

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

_____)		
))		
LAWRENCE E. JAFFE PENSION PLAN, ON))	
BEHALF OF ITSELF AND ALL OTHERS SIMILARLY))	
SITUATED,))	Lead Case No. 02-C-5893 (Consoli-
))	dated)
Plaintiffs,))	
))	CLASS ACTION
- against -))	
))	Judge Ronald A. Guzman
HOUSEHOLD INTERNATIONAL, INC., ET AL.,))	
))	
Defendants.))	
_____)		

DECLARATION OF DAVID OWEN IN FURTHER
SUPPORT OF

DEFENDANTS' MOTION *IN LIMINE* TO EXCLUDE OR
LIMIT 14 CATEGORIES OF EVIDENCE

AND

DEFENDANTS' MOTION PURSUANT TO FED. R. CIV. P. 37(C) TO
EXCLUDE THE TESTIMONY OF JAMES C. BERNSTEIN

REDACTED VERSION

** CERTAIN EXHIBITS FILED UNDER SEAL LOCAL RULE 26.2 **

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

I, DAVID OWEN, declare as follows:

1. I am a member of the bar of the State of New York and a member of the firm Cahill Gordon & Reindel LLP, attorneys for Household International, Inc., William F. Aldinger,

David A. Schoenholz and Gary Gilmer, Defendants in this action. I have been admitted *pro hac vice* to appear before the Court in this action. I submit this declaration to place before the Court certain information and documents referenced in Defendants' Reply Memorandum of Law in Further Support of Their Omnibus Motion *In Limine* to Exclude or Limit 14 Categories of Evidence and Defendants' Reply Memorandum of Law in Further Support of Their Motion Pursuant to Fed. R. Civ. P. 37(c) to Exclude the Testimony of James C. Bernstein.

2. Attached hereto as Exhibit 1 is a true and correct excerpt of the Transcript of the Deposition of William F. Aldinger, taken on January 29, 2007.

3. Attached hereto as Exhibit 2 is a true and correct excerpt of the Transcript of the Deposition of Gary Gilmer, taken on January 11, 2007.

4. Attached hereto as Exhibit 3 is a true and correct copy of the document bearing production control numbers HHS 02904751-752 produced in this litigation.

5. Attached hereto as Exhibit 4 is a true and correct excerpt of the Transcript of the Deposition of Todd May, taken on May 1, 2007.

6. Attached hereto as Exhibit 5 is a true and correct copy of the document bearing production control number HHS 01805712 produced in this litigation.

7. Attached hereto as Exhibit 6 is a true and correct excerpt of the Transcript of the Deposition of Charles Cross in *Luna v. Household Finance Corporation*, taken on December 19, 2002 and February 4, 2003.

7. Attached hereto as Exhibit 7 is a true and correct excerpt of the Transcript of the Deposition of David A. Schoenholz, taken on February 28, 2007.

8. Attached hereto as Exhibit 8 is a true and correct copy of Lead Plaintiffs' Notice Concerning Expert Testimony Pursuant to the Court's February 26, 2008 Order, dated February 27, 2008.

9. Attached hereto as Exhibit 9 is a true and correct copy of the documents bearing production control numbers HHS 02904675-676 produced in this litigation.

10. Attached hereto as Exhibit 10 is a true and correct excerpt of the Transcript of the Deposition of Harris L. Devor, taken on February 20, 2008.

11. Attached hereto as Exhibit 11 is a true and correct copy of the documents bearing production control numbers HHS-ED 016421-432 produced in this litigation.

12. Attached hereto as Exhibit 12 is a true and correct excerpt of the Expert Witness Report of Catherine A. Ghighlieri, which was served upon Defendants by Plaintiffs in this action on August 15, 2007.

Executed this 13th day of February, 2009, in New York, New York.

/s/ David Owen
David Owen

EXHIBIT 1

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<p>IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION</p> <p>LAWRENCE E. JAFFE PENSION PLAN, on behalf of Itself and All Others Similarly Situated, Plaintiffs,</p> <p>CASE NO. 02 C 5893</p> <p>vs.</p> <p>HOUSEHOLD INTERNATIONAL, INC., et al.,</p> <p>Defendants.</p> <p>---oOo---</p> <p>VIDEOTAPED DEPOSITION OF WILLIAM F. ALDINGER Volume I (Pages 1 - 270) Monday, January 29, 2007 ---oOo---</p> <p>SHEILA CHASE & ASSOCIATES REPORTING FOR: LiveNote World Service 221 Main Street, Suite 1250 San Francisco, California 94105 Phone: (415) 321-2300 Fax: (415) 321-2301</p> <p>Reported by: LORRIE L. MARCHANT, CSR, RPR, CRR, CLR CSR No. 10523</p>		<p>I N D E X INDEX OF EXAMINATION</p> <table border="0"> <tr> <td>EXAMINATION BY MR. BAKER</td> <td>PAGE</td> </tr> <tr> <td>INDEX OF EXHIBITS</td> <td>17</td> </tr> <tr> <td>DESCRIPTION</td> <td>PAGE</td> </tr> <tr> <td>Exhibit 1 Copy of deposition of William Aldinger, dated 12/18/2003, Bates-stamped HHS 03189521 - HHS 03189562, 42 pages</td> <td>17</td> </tr> <tr> <td>Exhibit 2 Document entitled "Employment Agreement," Bates-stamped HHS 03103334 - HHS 03103350, 17 pages</td> <td>28</td> </tr> <tr> <td>Exhibit 3 Document entitled "Employment Agreement, Execution Copy," Bates-stamped HSBC 003721 - HSBC 003734, 14 pages</td> <td>28</td> </tr> <tr> <td>Exhibit 4 Memo to Gary Gilmer from David Schoenholz, dated 7/25/2000, subject: Financial Targets 2001 Through 2003, Bates-stamped HHS 02913498 - HHS 02913504, 7 pages</td> <td>32</td> </tr> <tr> <td>Exhibit 5 Document entitled "1999 Strategic Plan, Business Unit Session I Meetings, September/October 1998," Bates-stamped HHS 03064812 - HHS 03064891, 80 pages</td> <td>36</td> </tr> <tr> <td>Exhibit 6 Document entitled "HFC/Beneficial Session I Plan," dated 9/22/1998, Bates-stamped HHS 02860069 - HHS 002860122, 54 pages</td> <td>39</td> </tr> <tr> <td>Exhibit 7 Memo to All U.S. Consumer Finance Sales Employees from Gary Gilmer, dated 11/3/98, subject: 1999 Sales Compensation Plan, Bates-stamped HHS 03072056, 1 page</td> <td>40</td> </tr> </table>		EXAMINATION BY MR. BAKER	PAGE	INDEX OF EXHIBITS	17	DESCRIPTION	PAGE	Exhibit 1 Copy of deposition of William Aldinger, dated 12/18/2003, Bates-stamped HHS 03189521 - HHS 03189562, 42 pages	17	Exhibit 2 Document entitled "Employment Agreement," Bates-stamped HHS 03103334 - HHS 03103350, 17 pages	28	Exhibit 3 Document entitled "Employment Agreement, Execution Copy," Bates-stamped HSBC 003721 - HSBC 003734, 14 pages	28	Exhibit 4 Memo to Gary Gilmer from David Schoenholz, dated 7/25/2000, subject: Financial Targets 2001 Through 2003, Bates-stamped HHS 02913498 - HHS 02913504, 7 pages	32	Exhibit 5 Document entitled "1999 Strategic Plan, Business Unit Session I Meetings, September/October 1998," Bates-stamped HHS 03064812 - HHS 03064891, 80 pages	36	Exhibit 6 Document entitled "HFC/Beneficial Session I Plan," dated 9/22/1998, Bates-stamped HHS 02860069 - HHS 002860122, 54 pages	39	Exhibit 7 Memo to All U.S. Consumer Finance Sales Employees from Gary Gilmer, dated 11/3/98, subject: 1999 Sales Compensation Plan, Bates-stamped HHS 03072056, 1 page	40														
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1 Q. At any point in time in that -- well, in that
 2 period, did someone ask you whether you would favor
 3 bringing legal action against ACORN?
 4 A. I don't recall that question being raised to
 5 me.
 6 Q. Okay. Do you recall considering whether to
 7 pursue legal action against ACORN?
 8 A. I don't recall any specific actions. I recall
 9 being very frustrated by ACORN, but I think this
 10 accurately describes their misbehavior and -- and
 11 misrepresentation of the facts, and it was very
 12 frustrating. But I don't remember what -- anything
 13 about a legal action.
 14 Q. Do you recall -- this document refers about
 15 a -- a proposed high-level meeting to deal with ACORN.
 16 Do you recall such a meeting?
 17 A. I do not.
 18 Q. Do you recall whether there was a decision made
 19 in this time period to increase the -- increase
 20 Household's own public relations campaign against ACORN?
 21 A. I -- I don't remember whether we made a
 22 decision, which way we decided to go.
 23 I reiterate that I was very frustrated with
 24 ACORN. They're one of the most dishonest people I've
 25 ever met in my life. And as I mentioned before, they've

1 been accused of voter fraud.
 2 And it was frustrating to have to live to a
 3 high standard and be shot at by people who are
 4 dishonest, disreputable and have no regard for the
 5 facts.
 6 How we responded, it clearly wasn't good enough
 7 because we didn't get the right outcome here.
 8 Q. Did you ever meet with any of the ACORN people
 9 yourself?
 10 A. I did meet with them once.
 11 Q. Which ones did you meet with?
 12 A. I believe I met Mike Shea once.
 13 (Reporter clarification.)
 14 THE WITNESS: Mike Shea, I believe.
 15 BY MR. BAKER: Q. Mike Shea?
 16 A. I believe.
 17 Q. And did you form an opinion that he was
 18 dishonest as a basis on that meeting?
 19 A. I -- I think -- I don't recall the specifics of
 20 the meeting. My view is their tactics were not
 21 honorable. They were not accurate in the facts that
 22 they portrayed to the public. I didn't think they were
 23 good people. They weren't looking to compromise, in my
 24 view. I didn't have a constructive relationship with
 25 them, period.

1 Q. Have you ever heard of the rapid response team
 2 or the RRT?
 3 A. I don't recall that.
 4 Q. Okay. Do you recall a team being formed in
 5 this time period to respond to customer inquiries from
 6 the media and other parties?
 7 A. No. But it sounds like a good idea to me.
 8 Q. Okay. Do you have any recollection as to
 9 whether you were asked about whether it would be a good
 10 idea to form this team?
 11 A. I don't have any recollection whether they
 12 asked me or not.
 13 MR. BAKER: Let's mark this next in order.
 14 (Marked for identification purposes,
 15 Exhibit 38.)
 16 BY MR. BAKER: Q. The question I am going to
 17 ask you, which is near and dear to your counsel's heart,
 18 is do you recognize this document?
 19 A. This document?
 20 Q. Yes. Exhibit 38.
 21 MR. KAVALER: The only thing you will ever say
 22 that is near and dear to my heart, Mr. Baker, is we're
 23 finished with this deposition.
 24 THE WITNESS: I do not. My name isn't on it,
 25 and my handwriting is not on it. I don't remember -- I

1 don't -- I don't ever remember seeing this document.
 2 BY MR. BAKER: Q. Okay. If I could direct
 3 your attention to the -- the paragraph on the bottom
 4 here of the text. It's in brackets.
 5 Do you see that? It starts, please note that.
 6 Could you read that?
 7 A. Yes, I can read it.
 8 Okay. I've read it.
 9 Q. Okay. Have you ever heard of the effective
 10 rate issue that's described in this paragraph before?
 11 A. I may have at the time. I don't recall it
 12 today.
 13 Q. Do you recall ever learning that there had been
 14 an investigation into effective rate complaints?
 15 A. No. I remember investigating some sales
 16 tactics we had, and we talked about that earlier today.
 17 But that's all. No details.
 18 Q. Did you ever hear that there had been issue
 19 with the branch sales offices -- branch sales office in
 20 Bellingham, Washington?
 21 A. Yes.
 22 Q. Okay. And did you understand that Household
 23 did undertake an investigation into that --
 24 A. I did, yes.
 25 Q. Okay.

