HHS 02911611-HHS 02911612
- HHS 02911944-HHS 02911958
- HHS 02930634-HHS 02930638
- HHS 02953519
- HHS 02953523
- HHS 03149238
- HHS 03183240-HHS 03183259
- HHS 03183240
- HHS 03208095-03208099
- HHS 03238038-HHS 03238039
- HHS 03238045-HHS 03238047
- HHS 03243940-HHS 03243954
- HHS 03289225-HHS 03289231
- HHS-E 001381

Lead Plaintiffs note that they are presently unaware of documents or other facts that refute the allegation set forth in ¶21 of the Complaint.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Catherine A. Ghiglieri dated August 15, 2007, her Rebuttal Report dated February 1, 2008, and all documents referenced therein. Ms. Ghiglieri's reports describe, *inter alia*, Household's operational weaknesses that contributed to an environment in which Household's predatory lending practices occurred, including but not limited to Household's public relations campaign to deny and distract attention from, rather than correct, the Company's predatory lending practices. 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 financial impacts of the Company's multi-component fraud scheme, including the financial impacts of the Company's alleged predatory lending practices; reaging and restructuring practices; and materially inaccurate credit card accounting practices. Lead Plaintiffs further incorporate by reference and identify the Expert Report of Daniel R. Fischel dated August 15, 2007, his Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports explain, *inter alia*, the economic impact of such fraud. Lead Plaintiffs also incorporate by reference their Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order and Further Supplement to Its Prior Statements Regarding Damages of February 1, 2008.

INTERROGATORY NO. 24-27 [7]:

Identify all documents or other facts that Plaintiffs contend support, refute, or otherwise concern the allegation set forth in ¶54 of the Complaint that "[t]he Company's use of illegal and unconscionable lending practices throughout the Class Period was both widespread and ingrained in Household's corporate culture."

RESPONSE TO INTERROGATORY NO. 24-27 [7]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs further object to this interrogatory on the grounds that it seeks information protected by the attorney work-product doctrine. Lead Plaintiffs further object to this interrogatory on the grounds that it is compound. This interrogatory contains at least four distinct subparts and appears to have been designed to avoid the interrogatory limit set by the Court's January 6, 2006 Order. Lead Plaintiffs further object on the grounds that this interrogatory is overly broad and unduly burdensome.

Lead Plaintiffs further object to this interrogatory on the grounds that its requirement that Lead Plaintiffs identify "all" documents is contrary to the Court's November 10, 2005 Order. Lead Plaintiffs also object to this interrogatory because it is incomprehensible, unintelligible and inconsistent as drafted. Most, if not all, of the documents produced in this litigation could conceivably either support, refute or otherwise concern this allegation. Lead Plaintiffs further object deceptive sales practices were not only known, but likely fostered by the Company itself based on the complaints they were receiving, the fact that that they were communicating with regulators from other states that had exactly the same types of complaints, and Household headquarters' knowledge of the disclosures and sales practices when responding to complaints by the state investigators. Even the successful Household employees, who were later discredited as "rogue" employees, stated that they had followed Company procedures for decades and the sales pitches used on potential borrowers were both approved and provided by Household.

Since the record-breaking $484 million Multi-State AG settlement, Household has publicly admitted to a "total overhaul of the corporate culture" at Household as a result of the changes mandated due the settlement. In addition, Lead Plaintiffs incorporate by reference their Responses to Interrogatory Nos. 15-23; 28-33 and Lead Plaintiffs' Supplemental Responses And Objections To Household Defendants' Court Authorized Supplement To Defendants' [Fourth] Set Of Interrogatories To Lead Plaintiffs. Lead Plaintiffs note that they are presently unaware of documents or other facts that refute the allegation set forth in ¶54 of the Complaint.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Catherine A. Ghiglieri dated August 15, 2007, her Rebuttal Report dated February 1, 2008, and all documents referenced therein. Ms. Ghiglieri's reports describe, *inter alia*, defendants' predatory lending practices, including but not limited to their use; their financial impact on the Company; regulatory criticisms of these practices; consumer complaints regarding these practices; as well as the reasons why the practices were so pervasive.