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1 A. And that's what I was referring to, I think.
 2 Q. Okay. Did you ever learn that there had been
 3 investigations into other branch offices other than that
 4 one?
 5 A. There may have been investigations into other
 6 branch offices, but I go back to what I said to you at
 7 the very beginning. The company sets the tone at the
 8 top. We have 1500 branches out there. Ten- or 12,000
 9 salespeople, whatever the number is.
 10 And the fact that 20 salespeople out of there
 11 don't do the right thing is not indicative of a company
 12 supporting that. And when we found out about it, we
 13 investigated it, we acted upon it, we moved forward. So
 14 I'm not sure where we're going with this.
 15 Q. Did you ever feel it was important for you, as
 16 the head of the company, to set a clear tone by issuing
 17 a clear directive on these issues?
 18 A. I think I was pretty clear with my direct
 19 reports, including Gary, that they had to be sure they
 20 fixed the problems when we found them. And I expected
 21 at their level they would do that. And they had -- they
 22 had downsides to that if they didn't.
 23 But I don't go out and over their head, do
 24 memos to people.
 25 Q. Okay. As you sit here today, do you believe

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1 (Marked for identification purposes,
 2 Exhibit 40.)
 3 THE WITNESS: Okay. I've read it.
 4 BY MR. BAKER: Q. If I could direct your
 5 attention -- well, do you recall receiving a copy of
 6 this letter?
 7 A. I do not.
 8 Q. Okay. If I could direct your attention to the
 9 third -- I'm sorry, it's the -- yeah, the third page in.
 10 Bates numbering ending in 09.
 11 A. Zero nine?
 12 Q. Zero nine. It's going to run on -- onto the
 13 next page, so you're in the right general portion.
 14 There's a no response section.
 15 Do you see that?
 16 A. M-hm.
 17 Q. At the very bottom, it says --
 18 A. Right.
 19 Q. -- one of the things he asserts is that -- and
 20 this is a letter from Mr. Shea. He asserts that there
 21 was no response made to the proposal for procedures,
 22 quote, for reviewing and making whole ACORN members and
 23 other Household borrowers, borrowers whom have contacted
 24 us with legitimate claims of harm as a result of a
 25 Household loan.

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1 that Mr. Gilmer did a good job of controlling predatory
 2 lending within his organization?
 3 A. I think he did. Absolutely. Because he didn't
 4 do predatory lending.
 5 MR. BAKER: Let's mark this next in order.
 6 (Marked for identification purposes,
 7 Exhibit 39.)
 8 BY MR. BAKER: Q. Okay. Mr. Aldinger, I'm
 9 going to direct your attention to the -- the third
 10 through -- third page through the end, which I
 11 understand to be the draft proposed Memorandum of
 12 Understanding from ACORN.
 13 Could you look at it and let me know if you
 14 recognize this document.
 15 MR. BAKER: Sure. Why don't you go ahead.
 16 THE VIDEOGRAPHER: Here marks the end of
 17 Videotape No. 2 in the deposition of William Aldinger.
 18 We're off the record at 1:43.
 19 (Recess taken, from 1:43 to 1:44.)
 20 THE VIDEOGRAPHER: Here marks the beginning of
 21 Videotape No. 3 in the deposition of William Aldinger.
 22 We're back on the record at 1:44.
 23 THE WITNESS: I have not seen this document
 24 before.
 25 MR. BAKER: Let's mark this next in order.

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1 MR. KAVALER: You read part of the sentence or
 2 part of the paragraph, Mr. Baker.
 3 MR. BAKER: You're right, I did.
 4 MR. KAVALER: There's another portion. I think
 5 you need it to put it in context and make it fair.
 6 MR. BAKER: Well, if he wants to read it, he --
 7 MR. KAVALER: Well, he can read it. But your
 8 creating a record. If you're intention is to deceive
 9 future readers of the record, you're doing a very good
 10 job.
 11 If, on the other hand, your intention is
 12 openness and fairness and transparency, I would assume
 13 you would read the second half, which says, I understand
 14 that Household will announce a financial rescue fund on
 15 Monday, so perhaps that's how you intend to address
 16 this.
 17 But if you want to leave that out and create a
 18 false impression, it's your record. I guess you can do
 19 so.
 20 MR. BAKER: Why don't you wait until I've asked
 21 my question before you characterize it, Mr. Kavalier.
 22 MR. KAVALER: Because I'm a big believer in
 23 fairness, Mr. Baker.
 24 BY MR. BAKER: Q. Okay. So the question is
 25 why didn't Household respond to that proposal?

1 CERTIFICATE OF WITNESS

2

3 I, the undersigned, declare under penalty of

4 perjury that I have read the foregoing transcript, and I

5 have made any corrections, additions, or deletions that

6 I was desirous of making; that the foregoing is a true

7 and correct transcript of my testimony contained

8 therein.

9

10 EXECUTED this _____ day of _____,

11 20____, at _____,

12 (city) (State)

13

14

15 _____

16 WILLIAM F. ALDINGER

17

18

19

20

21

22

23

24

25

1 CERTIFICATE OF DEPOSITION OFFICER

2 I, LORRIE L. MARCHANT, RPR, CRR, CSR NO. 10523,

3 duly authorized to administer oaths pursuant to Section

4 8211 of the California Code of Civil Procedure, hereby

5 certify that the witness in the foregoing deposition

6 was by me sworn to testify to the truth, the whole truth

7 and nothing but the truth in the within-entitled cause;

8 that said deposition was taken at the time and place

9 therein stated; that the testimony of said witness was

10 reported by me and was thereafter transcribed by me or

11 under my direction by means of computer-aided

12 transcription; that the foregoing is a full, complete

13 and true record of said testimony; and that the witness

14 was given an opportunity to read and correct said

15 deposition and to subscribe same.

16 I further certify that I am not of counsel or

17 attorney for either or any of the parties in the

18 foregoing deposition and caption named, nor in any way

19 interested in the outcome of the cause named in said

20 caption.

21 IN WITNESS WHEREOF, I have hereunto subscribed

22 by my hand this _____ day of _____, 2007.

23

24 _____

25 LORRIE L. MARCHANT, RPR, CRR, CSR NO. 10523

EXHIBIT 2

Gilmer, Gary - Volume I

1/11/2007

Page 1	Page 2																												
<p style="text-align: center;">IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION</p> <p>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.,) Defendants.) Volume 1</p> <p>The videotaped deposition of GARY GILMER, taken before Richard H. Dagdigian, Illinois CSR No. 084-000035, Notary Public, Cook County, Illinois, pursuant to the Federal Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, at Suite 3200, 30 North LaSalle Street, Chicago, Illinois, commencing at 9:06 a.m. on the 11th day of January 2007.</p>	<p>1 APPEARANCES:</p> <p>2 LERACH, COUGHLIN, STOIA, GELLER, 3 RUDMAN & ROBBINS, LLP, by: 4 MR. D. CAMERON BAKER, 5 100 Pine Street, Suite 2600 6 San Francisco, California 94111 7 (415) 288-4545 8 E-mail: cbaker@lerachlaw.com 9 and 10 MILLER LAW LLC, by: 11 MS. LORI FANNING, 12 101 North Wacker Drive, Suite 2010 13 Chicago, Illinois 60606 14 (312) 525-8318 15 on behalf of the plaintiffs; 16 17 18 19 20 21 22 23 24</p>																												
Page 3	Page 4																												
<p>1 APPEARANCES: (Cont'd)</p> <p>2 CAHILL, GORDON & REINDEL, LLP, by:</p> <p>3 MR. DAVID R. OWEN, 4 MS. LANDIS C. BEST, 5 MS. KIM A. SMITH, 6 MS. ELIZABETH TUCULESCU, 7 80 Pine Street 8 New York, New York 10005 9 (212) 701-3000 10 E-mail: ddown@cahill.com 11 on behalf of the defendants.</p> <p>12 ALSO PRESENT:</p> <p>13 MR. JAMES MUNKACSY, Legal Videographer;</p> <p>14 15 MR. KENNETH ROBIN, 16 General Counsel, 17 HSBC - North America; 18 MS. DONNA L. MARKS, 19 Associate General Counsel, 20 HSBC - North America. 21 22 23 24</p>	<p style="text-align: center;">I N D E X</p> <p>1 January 11, 2007</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;">THE WITNESS</td> <td style="width: 50%; vertical-align: top;">EXAMINATION BY COUNSEL FOR PLAINTIFFS DEFENDANTS</td> </tr> <tr> <td style="vertical-align: top;">GARY GILMER (By Mr. Baker)</td> <td style="vertical-align: top;">16</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">GILMER DEPOSITION EXHIBITS</th> </tr> <tr> <th style="text-align: left;">NUMBER</th> <th style="text-align: left;">DESCRIPTION</th> <th style="text-align: right;">PAGE</th> </tr> </thead> <tbody> <tr> <td>10 Exhibit 1</td> <td>3/5/03 SEC Transcript of Gary Gilmer</td> <td style="text-align: right;">18</td> </tr> <tr> <td>12 Exhibit 2</td> <td>Gary Gilmer Work History and Org. Charts</td> <td style="text-align: right;">23</td> </tr> <tr> <td>14 Exhibit 3</td> <td>Multi-page document titled "Capturing Profit Improvement Opportunities at Beneficial"</td> <td style="text-align: right;">33</td> </tr> <tr> <td>16 Exhibit 4</td> <td>Multi-page document titled "Employment Agreement"</td> <td style="text-align: right;">65</td> </tr> <tr> <td>18 Exhibit 5</td> <td>Memo dated 1/30/01 from Bill Aldinger to Gary Gilmer</td> <td style="text-align: right;">67</td> </tr> <tr> <td>20 Exhibit 6</td> <td>Document titled "Proposed Bonus Pool Concept"</td> <td style="text-align: right;">68</td> </tr> </tbody> </table> <p>21 22 23 24</p>	THE WITNESS	EXAMINATION BY COUNSEL FOR PLAINTIFFS DEFENDANTS	GARY GILMER (By Mr. Baker)	16	GILMER DEPOSITION EXHIBITS			NUMBER	DESCRIPTION	PAGE	10 Exhibit 1	3/5/03 SEC Transcript of Gary Gilmer	18	12 Exhibit 2	Gary Gilmer Work History and Org. Charts	23	14 Exhibit 3	Multi-page document titled "Capturing Profit Improvement Opportunities at Beneficial"	33	16 Exhibit 4	Multi-page document titled "Employment Agreement"	65	18 Exhibit 5	Memo dated 1/30/01 from Bill Aldinger to Gary Gilmer	67	20 Exhibit 6	Document titled "Proposed Bonus Pool Concept"	68
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Pages 1 to 4

<p style="text-align: right;">Page 273</p> <p>1 But focusing on that, and again -- does 2 this refresh your recollection that there was a 3 discussion around Christmas of 2001 about providing 4 EZPay for free? 5 A No, it does not. 6 Q Okay. 7 (Gilmer Deposition Exhibit 8 No. 66 was marked as 9 requested.) 10 BY MR. BAKER: 11 Q Can I direct your attention to the second 12 page of this document, the heading "Collections", do 13 you see that? 14 A I do. 15 Q Okay. And do you see in the middle of the 16 second line of that first paragraph, there is a 17 reference to a "grace period adjustment"? 18 Do you see that? 19 A Yes, I see that paragraph. 20 Q Okay. What is your understanding of the 21 grace period adjustment that was made to delinquency 22 calculations? 23 MR. OWEN: I object to the form of the 24 question. Are you representing to the witness that</p>	<p style="text-align: right;">Page 274</p> <p>1 an adjustment was made? 2 A I don't recollect that an adjustment was 3 made. 4 BY MR. BAKER: 5 Q Was there ever a grace period adjustment 6 made to delinquency numbers? 7 A Ever meaning -- 8 Q Well, during -- I'm sorry, the memo that we 9 are looking at is dated in 2000. 10 Do you recall such adjustment being made in 11 calendar year 2000, 2001, 2002? 12 A No, I do not. 13 Q Okay. Do you recall if the Consumer 14 Lending Business Unit ever used grace periods? 15 A Ever used a grace period? 16 Q Yes. I should again focus in 1999 to 2002. 17 MR. OWEN: I object to the form of the 18 question. A grace period adjustment or a grace 19 period? 20 BY MR. BAKER: 21 Q A grace period. 22 A I believe that throughout my career, all of 23 our contracts called for some grace period. 24 Q And just for the record, can you explain</p>
<p style="text-align: right;">Page 275</p> <p>1 what a grace period is? 2 A A grace period would be a period of time 3 which extended beyond a due date, during which time 4 if the customer should make a payment during that 5 period of time, then the customer would -- could do 6 so without suffering any late charge penalty. 7 Q Do you recall if there was any adjustment 8 made to the days allotted within the grace period 9 during calendar years 1999 to 2002? 10 A No, I don't remember that. 11 Q Do you remember what the number of days 12 allotted within the grace period was within this 13 timeframe? 14 A I remember -- at least the best I recall, 15 the grace period would be established by product, so 16 that one product would have a grace period of a 17 certain set of days, and another product would have a 18 different grace period. 19 Now, within that answer, it's also, I 20 believe, correct to say that the grace periods may 21 well have been mandated by state law. 22 I don't know that we would always have 23 established unilaterally a grace period. 24 (Gilmer Deposition Exhibit</p>	<p style="text-align: right;">Page 276</p> <p>1 No. 67 was marked as 2 requested.) 3 BY MR. BAKER: 4 Q Can I direct you to the first page here, 5 the second paragraph, first sentence: "A number of 6 reports were produced" -- "A number of reports were 7 produced for QAC to be used in detection of fraud". 8 Do you see that? 9 A Yes, I do. 10 Q Do you recall reviewing those reports? 11 A No, I do not. 12 Q Okay. Do you recall if at this time, the 13 QAC was doing any work for detection of potential 14 predatory lending? 15 MR. OWEN: I object to the form of the 16 question. 17 A I mean, I don't recall one way or the 18 other. 19 BY MR. BAKER: 20 Q Do you recall ever directing or asking that 21 someone who reported to you direct that QAC 22 investigate potential predatory lending? 23 A Do I recall instructing someone to 24 investigate predatory lending?</p>

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1/11/2007

Page 277	Page 278
<p>1 Q QAC.</p> <p>2 A QAC?</p> <p>3 Q Specifically, whether you did it or you</p> <p>4 said talk to one of your direct reports and ask them</p> <p>5 to do it.</p> <p>6 MR. OWEN: I object to the form of the</p> <p>7 question.</p> <p>8 A No, I don't remember specifically doing</p> <p>9 that. But it certainly would not be unreasonable to</p> <p>10 believe that I might have asked a question about an</p> <p>11 allegation of some sort.</p> <p>12 In fact, I probably would have done that in</p> <p>13 the course of business.</p> <p>14 (Gilmer Deposition Exhibit</p> <p>15 No. 68 was marked as</p> <p>16 requested.)</p> <p>17 BY MR. BAKER:</p> <p>18 Q Again, this is your signature on the first</p> <p>19 page of this document?</p> <p>20 A That is correct.</p> <p>21 Q Okay. If I could direct your attention to</p> <p>22 the second page under "Receivables Growth"?</p> <p>23 A Okay. I'm on that page.</p> <p>24 Q What does the term "Receivables Growth"</p>	<p>1 refer to?</p> <p>2 A Generally, it refers to growth in the</p> <p>3 dollar value of the portfolio under management from</p> <p>4 one time period to another time period.</p> <p>5 Q Is that the same as loan account growth?</p> <p>6 A Yes, the terms would be interchangeable.</p> <p>7 (Gilmer Deposition Exhibit</p> <p>8 No. 69 was marked as</p> <p>9 requested.)</p> <p>10 BY MR. BAKER:</p> <p>11 Q Mr. Gilmer, if I could direct your</p> <p>12 attention to the third page of this document, the</p> <p>13 section entitled "NIM versus Benchmark", do you see</p> <p>14 that?</p> <p>15 A Yes, I do.</p> <p>16 Q What does "NIM" refer to?</p> <p>17 MR. OWEN: Let's get on the same page as you.</p> <p>18 MR. BAKER: The third page in.</p> <p>19 MR. OWEN: Oh, we have a new exhibit, I see.</p> <p>20 69.</p> <p>21 A The acronym, I believe, stands for net</p> <p>22 interest margin.</p> <p>23 BY MR. BAKER:</p> <p>24 Q Okay. And do you recall why there would be</p>
<p>Page 279</p> <p>1 a comparison of the NIM versus Benchmark?</p> <p>2 A No, I don't.</p> <p>3 Q Okay. As you sit here today, do you recall</p> <p>4 whether a figure over 100 percent in net percentage</p> <p>5 was good or bad from a financial perspective for</p> <p>6 Household?</p> <p>7 A No, I don't know.</p> <p>8 MR. BAKER: Let's mark this next in order.</p> <p>9 (Gilmer Deposition Exhibit</p> <p>10 No. 70 was marked as</p> <p>11 requested.)</p> <p>12 BY MR. BAKER:</p> <p>13 Q I direct your attention to the third page</p> <p>14 of this document.</p> <p>15 A Okay, I'm there.</p> <p>16 Q The page is labeled "Page 2".</p> <p>17 A Okay. I think I'm on the right page.</p> <p>18 Would that be number 77?</p> <p>19 Q Yes, it starts with "NIM" up on the top.</p> <p>20 A Right.</p> <p>21 Q And that section, being the second</p> <p>22 sentence, says, "In preparation for the elimination</p> <p>23 of margin pricing" -- do you see that?</p> <p>24 A I do.</p>	<p>Page 280</p> <p>1 Q What can you tell me about margin pricing</p> <p>2 that Household was using during calendar year 2000?</p> <p>3 A I recall the term margin pricing, Mr.</p> <p>4 Baker, but I don't remember what it meant.</p> <p>5 Q Okay. Let's mark this next in order.</p> <p>6 (Gilmer Deposition Exhibit</p> <p>7 No. 71 was marked as</p> <p>8 requested.)</p> <p>9 BY MR. BAKER:</p> <p>10 Q Steve Nesbitt was one of your direct</p> <p>11 reports, is that correct?</p> <p>12 A That is correct.</p> <p>13 Q And he was in charge of Human Resources</p> <p>14 within the Consumer Lending Business Unit, is that</p> <p>15 correct also?</p> <p>16 A That is correct.</p> <p>17 Q Okay. And Mr. Nesbitt also provided you</p> <p>18 with a monthly report, is that correct?</p> <p>19 A Generally he would have, that is correct.</p> <p>20 Q Okay. And if I could turn your attention</p> <p>21 to the second page of this document, there is a</p> <p>22 section entitled "Compensation Plan", do you see</p> <p>23 that?</p> <p>24 A Yes, I do.</p>

Pages 277 to 280

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<p style="text-align: right;">Page 591</p> <p>1 (Whereupon, at 6:43 p.m., the 2 signature of the witness having 3 been reserved, the witness being 4 present and consenting thereto, 5 the taking of the instant 6 deposition ceased.) 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 592</p> <p>1 FOR THE NORTHERN DISTRICT OF ILLINOIS 2 EASTERN DIVISION 3 4 LAWRENCE E. JAFFE PENSION PLAN,) 5 on behalf of Itself and All) 6 Others Similarly Situated,) 7 Plaintiffs,) 8 vs.) No. 02 C 5893 9 HOUSEHOLD INTERNATIONAL, INC.,) 10 et al.,) 11 Defendants.) 12 13 I, GARY GILMER, state that I have read the 14 foregoing transcript of the testimony given by me at 15 my deposition on the 11th and 12th days of January 16 2007, and that said transcript constitutes a true and 17 correct record of the testimony given by me at 18 19 20 21 22 23 24</p>
<p style="text-align: right;">Page 593</p> <p>1 said deposition except as I have so indicated on 2 the errata sheets provided herein. 3 4 _____ 5 THOMAS DETELICH 6 7 No corrections (Please initial) _____ 8 Number of errata sheets submitted _____ (pgs) 9 10 SUBSCRIBED AND SWORN TO 11 before me this ____day 12 of _____, 200__. 13 14 _____ 15 NOTARY PUBLIC 16 17 18 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 594</p> <p>1 STATE OF ILLINOIS) 2) SS: 3 COUNTY OF C O O K) 4 5 I, RICHARD H. DAGDIGIAN, Illinois CSR No. 6 084-000035, Registered Professional Reporter and 7 Notary Public in and for the County of Cook, State of 8 Illinois, do hereby certify that previous to the 9 commencement of the examination, said witness was 10 duly sworn by me to testify the truth; that the said 11 deposition was taken at the time and place aforesaid; 12 that the testimony given by said witness was reduced 13 to writing by means of shorthand and thereafter 14 transcribed into typewritten form; and that the 15 foregoing is a true, correct, and complete transcript 16 of my shorthand notes so taken as aforesaid. 17 I further certify that there were present at 18 the taking of the said deposition the persons and 19 parties as indicated on the appearance page made a 20 part of this deposition. 21 I further certify that I am not counsel for 22 nor in any way related to any of the parties to this 23 suite, nor am I in any way interested in the outcome 24 thereof.</p>

EXHIBIT 3



2700 Sanders Road
Prospect Heights, IL 60070

News Release

Household Responds To California Department Of Corporations' Lawsuit

Prospect Heights, IL – November 15, 2001 - Household International, the nation's oldest consumer lender, made the following statement today regarding a lawsuit filed against the company by the California Department of Corporations:

"Household was recently made aware that the California Department of Corporations has filed a lawsuit claiming that the company has engaged in 'willful' lending violations. The company 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.