<u>INTERROGATORY NOS. 28-33 [8]</u>:

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

RESPONSE TO INTERROGATORY NOS. 28-33 [8]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs further object to this interrogatory on the grounds that it seeks information protected by the attorney work-product doctrine. Lead Plaintiffs further object to this interrogatory on the grounds that it is compound. This interrogatory contains at least six distinct subparts and appears to have been designed to avoid the interrogatory limit set by the Court's January 6, 2006 Order. Lead Plaintiffs further object on the grounds that this interrogatory is overly broad and unduly burdensome.

Lead Plaintiffs further object to this interrogatory on the grounds that its requirement that Lead Plaintiffs identify "all" facts and documents is contrary to the Court's November 10, 2005 Order. Lead Plaintiffs also object to this interrogatory because it is incomprehensible, unintelligible and inconsistent as drafted. Most, if not all, of the documents produced in this litigation could conceivably either support, refute or otherwise concern this allegation. 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 and as well as the destruction of documents and spoliation of other relevant evidence that occurred both during and after the Class Period. Lead Plaintiffs cannot fully respond to this interrogatory unless the defendants can produce a sample of each document or an index of the documents directed to be destroyed in the "purge," which defendants have presently refused to do.

Additionally, Lead Plaintiffs object to this interrogatory on the grounds that it cannot be fully answered until discovery has been substantially completed. Many of the documents responsive to this interrogatory are under the defendants' control and subject to ongoing discovery. Defendants have not completed their production of documents responsive to Lead Plaintiffs' requests and have refused to produce additional narrow categories of documents requested. Given defendants' (i) recent unexplained production of responsive documents that were requested over two and half years ago, (ii) persistent refusal to certify the completion of their document production, and (iii) improper withholding and/or redaction of responsive documents without listing them on a privilege log in violation of Fed. R. Civ. P. 26, Lead Plaintiffs' ability to provide complete answers is significantly limited. Many of the witnesses with knowledge of the facts needed to provide a response to this interrogatory have not yet been deposed. Further, the defendants have objected to depositions of a number of witnesses that they have identified as having knowledge of facts relevant to this litigation. Indeed, the Individual Defendants have refused to respond to the discovery propounded on them by the Class, directing the Class instead to wait until after their depositions to obtain information from the Individual Defendants relevant to this litigation. Finally, expert discovery has not been completed. Lead Plaintiffs reserve the right, as necessary and appropriate, to supplement, amend, modify or revise their response to this interrogatory following: (i) the defendants' verification under oath that their document production is complete; and (ii) the completion of expert discovery.

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

Lead Plaintiffs incorporate by reference their Response to Interrogatory Nos. 18-23, *supra*.

In an effort to conceal their predatory lending, defendants consistently took the public position that no predatory lending practices were occurring at Household, and any assertion to the contrary was false. In fact, defendants maintained that Household's strong performance was based on its use of underwriting criteria that prevented the potential for customer abuse and that it had adopted technology that would alert management to early signs of abuse and that Household applied a "tangible benefits" test for its loans to ensure fair treatment of its customers.

During the Class Period, defendants managed and manipulated the public perception of Household's predatory lending practices in order to maintain the artificially high prices of the

Company's securities. While at the same time publicly denying any wrongdoing, defendants in 1999 began discussing internally the increased controversy surrounding predatory lending issues in the subprime industry. As early as April 2000, defendant Gilmer advised defendant Aldinger of his concern about the market view of the predatory lending issue and fear that Household stock could be negatively impacted by the increased scrutiny and potential new legislation. In response, defendants initiated a myriad of projects and hired an outside consultant to formulate and execute an offensive strategy to manage public perception of predatory lending issues.