"During a routine examination by the Department of Corporations in 1998 it was discovered that some HFC customers were being overcharged up to \$25 on the standard administrative fee. When this error was discovered, affected customers were reimbursed, and Household implemented manual controls to address this issue, pending a permanent systems solution.

"During a routine examination by the Department of Corporations in 2000 it was discovered that some HFC and Beneficial customers were being overcharged on certain fees.

"Household, in full compliance with the Department's instructions, conducted a thorough self-audit to identify any additional customers who may have also received incorrect charges. Following that review, the company promptly issued a full refund to affected customers in California, the vast majority of whom have small unsecured loans. This audit revealed that these errors were overwhelmingly caused by issues relating to the systems conversion during the Beneficial acquisition. Household immediately implemented systems and manual controls to prevent future errors.

"Household's corrective actions resulted in a June 19, 2001, press release issued by the Department of Corporations commending Household for its 'commitment to fully refund their customers.'

More-

HHS 02904751

“Household is extremely surprised by the Department’s recent actions, especially its assumption that ethnic minorities were disadvantaged as a result of these overcharges. In accordance with all fair lending laws, lenders cannot collect ethnic or racial data on loans of this type, thus the Department’s assertion cannot be based on fact.”

About Household


Household’s businesses are leading providers of consumer loan, credit card, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household’s largest business, founded in 1878, operates under the two oldest and most widely recognized names in consumer lending - HFC and Beneficial. Household is also one of the nation’s largest issuers of private-label and general-purpose credit cards, including The GM Card® and the AFL-CIO’s Union Plus® card. For more information, visit the company’s Web site at <http://www.household.com>.

###

EXHIBIT 4

Restricted Document Pursuant To L.R. 26.2
Filed Under Seal Pursuant To The Protective Order
Dated November 5, 2004 And The Minute Order
Dated October 10, 2006

EXHIBIT 5

HOUSEHOLD  **Leslie J. Miller**
07/24/2002 09:50 AM

To: Jennifer A. Strybel/US/Household@HFN, Daniel J.
Pantelis/Household International@HFN
cc:
Subject: WFA Presentation 7-22-02

Per your requests.



WFA - Final 7-22-02.ppt

EXHIBIT 6

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON

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JOSEPH LUNA and JEANIE LUNA,
husband and wife; CARL BENNETT
and BRENDA BENNETT, husband and
wife; DAVID J. MURPHY and
GENEVEVE L. MURPHY, husband and
wife; NEIL NELSON and ELSIE L.
NELSON, husband and wife; BRYAN
THOMSON and JEANNETTE THOMSON,
husband and wife; and DANIEL
JAMES and MAZIE JAMES, husband and
wife, on behalf of themselves and
all others similarly situated,

Plaintiffs,

vs.

NO. C02-1635

HOUSEHOLD FINANCE CORPORATION,
III, a foreign corporation doing
business in the State of
Washington; and HOUSEHOLD REALTY
CORPORATION, a foreign corporation
doing business in the State of
Washington; BENEFICIAL MORTGAGE
CORPORATION, a Delaware
corporation, and other related
entities and subsidiaries,

Defendants.

DEPOSITION UPON ORAL EXAMINATION OF CHARLES L. CROSS III
(VOLUME ONE - Pages 1-220)

December 19, 2002
Olympia, Washington

Dixie Cattell & Associates (360) 352-2506



PARLETTE (CROSS)

Page 66

1 misspelled. It's corrected in this one.
 2 Q Okay.
 3 A Few typos here and there like that.
 4 Q Is the pagination the same. Do you know?
 5 A It appeared to be. At first I thought from the page number
 6 you're calling off it wasn't. When I looked, both of those
 7 began on page 43.
 8 Q Okay.
 9 MR. DUNNE: Well, your pagination differs from my
 10 version by a page, which is also --
 11 THE WITNESS: Or possibly his because he was not
 12 on 44 as well.
 13 MR. PARLETTE: Mine starts on 43.
 14 MR. DUNNE: It's not in the same place as this.
 15 A Well, I'm going to wager a wild guess on his. You did not
 16 get that report from me. I don't know where you got it.
 17 Q (By Mr. Parlette) Right.
 18 A But you didn't get it from me, so that could account for the
 19 pagination issues.
 20 Q Okay. Let's --
 21 MR. DUNNE: Not on mine because I did get it.
 22 THE WITNESS: Did you get it from me or our
 23 attorney?
 24 MR. DUNNE: Well, I don't know whether I got it
 25 directly or indirectly from DFI.

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1 Q (By Mr. Parlette) Let's stay with one document, and let's
 2 use the one that your secretary just brought in, Exhibit C.
 3 A Okay.
 4 Q Would you turn to the page where the identified patterns of
 5 complaint history start being discussed
 6 A In my document that's page 43. In both documents that I
 7 brought in here, it's page 43
 8 Q And that is captioned - the paragraph is captioned
 9 identified patterns in recent complaints - complaint
 10 history?
 11 A Complaint history, yes.
 12 Q I'm with you. All right. Now, the first one that you
 13 identified was what?
 14 A Misrepresentations and failed promises.
 15 Q Could you summarize for us what that constituted?
 16 MR. DUNNE: Are you asking him to summarize the
 17 contents of that section of the report?
 18 MR. PARLETTE: What he meant by misrepresentations
 19 and failed promises.
 20 A Give me just a moment to look at this again
 21 Q (By Mr. Parlette) Okay. This is --
 22 A This is a general capturing of a combination of borrowers'
 23 representation of what transpired in their transaction or
 24 representation to the Department of what transpired in their
 25 transaction and my review of the complaints based on

Page 68

1 arguments provided by both sides. And what this establishes
 2 is, there was a significant amount of misrepresentations and
 3 promises made that were not followed through with consumers.
 4 Where this could become a little confusing is that this
 5 specific pattern didn't carry forward into the multistate
 6 that everybody seems to be so familiar with. It's - there
 7 isn't a specific - for example, there isn't a specific
 8 violation identified in the Consumer Loan Act of failed
 9 promises. We have a general catchall that refers to
 10 deceptive practices, representations, and so forth. So
 11 that's where I was generally heading with this section.
 12 What I was attempting to do was capture this pattern that we
 13 were hearing from consumers of what was promised to me was
 14 not what I got.
 15 Q Okay. In a general sense?
 16 A In a general sense, yeah.
 17 Q And the specific promises might have been identified as -
 18 can you give us examples of specific promises?
 19 A Interest rate was the most - well, was one of the most
 20 occurring failed promises, a lower interest rate than the
 21 borrowers obtained. The other really major area was
 22 prepayment penalties, that the borrowers felt they wouldn't
 23 have a prepayment penalty and they actually did.
 24 Q Okay. And your second pattern or practice that you
 25 discovered?

Page 69

1 A Confusion over rates, points, and fees.
 2 Q That sort of overlaps insofar as you mentioned rates with
 3 the number one that we just discussed?
 4 MR. DUNNE: Objection, leading.
 5 A Number one could carry - number one sort of sets the tone
 6 for all of the other patterns to follow. Without number
 7 one, none of the other patterns likely would have been in
 8 existence. So beginning with number two, it gets more
 9 specific down to actual sort of types or events instead of
 10 just general misleading practices, which number one
 11 captures. So as I said previously, rates, yeah.
 12 Misrepresentation on rates, number two talks specifically
 13 about rates.
 14 Q (By Mr. Parlette) Okay. Expand, if you would, please, how
 15 consumers were misled about their interest rate that they
 16 were to have received.
 17 A We had --
 18 MR. DUNNE: Objection, leading.
 19 A We identified a specific pattern in Washington State but
 20 also clear across the country. And I say identified,
 21 reported to us by regulators across the country, a
 22 solicitation practice referred to under two different names.
 23 One was an effective rate solicitation practice. The other
 24 was the equivalent interest rate solicitation practice. As
 25 far as I was able to tell, effective and equivalent are

18 (Pages 66 to 69)

Dixie Cattell & Associates (360) 352-2506

PARLETTE (CROSS)

Page 114

1 Q And thus if a loan officer or account executive tells a
 2 consumer it's required but the TILA form doesn't reflect
 3 that, then that would be a violation of TILA?
 4 A That would be a federal violation. And regardless if they -
 5 if it showed it or not the - regardless of whether it was
 6 contained within the Truth in Lending disclosure or not, it
 7 would still be a state violation because our law is very
 8 simple. It says you can't require it.
 9 Q I think it's the last pattern or practice that you
 10 identified as number seven is upselling loans?
 11 A Yes.
 12 Q Would you tell us what your issue there was.
 13 MR. DUNNE: You're asking him to summarize what
 14 the report findings were?
 15 MR. PARLETTE: Right.
 16 A I found that there was an apparent practice of - it was a
 17 two-prong practice. One practice was to eat up additional
 18 equity out of the borrower's property, which generally was
 19 realized to Household in the form of discount points, and I
 20 can explain that a little more clearly.
 21 The second prong was to put borrowers in a position
 22 where they had a fairly or reasonably high interest rate
 23 first mortgage but then a very high rate in the, say,
 24 24 percent range for a second mortgage. So my belief is the
 25 intent was to get as much high cost loan to be taken out by

Page 115

1 the borrower as absolutely possible.
 2 Many of the transactions I looked at, and the same held
 3 true for regulators in the other states - this is what they
 4 reported to me, we had several meetings about this - was
 5 that the amount of the second mortgage was almost identical
 6 to the amount of the discount points in the first mortgage.
 7 The only purpose we could even see for the second mortgage
 8 existing was to pay these very high points on the first
 9 mortgage.
 10 Q (By Mr. Parlette) The upselling of loans, what do you mean
 11 by the word "upselling"?
 12 A Borrowers generally came in for one of two purposes. They
 13 either wanted to refinance from where they were at or they
 14 just wanted to get a second mortgage. But in many
 15 situations, Household tells us in 19 percent of the
 16 situations, but in many of the situations, the borrowers -
 17 walked out with two simultaneous loans, not the single loan
 18 they went in looking for. And these loans were high
 19 interest rate loans at - that left them with high LTV's.
 20 Sometimes we saw - LTV is loan to value - we saw borrowers
 21 walking in with an equity position in their property and
 22 walking out being way under water on their property, in
 23 other words, owing far more than what the property was
 24 worth. When they had gone in, they had equity in their
 25 property. When they came out, they had negative equity on

Page 116

1 the property.
 2 Q What's the significance of a high LTV to a borrower?
 3 A The significance --
 4 MR. DUNNE: Objection: calls for speculation,
 5 overbroad.
 6 A The significance to the borrower is that they are trapped in
 7 that transaction and cannot get out of the transaction.
 8 It's a very effective tool identified among the multistate
 9 as a way of keeping borrowers trapped into Household loans
 10 and not being able to refinance out with other lenders.
 11 Q (By Mr. Parlette) In your review of --
 12 MR. DUNNE: Move to strike as nonresponsive.
 13 Q (By Mr. Parlette) In your review of the records, have you
 14 ever come across a statement where Chairman Allinger said
 15 exactly that to some stock analysts, that we make our
 16 customers - this is paraphrasing. We make our customers
 17 loyal by getting them high LTV's.
 18 MR. DUNNE: Objection: mischaracterizes the
 19 statement and leading.
 20 A I don't recall that statement.
 21 Q (By Mr. Parlette) Your point is, I guess, and correct me if
 22 I'm wrong, with high loan to value ratio, if a person wants
 23 to get away from Household, they would find that another
 24 bank would not refinance them --
 25 MR. DUNNE: Objection.

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1 Q (By Mr. Parlette) -- with a greater than 100 percent or
 2 80 percent LTV?
 3 MR. DUNNE: Objection, leading and overbroad. It
 4 doesn't relate to any particular borrower.
 5 A That is my position or my point. That if a borrower has a
 6 higher than industry norm LTV, they're going to find it very
 7 difficult to find somebody that will refinance them out of
 8 that.
 9 Q (By Mr. Parlette) In your opinion as the chief examiner for
 10 the state of Washington, what's the normal LTV?
 11 MR. DUNNE: Objection, vague and ambiguous, lack
 12 of foundation.
 13 A Depends on what type of lending you're talking about. In
 14 the conventional market, you will not hardly ever see
 15 anything above 97 percent LTV, and generally you're going to
 16 want to find it 95 percent or below. There's some special
 17 programs that will do 97 percent LTV. In the subprime
 18 market, higher LTV loans are found, and there was a period
 19 of time, until about two years ago, where many lenders were
 20 for lack of a better word, experimenting with 125 loans,
 21 125 percent LTV's. But the market drifted away from that a
 22 couple years ago
 23 Q (By Mr. Parlette) Drifted away and gone down?
 24 A Gone down. Too much risk with those kind of loans.
 25 Q Do you recall any analysis of the LTV that borrowers were

PARLETTE (CROSS)

<p style="text-align: right;">Page 134</p> <p>1 Q That's right.</p> <p>2 A You're asking what did I mean here. The purpose of the</p> <p>3 three of us going out was to find out who was - try to find</p> <p>4 out who was telling the truth because Household was telling</p> <p>5 us all these borrowers are mistaken. This isn't how we do</p> <p>6 business. But we had borrowers telling us this is my</p> <p>7 experience. The borrowers weren't getting together. It</p> <p>8 wasn't until, I don't know, like the summer of this year</p> <p>9 where I think you started rounding borrowers up into one</p> <p>10 group. I never had got - no borrower I talked to ever knew</p> <p>11 I was talking to any other borrowers. so - but I was hearing</p> <p>12 this consistent story from all of them. The company</p> <p>13 responded consistently that this person is mistaken, this</p> <p>14 person is mistaken, and so forth. It seemed a prudent thing</p> <p>15 to do to go out to some branches and just see what was up,</p> <p>16 see what we were told.</p> <p>17 Q I see. And in a nutshell, what did you either confirm or</p> <p>18 not confirm in your investigations?</p> <p>19 MR. DUNNE: Again, lack of foundation as to the</p> <p>20 other testers' experiences.</p> <p>21 A I found that some of what the borrowers were telling me also</p> <p>22 happened with me, and my two examiners reported similar</p> <p>23 things. Patrick Hardman had the most in-depth experience</p> <p>24 because he spent much more time with the loan officer. He</p> <p>25 had at least two meetings face-to-face that lasted for a</p>	<p style="text-align: right;">Page 136</p> <p>1 called the manager in, and the manager would not allow him</p> <p>2 to leave with any documentation. He said he would have to</p> <p>3 bring his wife back in to sit through a sales presentation.</p> <p>4 He would not be allowed to take documentation to show to</p> <p>5 her.</p> <p>6 That sort of treatment of him seemed to support what</p> <p>7 many consumers had told us, that they were controlled</p> <p>8 through the process. They were misled, confused.</p> <p>9 Q He just confirmed what had been complained of by others?</p> <p>10 A Yes.</p> <p>11 Q Now, at the time you went up to the Bellingham branch, that</p> <p>12 was August of 2001. Do you know whether Household had done</p> <p>13 an internal audit prior to that of the Household branch?</p> <p>14 A I don't know.</p> <p>15 Q I notice that this letter to Craig Castain written by Lori</p> <p>16 Gale is dated May 14, 2001, and in that letter she states</p> <p>17 that they're going to discontinue or have discontinued the</p> <p>18 effective interest rate pitch.</p> <p>19 MR. DUNNE: Objection, completely mischaracterizes</p> <p>20 the letter. You won't find those words in the letter.</p> <p>21 Q (By Mr. Parlette) When you went to the Household office in</p> <p>22 August of 2001, was effective interest rate used in your</p> <p>23 application process or subsequent telephone calls?</p> <p>24 A I never heard those words.</p> <p>25 Q Did you hear anything that was similar to it?</p>
<p style="text-align: right;">Page 135</p> <p>1 period of time, and he asked a lot of questions and dug</p> <p>2 really deeply.</p> <p>3 I will - you earlier asked me a question about taxes,</p> <p>4 but you asked about it in connection with effective interest</p> <p>5 rate. I just want to clarify that Patrick Hardman did</p> <p>6 report that he spent a period of time talking about tax</p> <p>7 consequences with his loan officer. Patrick has a finance</p> <p>8 background, is almost finished with his MBA, has been an</p> <p>9 examiner for a period of time. He understand taxes. And he</p> <p>10 said this loan officer was way off on some other planet</p> <p>11 describing the tax effect and so forth to him, which he</p> <p>12 allowed him to do just to see what he would say. But</p> <p>13 that - I'm not sure that was ever connected with any</p> <p>14 effective interest rate connection.</p> <p>15 Q (By Mr. Parlette) I see.</p> <p>16 A But I just want to make sure I didn't misanswer your earlier</p> <p>17 question.</p> <p>18 But Patrick spent enough time with the loan officer to</p> <p>19 come back and report that, you know, this whole thing is</p> <p>20 just - it's a moving - sort of reported it was a moving</p> <p>21 sales scenario. Every time he felt he had it nailed down,</p> <p>22 it would move on him. He tried to take documentation from</p> <p>23 the loan officer to take back and show his wife was the</p> <p>24 story he wanted to tell. He said the loan officer wouldn't</p> <p>25 let him leave with any documentation from the branch, so he</p>	<p style="text-align: right;">Page 137</p> <p>1 A The way the loan process was presented to me helped me</p> <p>2 confirm in my mind that borrowers were led to be confused</p> <p>3 about their transaction on the rates and fees. What led me</p> <p>4 to believe this is, I was never once told what a rate would</p> <p>5 be. I was shown a large range of discount points. That was</p> <p>6 actually mailed to me. But I was never told there would be</p> <p>7 a large range of discount points. When I asked what the</p> <p>8 range of discount points were, they gave a very strange</p> <p>9 answer to me. I think I wrote it in my report. She said</p> <p>10 the amount is determined by loan amount and value, so we</p> <p>11 have to quote a range, which gives me no information as a</p> <p>12 regulator or a borrower. To this day I'm not really sure</p> <p>13 what to make of that statement.</p> <p>14 Q I'm going to show you what was marked in Melissa Rutland-</p> <p>15 Drury's deposition as Exhibit A, which I won't bother to</p> <p>16 make an exhibit here. Just have you look at just three</p> <p>17 documents on the top here. The first one purports to be</p> <p>18 either an e-mail or a memo sent out by a Rob O'Han. I have</p> <p>19 you - do you recognize that name Rob O'Han, who he is?</p> <p>20 A No.</p> <p>21 Q Would you take a moment and read that memo.</p> <p>22 A Okay.</p> <p>23 Q In the materials produced to the Department of Financial</p> <p>24 Institutions at your request by Household, have you ever</p> <p>25 seen that document there?</p>

35 (Pages 134 to 137)

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COLLOQUY

<p style="text-align: right;">Page 218</p> <p>1 instructed I needed to file a motion for protective order. 2 So for present purposes, until counsel and I have a chance 3 to work that out, I'm going to designate the transcript 4 confidential with the idea we can discuss what portions are 5 and are not confidential. 6 MR. PARLETTE: Wait a minute. Keep talking. 7 MR. DUNNE: And I anticipate that the court will 8 enter some form of a general protective order regarding 9 confidential information and this designation would be 10 within that general protective order. 11 Secondly, we haven't finished today. I have quite a 12 bit more to do with Mr. Cross in cross examination, and so 13 we're going to adjourn, but reschedule for a time in advance 14 of the class certification hearing. 15 MR. PARLETTE: I want to make it plain that I'm 16 not agreeing that this deposition is confidential. I do 17 agree that Mr. Dunne and I have an ongoing dispute about 18 Exhibit D, which was Plaintiff's Exhibit B to Melissa 19 Rutland-Drury's deposition. He's made a motion to have that 20 deemed to be protected, and I will honor his request that 21 that document can be marked as confidential, but I do not 22 agree that the rest of this deposition is confidential. 23 MR. DUNNE: As I said, I think that's something 24 that counsel are required to work out under the local rules. 25 And to the extent that Mr. Cross testified about</p>	<p style="text-align: right;">Page 220</p> <p style="text-align: center;">CERTIFICATE</p> <p>1 I, REBECCA S. LINDAUER, a duly authorized Notary Public in 2 and for the State of Washington, residing at Lacey, do hereby 3 certify: 4 That the foregoing deposition of CHARLES L. CROSS III, was 5 taken before me and completed on the 19th day of December, 2002. 6 and thereafter transcribed by me by means of computer-aided 7 transcription; that the deposition is a full, true, and complete 8 transcript of the testimony of said witness; 9 That the witness, before examination, was by me duly sworn 10 to testify the truth, the whole truth, and nothing but the truth, 11 and that the witness reserved signature; 12 That I am not a relative, employee, attorney, or counsel of 13 any party to this action or relative or employee of any such 14 attorney or counsel, and I am not financially interested in the 15 said action or the outcome thereof; 16 That I am herewith securely sealing the deposition of 17 CHARLES L. CROSS III, and promptly mailing the same to MR. ROBERT 18 L. PARLETTE. 19 IN WITNESS WHEREOF, I have hereunto set my hand and affixed 20 my official seal of this 21st day of December, 2002. 21 22 23 24 25</p> <p style="text-align: center;">Rebecca S. Lindauer, CSR#LI-ND-AR-S306NT Notary Public in and for the State of Washington, residing at Lacey</p>
<p style="text-align: right;">Page 219</p> <p>1 confidential information and documents, that portion, in my 2 view, should be confidential. 3 MR. PARLETTE: Do you have a date, Dan, for that? 4 You've got seven days to get the protective order 5 established. Do you have a date yet? 6 MR. DUNNE: You filed a motion. Noted it for a 7 date. The date is the 30th. 8 MR. PARLETTE: Of December? 9 MR. DUNNE: Yes. The court decides it when it 10 pleases the court to do so. So I don't know when your brief 11 is due, but it's sometime next week. Our reply is due a 12 week from tomorrow. 13 MS. RATH: I think so. 14 MR. DUNNE: I think that's all we need to do on 15 the record. Is that right? 16 MR. PARLETTE: As far as I'm concerned. 17 MR. DUNNE: Thank you. 18 (Adjourned at 5:00 p.m.) 19 (Signature reserved) 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 220</p>

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON

JOSEPH LUNA and JEANIE LUNA, husband)
and wife; CARL BENNETT and BRENDA)
BENNETT, husband and wife; DAVID J.) No. C02-1635
MURPHY and GENEVEVE L. MURPHY, husband)
and wife; NEIL NELSON and ELSIE L.)
NELSON, husband and wife; BRYAN)
THOMSON and JEANNETTE THOMSON, husband)
and wife; and DANIEL JAMES and MAZIE)
JAMES, husband and wife, on behalf of)
themselves and all others similarly)
situated,)

Plaintiffs,)

vs.)