A major part of the strategy was defendants' repeated false assertions to the market that Household's performance was based on superior underwriting and flexible customer-oriented collection practices, rather than improper business practices. On March 23, 2001, defendant Gilmer stated that 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."

On May 8, 2001 at Household's annual stockholders' meeting, defendant Aldinger told investors, "[w]e believe the existence of predatory lending practices undermines the integrity of the marketplace and limits our ability to provide the financial service needs of this country's diverse consumer market" and such practices are "abhorrent" to Household. On May 15, 2001, William Aldinger, Gary Gilmer and Craig Streem met with *The Wall Street Journal* editorial board to discuss predatory lending, ACORN and the Company's extensive lobbying efforts headed by Denis O'Toole.

On May 16, 2001, defendants presented to the AFSA Fixed Income Investors Conference information on Household's internal controls in an effort to assure debt investors that historically "Household has been a leader against predatory practices." On the same day, Household created the Responsible Lending Rapid Response Team to Manage Public Perception "regarding predatory lending allegations" by "gathering and documenting the facts of the matter" and "constructing a fact file in a standard format with all supporting documentation attached." To that end, the team members would compile "[a]ll docs from image" and after "learning the complete customer story" would forward the file to assure the materials are then provided to the "appropriate communicator."

In July 2001, Household announced to the public that it had implemented its "Best Practices Lending Initiatives" to ensure that Household customers actually benefited from their loans, but denied that the program was connected to actions by fair-lending advocates, calling it "a coincidence." It was no coincidence. The predatory lending problem had been "keep[ing] [Gilmer] awake at night" and by July 2001, defendant Gilmer was spending 75% of his time on predatory lending issues, including trips to Washington, D.C. to lobby on Household's behalf. Despite the fact that Household's predatory practices continued, on November 26, 2001, the Company issued a formal statement "'vehemently deny[ing] any assertion that it has willfully violated laws that regulate its business.'"

On February 7, 2002, at the direction of defendants, Household spokesperson Hayden publicly stated, "We make good loans that not only are legal loans, but are beneficial for our customers." In addition, defendant Schoenholz publicly insisted that predatory lending practices were "not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." On April 22, 2002, again at the direction of the defendants, Hayden told the press: "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."

Defendants continued their media offensive, publishing several full-page ads in *The Wall Street Journal*, with headlines that read, "For 124 years, we've set the standard for responsible lending. And now we're doing it again." The bottom of the ad carried the legend, "Advocates for Responsible Lending."

At the same time Household was issuing such public denials regarding its predatory lending practices, defendants had also filed an injunction in Washington state court seeking to block the publication of the Washington DFI report that detailed Household's predatory tactics. Household characterized the Washington DFI report as a "draft" with "factual errors" that Household wanted to correct and tried to downplay the situation, stating, "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." Household admitted that 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."

On July 16, 2002, the Washington DFI announced that it had caused Household to return over $400,000 to over 1,000 Washington borrowers who were overcharged by the Company in connection with their real estate loans. On July 17, 2002, Household attempted to deflect attention from the very practices encouraged by the Company's corporate culture to drive its "record" results, stating that the overcharges were the result of simple computer system errors.

On July 26, 2002, Household again attempted to minimize exposure of its predatory lending practices. The Company told the *Bellingham Herald* it was "possible" that one or a small group of rogue employees isolated at one of its remote branches in Washington "may" have misrepresented mortgage terms to "some" Whatcom County homeowners who refinanced their home loans at the Company's Bellingham office, but continued to insist that the problems were limited to a single branch.

In addition to concealing its predatory practices, Household sought to conceal from investors the fact that the Company was engaged in settlement talks with the Multi-State Working Group. As late as September 2, 2002 and despite the fact that settlement talks had been ongoing for months, defendants falsely stated that they were not aware of any pending enforcement actions or settlement talks. During the settlement negotiations, moreover, Household sought to broker a deal concealing the extent of its practices from the public and minimize the impact of the Company's predatory practices on its stock price. As the Iowa Attorney General observed following a settlement meeting, Household was "very concerned about Wall Street reaction – very, very."