HOUSEHOLD FINANCE CORPORATION, III,)
a foreign corporation doing business)
in the State of Washington; and)
HOUSEHOLD REALTY CORPORATION, a)
foreign corporation doing business in)
the State of Washington; BENEFICIAL)
MORTGAGE CORPORATION, a Delaware)
corporation, and other related)
entities and subsidiaries,)

Defendants.)

DEPOSITION UPON ORAL EXAMINATION OF

CHARLES L. CROSS III

(Volume II)

Tuesday, February 4, 2003

9:35 a.m.

210 11th Avenue S.W.

Room 300

Olympia, Washington

Laurie E. Heckel, CSR, RPR
Court Reporter
CSR License No. HE-CK-EL-E386DM

Marlis DeJongh & Associates
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<p>1 are happening that are actually different than what's</p> <p>2 going on so --</p> <p>3 Q (By Mr. Dunne) So that is your opinion here,</p> <p>4 Mr. Cross, that this document which is disseminated to</p> <p>5 thousands of employees was actually intended to fool</p> <p>6 regulators rather than to train employees on making</p> <p>7 communications clear to customers?</p> <p>8 MR. PIERSON: Objection, assumes facts.</p> <p>9 THE WITNESS: I have no opinion of this document.</p> <p>10 Q (By Mr. Dunne) When you just testified that often when</p> <p>11 companies put these kinds of documents out, that's</p> <p>12 some hyperskeptical speculation on your part. You</p> <p>13 don't have any actual foundation for saying that</p> <p>14 Household ever put this document out for that purpose,</p> <p>15 do you?</p> <p>16 MR. PIERSON: Objection to the characterization,</p> <p>17 compound, argumentative.</p> <p>18 THE WITNESS: I might have lost my train of</p> <p>19 thought. But I don't think I ever characterized</p> <p>20 Household in that way.</p> <p>21 Q (By Mr. Dunne) Okay. Do you have any foundation in</p> <p>22 fact to say at that Household ever put out any</p> <p>23 document in order to mislead or deceive regulators</p> <p>24 about what their actual practices were?</p> <p>25 A I believe that Household generated a significant</p>	<p>1 going to characterize it.</p> <p>2 Q Well, you expressed a lot of opinions about</p> <p>3 Household's intentions in your report. Were those</p> <p>4 speculation about Household?</p> <p>5 A It's possible at times that it was speculation, yes.</p> <p>6 Q Look at the second page of this exhibit, please,</p> <p>7 Exhibit E. Do you know who Gary Gilmer is at</p> <p>8 Household?</p> <p>9 A Not personally, but I'm familiar with the fact that he</p> <p>10 is the president at Household.</p> <p>11 Q Now, are you familiar with the statement that he has</p> <p>12 made to all employees of Household that, We have been</p> <p>13 in business for more than 120 years and we have been</p> <p>14 successful because we treat our customers the right</p> <p>15 way. The fact is you can't be in business,</p> <p>16 particularly the financial services business, if you</p> <p>17 don't take care of your customers. So the fundamental</p> <p>18 belief of our company always has been that the</p> <p>19 customer comes first.</p> <p>20 Are you familiar with that statement?</p> <p>21 A I am now that you read it, provided that he actually</p> <p>22 wrote it, but prior to you reading it to me, I don't</p> <p>23 recall.</p> <p>24 Q That's not something that was referenced, incorporated</p> <p>25 or even considered anywhere in the 75-page report that</p>
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<p>1 amount of documentation to this Department that was</p> <p>2 intended to mislead us as to what was taking place</p> <p>3 within the company.</p> <p>4 Q And is this one of those documents?</p> <p>5 A No, I don't have a familiarity with this document.</p> <p>6 Q What I'm asking is do you -- your testimony as I</p> <p>7 understood it was that companies produce materials</p> <p>8 like this in order to mislead regulators about what</p> <p>9 really goes on in their practices, right?</p> <p>10 MR. PIERSON: I'm going to object to the</p> <p>11 characterization of his testimony. We can always go</p> <p>12 back and hear it if you want.</p> <p>13 THE WITNESS: Yeah. Before I answer that, I</p> <p>14 guess I'd want to hear what I said again.</p> <p>15 Q (By Mr. Dunne) Well, let me ask you, is that your</p> <p>16 position or is it not your position?</p> <p>17 A I want to be accurate on this. Could you phrase that</p> <p>18 again.</p> <p>19 Q Yeah, is it your opinion that Household created and</p> <p>20 produced training and policy materials to its</p> <p>21 employees for the purpose of deceiving regulators?</p> <p>22 A I have no opinion on that.</p> <p>23 Q Any opinion on that would be pure speculation,</p> <p>24 wouldn't it?</p> <p>25 A Well, since I don't have an opinion on it, I'm not</p>	<p>1 this Department put together --</p> <p>2 A No.</p> <p>3 Q -- is it? In fact, if you turn to the next page where</p> <p>4 this document instructs Household customers that we</p> <p>5 must always care, listen, ensure value, anticipate and</p> <p>6 respect our customers, you won't find a reference to</p> <p>7 that policy anywhere in the section that deals with</p> <p>8 allegedly misleading consumers, will you?</p> <p>9 MR. PIERSON: Objection, it assumes facts.</p> <p>10 THE WITNESS: I don't see that it's a policy,</p> <p>11 but you won't find any reference to this in my report,</p> <p>12 no.</p> <p>13 Q (By Mr. Dunne) And if you go to the next page, Making</p> <p>14 It Clear Principles, you won't find any reference to</p> <p>15 those principles in the section of your report where</p> <p>16 you allege that Household is in the business of</p> <p>17 misleading consumers, will you?</p> <p>18 MR. PIERSON: Same objection.</p> <p>19 THE WITNESS: You won't find any reference to</p> <p>20 this page in there, no.</p> <p>21 Q (By Mr. Dunne) Don't you think it's relevant,</p> <p>22 Mr. Cross, what the actual policies are about how you</p> <p>23 communicate information to your customers in making</p> <p>24 conclusions about whether those policies are fair or</p> <p>25 not?</p>

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<p>1 Q (By Mr. Dunne) Okay. Now, in this instance, the 2 Department found it credible that no GFE was delivered 3 to the borrowers but also found that apparent -- that 4 they were misled about the possible range of points 5 they would pay on the basis of a GFE that was never 6 delivered. Am I reading this wrong? 7 MR. PIERSON: Can I hear that back, please. 8 (Last question read.) 9 THE WITNESS: You're reading it wrong. 10 MR. DUNNE: Okay. 11 THE WITNESS: What I say is that they didn't -- 12 that I found it credible that they claimed that they 13 didn't receive any documents until the time of 14 signing, and then they go on to discuss what was 15 contained within those documents. I don't think I'm 16 making any argument that the documents never existed. 17 Q (By Mr. Dunne) And just to make clear, it's your 18 understanding as a regulator that the truth in lending 19 disclosure has to be given within three days of the 20 application date; is that right? 21 A Uh-huh. 22 Q Is that a yes? 23 A I'm sorry. Yes. For certain transactions. 24 Q And that would include first lien real estate 25 mortgages, right?</p>	<p>1 A I'm not sure what Household -- 2 Q I thought you just said Household claimed to have 3 delivered. 4 A Well, I did, and, you know, I'm sorry. I'm just 5 saying that how I could have word smithed that 6 sentence. So that if you want me to be very accurate, 7 I have to think this through a little better. But I 8 don't know if in this complaint -- I have to go back 9 and look at the response by Household, but I don't 10 know if within this complaint -- well, here it is, 11 right here. Tom Schneider wrote to the Department 12 stating that the missing GFE disclosure approving 13 compliance was enclosed. However, nothing other than 14 Schneider's letter was included in the mail. 15 Q You got the GFE -- 16 A Again, I don't know from this whether Household 17 argued strongly that they made the disclosure or 18 whether we just had this argument about whether they 19 sent the disclosure for me to look at. So I'm sorry. 20 I don't know where we're going with that. 21 Q My thought exactly. Let me ask you this: Can you 22 recall any instance in discussing the 19 loans that 23 are at issue in the report that's Exhibit C where you 24 took Household's word over the word of the borrower as 25 to what facts occurred?</p>
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<p>1 A Correct. 2 Q And what's the requirement for GFE's under the Real 3 Estate Settlement Practices Act? 4 A Three days. 5 Q Same requirement? 6 A Correct. 7 Q Okay. 8 MR. PIERSON: I'm sorry three days of -- 9 THE WITNESS: Application. 10 Q (By Mr. Dunne) Application. So you have no trouble 11 with those, what are to me apparently inconsistent 12 assertions by the Department about a GFE being 13 delivered before the closing, but also the Department 14 believing that it's credible that it wasn't delivered. 15 MR. PIERSON: Objection, assumes facts, 16 confusing. 17 THE WITNESS: It isn't confusing to me. And, no, 18 it doesn't trouble me the way it's written. I 19 could -- you can always word smith things later. I 20 guess I could put in here, the GFE Household claimed 21 to have delivered to the borrowers is dated March the 22 10th, 2000. 23 Q (By Mr. Dunne) In this instance you again took the 24 borrower's word over Household's, right, about whether 25 the GFE was delivered? Household claimed --</p>	<p>1 A I don't remember. I also have to let the report speak 2 for itself. If I did do that, it's probably in there. 3 Q I can't see an instance. I'm not aware of any. So if 4 you are aware of any, please point it out. 5 MR. PIERSON: Well, I'll object to the question, 6 given the length of the report and when he said he 7 last looked at it. 8 MR. DUNNE: No, that's fair. But if we go 9 through if you can point one out, let me know. I'd be 10 interested to see it. 11 THE WITNESS: No, maybe from your -- I 12 understand you have a different perspective than from 13 my perspective. I don't know how that's -- it 14 wouldn't have been relevant to me. This is not a 15 report about the good things Household did or the 16 things that Household and us were in agreement on. 17 It's the things -- it's about the harmful things 18 Household did and the things that we were in 19 disagreement on. 20 Q (By Mr. Dunne) Well, it's a report on 19 complaints, 21 right? 22 A Well, no, it's not a report on 19 complaints. It is a 23 report that in large part was derived from these 19 24 complaints, but it's not a report on those complaints. 25 Q It specifically analyzes 19 complaints, right?</p>