In addition to their attempts to conceal Household's predatory lending practices from investors, defendants sought to conceal internal documents related to its predatory lending practices. In early May 2001, facing lawsuits and increasing regulatory pressure for its deceptive sales practices, Household began a systematic destruction of incriminating documents. The "blitz purge" started with a May 7, 2001 directive to destroy "any old EZPay solicitations, communications or enrollment forms." Then, recognizing that "[u]nauthorized sales materials expose [Household] to significant risk," senior management issued an order to "[p]urge all unapproved sales materials." The list of approved materials, however, was not created until June 16, 2001 more than a month after the purge began.

On the same day the list of approved materials was distributed, Robert O'Han, Regional General Manager of HFC branches instructed his district general managers to hold a conference call "with every BMS and DSM" on Monday, June 18, 2001 to orchestrate the destruction of all unapproved sales materials by the "end of business" on Tuesday, June 19, 2001. O'Han emphasized the need for the document destruction to look like "a methodical review of in branch materials that companies do periodically" as opposed to a "fire drill."

On Monday, June 18, 2001, the district general managers confirmed that they would purge all unapproved sales materials from all branch offices by the close of business, at the latest, on Wednesday, June 20, 2001. As part of the purge, employees were directed to "delete all letters written to customers that were on [their] computers," including documents like HOLPs. On June 20, 2001, Household management decided to "delete reference to 'anything that could be perceived as predatory' and 'prepayment penalties.'" Among the evidence related to Household's predatory lending that was destroyed were paper copies of customer loan files. The shredded documents were hauled off in trucks.

Documents supporting the allegation set forth in ¶3 of the Complaint that "[D]efendants concealed that Household was engaged in a massive predatory lending scheme" include, but are not limited to, the following:

- Household International, Inc.'s Securities Exchange Commission filings during the Class Period
- Household Finance Corporation's Securities Exchange Commission filings during the Class Period
- News articles concerning Household International, Inc. published during and after the Class Period
- Analyst reports concerning Household International, Inc. published during the Class Period
- Household International, Inc. Press Releases published during the Class Period
- Transcripts of Household International, Inc. conference calls during the Class Period
- Deposition transcript of Lori Gale dated 1/28/2003
- Deposition transcript of Melissa Rutland-Drury dated 3/4/2003
- Deposition transcript of Kae Concannon dated 3/19/2003
- Deposition transcript of Robert O'Han dated 4/28/2005
- Deposition transcript of Robert O'Han taken by Lead Plaintiffs on 5/24/2006
- Deposition transcript of Celeste Murphy taken by Lead Plaintiffs on 4/11/2006
- Declaration of Melissa Rutland-Drury dated 2/21/2003
- 7/3/2002 e-mail from Kathleen Keest to David Huey (ATG), Chuck Cross (DFI), Sandra Kane, T. James, Herschel Elkins, Scott Borchert, Dan Gallatin, Benjamin Bruce, Robyn Smith, Lisa Landau, Mark Fleischer, Tynia Richard and A. Hampton re: Household International, Inc. meeting with Tom Miller
- HHS 02173881
- HHS 02190693
- HHS 02190693
- HHS 02190693-HHS 02190693
- HHS 02257720-HHS 02257724
- HHS 02375391
- HHS 02375391
- HHS 02484785-02485109
- HHS 02489539-HHS 02489260
- HHS 02489539-HHS 02489620
- HHS 02859564-HHS 02859578
- HHS 02859654-HHS 02859668
- HHS 02868113-HHS 02868115
- HHS 02868116
- HHS 02868116
- HHS 02868135
- HHS 02868137-47
- HHS 02868137-HHS 02868147
- HHS 02868221-HHS 02868228
- HHS 02868221-HHS 02868228