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<p>1 A It does analyze 19 complaints, yes.</p> <p>2 Q And are you telling me that with respect to those 19</p> <p>3 complaints and that analysis, you would have excluded</p> <p>4 any of the information that was favorable to Household</p> <p>5 just as you did in the more general discussion about</p> <p>6 Household?</p> <p>7 MR. PIERSON: Objection, assumes facts.</p> <p>8 THE WITNESS: Yeah, likely. Unless it was</p> <p>9 relevant to the argument of the point I was trying to</p> <p>10 make, there would be no point to put it in.</p> <p>11 Q (By Mr. Dunne) Okay. What was the argument of the</p> <p>12 point you were trying to make?</p> <p>13 A That these consumers were harmed.</p> <p>14 Q Okay.</p> <p>15 A Again, I didn't include consumers that weren't harmed.</p> <p>16 And what we do -- this often sounds weird to</p> <p>17 outsiders, but we liken this to a case where, you</p> <p>18 know, we don't try to identify -- if somebody -- I'm</p> <p>19 sorry, this analogy is not about your client. But if</p> <p>20 somebody robs a 7-Eleven, we don't spend our time</p> <p>21 trying to identify the thousands of days preceding</p> <p>22 that robbery in which they never committed a robbery.</p> <p>23 We just try to identify that moment in time. We don't</p> <p>24 get all caught up in all the good things that, you</p> <p>25 know, how many good times they took good care of their</p>	<p>1 report.</p> <p>2 MR. DUNNE: Okay.</p> <p>3 THE WITNESS: But I do understand that reports</p> <p>4 have those purposes, just not these kind of reports.</p> <p>5 Q (By Mr. Dunne) Okay. I think in your last testimony</p> <p>6 you mentioned an alarming increase in complaints</p> <p>7 against Household in 2000; do you remember that?</p> <p>8 A I believe so.</p> <p>9 Q Okay.</p> <p>10 A It sounds right.</p> <p>11 Q Okay. Could I have you look at Exhibit H, please.</p> <p>12 Turn to Page 4. Do you see the chart on the bottom</p> <p>13 third of the page?</p> <p>14 A Yes.</p> <p>15 Q And that chart reflects there being eight complaints</p> <p>16 in 1999. Do you see that?</p> <p>17 A Yes.</p> <p>18 Q And there were 12 complaints in 1998. Do you see</p> <p>19 that?</p> <p>20 A Yes.</p> <p>21 Q Do you have any reason to disagree with those numbers?</p> <p>22 A They appear accurate.</p> <p>23 Q Okay. In fact maybe we should work off of your</p> <p>24 report. Your report has those same numbers at Page 3,</p> <p>25 correct, and that's Exhibit C?</p>
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<p>1 neighbor's cat or delivered papers on time. We're</p> <p>2 just concerned with that one event. That's how these</p> <p>3 reports are written.</p> <p>4 Q So is it fair to say that there were thousands and</p> <p>5 thousands of incidents of Household treating borrowers</p> <p>6 correctly, it's not your concern to address those in</p> <p>7 this report?</p> <p>8 A Not in this report, no.</p> <p>9 Q And is this report sort of like a legal complaint if</p> <p>10 you will in that it contains the allegations that</p> <p>11 might support charges?</p> <p>12 A Maybe.</p> <p>13 Q That's not a bad analogy?</p> <p>14 A No, it's not really a very good analogy because --</p> <p>15 Q Well, let me try a different --</p> <p>16 A I --</p> <p>17 Q So that's not a good analogy. Is what you're saying</p> <p>18 that the purpose of this report is not to come to the</p> <p>19 fairest overall appraisal of all of Household's</p> <p>20 practices as to all of its borrowers in the State of</p> <p>21 Washington?</p> <p>22 A No, that is --</p> <p>23 MR. PIERSON: Objection, vague, compound, totally</p> <p>24 unclear.</p> <p>25 THE WITNESS: That's not the purpose of this</p>	<p>1 A Yes.</p> <p>2 Q Okay. And then the alarming increase that you refer</p> <p>3 to here in 2000 is to go from 8 to 17; is that right?</p> <p>4 A Yes.</p> <p>5 Q And do you know how many of those came from</p> <p>6 Bellingham?</p> <p>7 A I don't remember. I think they told us in their</p> <p>8 response though.</p> <p>9 Q Okay. And then there were approximately 2001 in 22.</p> <p>10 Do you see that?</p> <p>11 A Yes.</p> <p>12 Q Is that part of the alarming increase in your view?</p> <p>13 A Yes, it's a general trend.</p> <p>14 Q Okay.</p> <p>15 A And I also want to say that these are sheer numbers of</p> <p>16 complaints. I believe that although we have some</p> <p>17 fairly big numbers from '97 and '98 where these 12</p> <p>18 complaints are identified, I don't believe that the</p> <p>19 substance of those 12 complaints filed in each of</p> <p>20 those years alarmed us as much as the substance of the</p> <p>21 complaints from '99 forward.</p> <p>22 Q Okay. But in your view, to go from 12 to 8 to 17 over</p> <p>23 a two-year period is an alarming increase?</p> <p>24 A To go -- well, these complaint numbers I see on this</p> <p>25 page I think other than your drop down from '98 to '99</p>

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<p>1 promises?</p> <p>2 Answer: Interest rate was the most -- well, was</p> <p>3 one of the most occurring failed promises, a lower</p> <p>4 interest rate than the borrowers obtained.</p> <p>5 My question is how often in the population of</p> <p>6 complaints you did receive did it occur that a</p> <p>7 borrower complained that they were promised a lower</p> <p>8 interest rate than they received?</p> <p>9 A I don't remember. I think earlier we were dealing</p> <p>10 under interest rate like 50 percent of the time. But</p> <p>11 I can't tell you how many of those that were based on</p> <p>12 an allegation of a promise.</p> <p>13 Q Let me drill down a little deeper then. Exactly how</p> <p>14 many complaints out of the 19 that are addressed in</p> <p>15 the report actually involved use of the phrases</p> <p>16 effective interest rates or equivalent interest rates?</p> <p>17 A How many involved me using that terminology --</p> <p>18 Q No.</p> <p>19 A -- or the borrowers using that terminology?</p> <p>20 Q The borrower alleging that someone from Household had</p> <p>21 used that terminology.</p> <p>22 A Two to four.</p> <p>23 Q Are you in any position whatsoever to give any</p> <p>24 reliable estimate about exactly how many borrowers in</p> <p>25 Washington in the period from 1999 to the present</p>	<p>1 think about whether I want you to spend the time to do</p> <p>2 that.</p> <p>3 (Off the record.)</p> <p>4 Q Well, let me ask, would the specific instances where</p> <p>5 you reviewed a document that contained such a</p> <p>6 representation be explicitly stated in the report?</p> <p>7 A Yes, if I had and they were amortization tables with</p> <p>8 some other things attached to it, those were talked</p> <p>9 about in the report.</p> <p>10 Q Okay. Now, you testified last time that you observed</p> <p>11 borrowers being told or shown sometimes graphically</p> <p>12 that because they were making payments twice as often,</p> <p>13 interest rate was cut in half. Are you referring to</p> <p>14 these two instances of graphical presentations?</p> <p>15 A In those two instances I'm referring to that, but I</p> <p>16 also -- well, my time line is going to be kind of</p> <p>17 screwed up here because I know the AG's office ran</p> <p>18 into some of that.</p> <p>19 Q Yes, and I just want to focus on your examination for</p> <p>20 purposes of this report.</p> <p>21 A I'm confident with two if that answers the question.</p> <p>22 Q Okay. Can I ask you to turn to Exhibit --</p> <p>23 A Can I also just add to that that I was given sales</p> <p>24 materials by Household that used those -- the same</p> <p>25 graphs that I saw with those two people.</p>
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<p>1 received some presentation from Household where</p> <p>2 interest rates were compared to rates on a 30-year</p> <p>3 loan using the terms effective interest rate or</p> <p>4 equivalent interest rate?</p> <p>5 A Can I hear that back, please.</p> <p>6 (Last question read.)</p> <p>7 THE WITNESS: No.</p> <p>8 Q (By Mr. Dunne) Of the two to four in the complaint, do</p> <p>9 you know how many of those came out of Bellingham?</p> <p>10 A No.</p> <p>11 Q Of the two to four in the complaint, do you know how</p> <p>12 many if any involved an allegation that a borrower had</p> <p>13 received a written document making a representation</p> <p>14 about the effective or equivalent interest rates they</p> <p>15 would get on a biweekly loan?</p> <p>16 A Two, I believe.</p> <p>17 Q Okay. And of those two did you review the documents</p> <p>18 at issue?</p> <p>19 A Two where I saw the documents. There might have been</p> <p>20 more that claimed that there were some documents that</p> <p>21 they didn't have.</p> <p>22 Q Which two were those?</p> <p>23 A I'll have to go through the report page by page to</p> <p>24 figure that out.</p> <p>25 MR. DUNNE: Let me go off the record and let me</p>	<p>1 Q Okay.</p> <p>2 A So I think that it was probably a document that was</p> <p>3 used more than the two times that I saw it.</p> <p>4 Q All right. That was what I was going to ask you, if</p> <p>5 you could turn to Exhibit D and tell me whether you</p> <p>6 see that document in Exhibit D.</p> <p>7 A I've seen this before, but I didn't see this out of</p> <p>8 anything that the borrowers gave to me I don't think.</p> <p>9 Q You just referred to a multi-column amortization</p> <p>10 table for 30-year loan and a biweekly loan at 11.99</p> <p>11 percent; is that right?</p> <p>12 A Yeah. You know what's going to be a problem here is</p> <p>13 that Parlette showed me these I think the last time I</p> <p>14 testified and --</p> <p>15 Q So you're not sure if you remember it from</p> <p>16 Mr. Parlette or some other source?</p> <p>17 A Yeah, I mean, let me -- I remember this one here or a</p> <p>18 version of this one. It's called the E-Z Pay Plus</p> <p>19 Loan Proposal. It says Fred Lombard. I don't</p> <p>20 remember ever seeing a Fred Lombard loan, but I</p> <p>21 remember seeing some stack graphs and some column</p> <p>22 graphs and pie charts like this in reference to E-Z</p> <p>23 Pay and stuff.</p> <p>24 Q Is this the misleading graphical representation that</p> <p>25 you were referring to in the two instances?</p>

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<p>1 to other examiners to other regulators to you; is that 2 right? 3 A Yes, unfortunately, for me in my cases hearsay is 4 acceptable. 5 Q Right. Now, one other question, you referred to 6 complaints being the tip of the iceberg. Did you ever 7 find a complaint that was unjustified? 8 A Yes. 9 Q Does that happen fairly frequently? 10 A I haven't looked at statistics recently, but the 11 statistics I used to report to the mortgage commission 12 here in Washington State were that we found at least 13 80 percent of the complaints to have validity. 14 Q Doing the same kind of investigation you did with the 15 Household complaints here? 16 MR. PIERSON: Objection, vague. 17 Q (By Mr. Dunne) Or maybe even less investigation? 18 A Similar, but I spent more one-on-one time with the 19 Household files than with your normal complaint files. 20 Q Okay. So let me ask you, from the complaints about 21 confusion over interest rates, can you give me a 22 precise estimate of the number of Washington borrowers 23 who received some oral misrepresentation about the 24 interest rates they were getting on their loans? 25 A No.</p>	<p>1 Q How about the number of borrowers who had insurance 2 financed into their loans without their knowledge or 3 against their wishes? 4 A Don't know. 5 MR. DUNNE: Okay. That's all I have. 6 MR. PIERSON: Thanks. 7 (WHEREUPON, at 6:20 p.m. the deposition was 8 concluded.) 9 (Signature was waived.) 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>