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- HHS 02868221-HHS 02868228
- HHS 02868781-HHS 02868794
- HHS 02880629-46
- HHS 02904703-HHS 02904717
- HHS 02907501-HHS 02907501
- HHS 02908986-91
- HHS 02908986-HHS 02908991
- HHS 02911562-63
- HHS 02911562-HHS 02911563
- HHS 02911611-02911612
- HHS 02911944-HHS 02911958
- HHS 02930634-38
- HHS 02953519
- HHS 02953523
- HHS-E 0012555
- HHS 02953523-HHS 02953523
- HHS 03149238
- HHS 03183240-59
- HHS 03183240-HHS 03183240
- HHS 03183240-HHS 03183240
- HHS 03208095-03208099
- HHS 03238038-39
- HHS 03238045-47
- HHS 03243940-HHS 03243954
- HHS 03289225-31
- HHS-E 0013819

Lead Plaintiffs note that they are presently unaware of documents or other facts that refute the allegation set forth in ¶3 of the Complaint.

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Catherine A. Ghiglieri dated August 15, 2007, her Rebuttal Report dated February 1, 2008, and all documents referenced therein. Ms. Ghiglieri's reports describe, *inter alia*, Household's public relations campaign to deny and distract attention from, rather than correct, the Company's predatory lending practices.

INTERROGATORY NO. 34 [9]:

Define "illegal predatory lending" as that term is used by Plaintiffs in the Complaint and identify any practice, procedure, or other activity Plaintiffs contend constitute "illegal predatory lending."

RESPONSE TO INTERROGATORY NO. 34 [9]:

Lead Plaintiffs hereby incorporate all the General Objections above, as if set forth fully herein. Lead Plaintiffs further object to this interrogatory as compound. Lead Plaintiffs further object to this interrogatory because it is vague, ambiguous, overly broad, unintelligible and fails to state with sufficient particularity the information to be provided. Subject to and specifically incorporating the foregoing General and Specific Objections and without waiving them, Lead Plaintiffs respond to this interrogatory as follows:

In addition to the above, Lead Plaintiffs incorporate by reference and identify the Expert Report of Daniel R. Fischel dated August 15, 2007, his Rebuttal Report dated February 1, 2008, and all documents referenced therein. Mr. Fischel's reports discuss, *inter alia*, partial disclosures during 2002 concerning Household's fraud. Lead Plaintiffs also incorporate by reference their Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order and Further Supplement to Its Prior Statements Regarding Damages of February 1, 2008.

INTERROGATORY NO. 113 [28]:

Identify all documents referred to and each person consulted with, or that participated in, preparing Plaintiffs' answers to these interrogatories.

RESPONSE TO INTERROGATORY NO. 113 [28]:

Lead Plaintiffs hereby incorporate the General Objections above as if set forth fully herein. Lead Plaintiffs further object to this interrogatory on the grounds that it is vague, ambiguous, overly broad and unduly burdensome. Lead Plaintiffs further object to this interrogatory because it seeks information that is neither relevant, nor reasonably calculated to lead to the discovery of admissible evidence. Lead Plaintiffs also object to this interrogatory because it is invasive of the attorney-client relationship and calls for disclosure of information protected by the attorney work-product doctrine and/or the attorney-client privilege.

DATED: February 1, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
AZRA Z. MEHDI (90785467)
D. CAMERON BAKER (154452)
LUKE O. BROOKS (90785469)
JASON C. DAVIS (4165197)

Azra Mehdi

AZRA Z. MEHDI

CERTIFICATE OF SERVICE

I hereby certify that on March 28, 2014, I authorized the electronic filing of the foregoing with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit by using the CM/ECF system. I further certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

s/ Michael J. Dowd
MICHAEL J. DOWD
Lead Counsel for Plaintiffs-Appellees