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<p>1 Q How about -- I'm sorry -- as to discount points? 2 A No. 3 Q How about number of Washington borrowers from January 4 1999 to the present who didn't receive GFE disclosures 5 in a timely fashion? 6 A No. We would have to go to the database and pull 7 those violations and tell you how -- what percent that 8 was, but then you're asking what percent of Washington 9 borrowers, and I don't even know how many loans were 10 made in the State of Washington. 11 Q There were thousands. We know that, right? 12 A Yes, there were thousands. 13 Q Okay. So do you have a precise estimate of the number 14 of Washington borrowers who were confused about their 15 monthly payment amounts due to some misrepresentation 16 by Household? 17 A No. 18 Q How about the number who suffered some 19 misrepresentation concerning whether their loans 20 contained prepayment penalties? 21 A Could you could you ask me that again? 22 Q Yeah. How about the number of borrowers who suffered 23 some misrepresentation as to whether their loans 24 contained prepayment penalties? 25 A I don't know the number.</p>	<p>1 CERTIFICATE 2 STATE OF WASHINGTON) 3 COUNTY OF KING) 4 I, the undersigned Notary Public in and for the 5 State of Washington, do hereby certify: 6 That the annexed transcript of Tuesday, 7 February 4, 2003 deposition of CHARLES L. CROSS III 8 was taken stenographically by me and reduced to 9 typewriting under my direction; 10 I further certify that I am not a relative or 11 employee or attorney or counsel of any of the parties 12 to said action, and that I am not financially 13 interested in the said action or the outcome thereof; 14 I further certify that the annexed Tuesday, 15 February 4, 2003 deposition of CHARLES L. CROSS is a 16 full, true and correct transcript, including all 17 objections, motions and exceptions of counsel, made 18 and taken at the time of the foregoing proceedings. 19 IN WITNESS WHEREOF, I have hereunto set my hand 20 and affixed my signature this 6th day of February, 21 2003. 22 23 24 25</p> <p style="text-align: center;"><small>NOTARY PUBLIC in and for the State of Washington, residing at Seattle. My Commission expires February 14, 2006. CSA License No. HE-CK-EL-1186DM</small></p>

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EXHIBIT 7

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<p style="text-align: center;">IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION</p> <p>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.,) Defendants.) Volume No. 1</p> <p>The videotape deposition of DAVID A. SCHOENHOLZ, taken before Richard H. Dagdigian, Illinois CSR No. 084-000035, Notary Public, Cook County, Illinois, pursuant to the Federal Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, at 311 South Wacker Drive, Suite 1800, Conference Room II, Chicago, Illinois, commencing at 9:08 a.m. on the 28th of February 2007.</p>	<p>1 APPEARANCES:</p> <p>2 LERACH, COUGHLIN, STOIA, GELLER, 3 RUDMAN & ROBBINS, LLP, by: 4 MR. LUKE O. BROOKS, 5 MR. JOHN GRANT, 6 100 Pine Street, Suite 2600 7 San Francisco, California 94111 8 (415) 288-4545 9 E-mail: lukeb@lerachlaw.com 10 on behalf of the plaintiffs; 11 12 CAHILL, GORDON & REINDEL, LLP, by: 13 MR. DAVID R. OWEN, 14 MR. SCOTT WATNIK, 15 80 Pine Street 16 New York, New York 10005 17 (212) 701-3000 18 E-mail: down@cahill.com 19 on behalf of the defendants; 20 21 22 23 24</p>																																							
Page 3	Page 4																																							
<p>1 APPEARANCES: (Cont'd)</p> <p>2 BOUDREAUX, LEONARD, HAMMOND & CURCIO, P.C. 3 BY: MR. TIM S. LEONARD, 4 Two Houston Center, 909 Fannin, Suite 2350 5 Houston, Texas 77010 6 (713) 757-0000 7 E-mail: tleonard@blhc-law.com 8 additional counsel for the witness.</p> <p>9 ALSO PRESENT:</p> <p>10 MR. DEAN MARIS, Legal videographer; 11 12 MR. MARK F. LEOPOLD, 13 Deputy General Counsel - Litigation, 14 Employment & Antitrust 15 HSBC - North America 16 17 18 19 20 21 22 23 24</p>	<p style="text-align: center;">I N D E X</p> <p>2 February 28, 2007</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">THE WITNESS</td> <td style="width: 30%;">EXAMINATION BY COUNSEL FOR</td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td style="text-align: center;">PLAINTIFFS</td> <td style="text-align: center;">DEFENDANTS</td> </tr> <tr> <td>DAVID A. SCHOENHOLZ</td> <td></td> <td></td> </tr> <tr> <td>(By Mr. Brooks)</td> <td style="text-align: center;">10</td> <td></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="3" style="text-align: center;">SCHOENHOLZ DEPOSITION EXHIBITS</th> </tr> <tr> <th style="text-align: left;">NUMBER</th> <th style="text-align: left;">DESCRIPTION</th> <th style="text-align: right;">PAGE</th> </tr> <tr> <td>Exhibit 1</td> <td>Document titled "Management Organization - David A. Schoenholz"</td> <td style="text-align: right;">21</td> </tr> <tr> <td>Exhibit 2</td> <td>Memo dated 1/27/99 from Gary Gilmer to Bill Aldinger, etc.</td> <td style="text-align: right;">45</td> </tr> <tr> <td>Exhibit 3</td> <td>Communication dated 3/2/99 from Andrew Kahr to Joe Vozar</td> <td style="text-align: right;">52</td> </tr> <tr> <td>Exhibit 4</td> <td>Communication dated 1/29/99 from David Schoenholz to Distribution</td> <td style="text-align: right;">53</td> </tr> <tr> <td>Exhibit 5</td> <td>Communication dated 3/22/99 from Andrew Kahr to Joe Vozar</td> <td style="text-align: right;">54</td> </tr> <tr> <td>Exhibit 6</td> <td>Memo dated 3/18/99 from Randy Raup to Bill Aldinger, etc.</td> <td style="text-align: right;">56</td> </tr> <tr> <td>Exhibit 7</td> <td>E-mail chain dated 10/21/99 from Joe Vozar to P. A. Carlson</td> <td style="text-align: right;">60</td> </tr> </table> <p>21 22 23 24</p>	THE WITNESS	EXAMINATION BY COUNSEL FOR			PLAINTIFFS	DEFENDANTS	DAVID A. SCHOENHOLZ			(By Mr. Brooks)	10		SCHOENHOLZ DEPOSITION EXHIBITS			NUMBER	DESCRIPTION	PAGE	Exhibit 1	Document titled "Management Organization - David A. Schoenholz"	21	Exhibit 2	Memo dated 1/27/99 from Gary Gilmer to Bill Aldinger, etc.	45	Exhibit 3	Communication dated 3/2/99 from Andrew Kahr to Joe Vozar	52	Exhibit 4	Communication dated 1/29/99 from David Schoenholz to Distribution	53	Exhibit 5	Communication dated 3/22/99 from Andrew Kahr to Joe Vozar	54	Exhibit 6	Memo dated 3/18/99 from Randy Raup to Bill Aldinger, etc.	56	Exhibit 7	E-mail chain dated 10/21/99 from Joe Vozar to P. A. Carlson	60
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<p>1 correct?</p> <p>2 A I think I did.</p> <p>3 Q Was the process -- strike that.</p> <p>4 How were the HFC financial statements</p> <p>5 generated?</p> <p>6 A In the same fashion I just described to you</p> <p>7 for the HI financials.</p> <p>8 Q Did you have an executive position within</p> <p>9 HFC?</p> <p>10 A I don't think so. Not that I can recall.</p> <p>11 Q I think you testified that you had</p> <p>12 responsibility for the Treasury function?</p> <p>13 A I did.</p> <p>14 Q Can you describe for me, generally, what</p> <p>15 your responsibilities entailed with respect to the</p> <p>16 Treasury function?</p> <p>17 A Well, we had a Treasurer who reported to</p> <p>18 me, and the responsibilities of the Treasury</p> <p>19 Department included -- first and foremost, they were</p> <p>20 responsible for funding all of the operations of</p> <p>21 Household International and subsidiaries.</p> <p>22 We had a centralized Treasury function,</p> <p>23 unlike the Controller's Department which was</p> <p>24 decentralized, or Credit Risk which was</p>	<p>1 decentralized. The Treasury Department was</p> <p>2 centralized.</p> <p>3 So they were responsible for all of the</p> <p>4 funding activities, whether it was unsecured funding</p> <p>5 or secured -- asset securitizations.</p> <p>6 We were raising commercial paper daily.</p> <p>7 They were responsible for managing the liquidity of</p> <p>8 the corporation.</p> <p>9 They were responsible for managing the</p> <p>10 asset liability management policies of the</p> <p>11 corporation, setting and managing the capital targets</p> <p>12 of the corporation.</p> <p>13 They were the primary linkage with the</p> <p>14 rating agencies. I guess that's what they did.</p> <p>15 Q Was it Edgar Ancona who was running the</p> <p>16 Treasury function during the relevant time period?</p> <p>17 A Yes.</p> <p>18 Q Did you often meet with the rating</p> <p>19 agencies?</p> <p>20 A I guess -- when you say "you", do you mean</p> <p>21 "you" personally or Household?</p> <p>22 Q You personally.</p> <p>23 A I probably met with them at least a couple</p> <p>24 of times a year. Edgar and his team would meet with</p>
<p>1 them much more regularly.</p> <p>2 Q Who is Andrew Kahr?</p> <p>3 A Andrew was a consultant that Household</p> <p>4 hired.</p> <p>5 Q And when did Household hire him?</p> <p>6 A My recollection is, it was around 1999.</p> <p>7 Q Why did Household hire Andrew Kahr?</p> <p>8 A Aldinger wanted to make sure that the</p> <p>9 branch business was growing appropriately, and became</p> <p>10 aware of Andrew.</p> <p>11 And I don't remember if Andrew approached</p> <p>12 Bill or Bill approached Andrew, but we met -- "we"</p> <p>13 meaning Bill, Andrew and myself met and decided that</p> <p>14 Andrew would come on as a consultant with the</p> <p>15 objective of working primarily with the branch based</p> <p>16 business on growth initiatives.</p> <p>17 Q The branch based business was Consumer</p> <p>18 Lending, is that correct?</p> <p>19 A Correct.</p> <p>20 Q Do you recall any of the details about that</p> <p>21 first meeting with you and Mr. Aldinger and Mr. Kahr?</p> <p>22 A I mean, generally, it was kind of a high</p> <p>23 level meeting where -- getting to know one another.</p> <p>24 Andrew had certain kind of prerequisites of</p>	<p>1 how he wanted to function within the corporation, so</p> <p>2 that was discussed.</p> <p>3 Andrew's background was discussed a little</p> <p>4 bit, as I recall. That's kind of what I remember.</p> <p>5 Q What were his prerequisites?</p> <p>6 A Andrew wanted to be accountable only to</p> <p>7 Bill. He didn't want to -- let me back up.</p> <p>8 I think Andrew had a feeling that in large</p> <p>9 corporations, you could have different levels of</p> <p>10 bureaucracy or organizational structure or -- leave</p> <p>11 it at that.</p> <p>12 And I think he was sensitive that he didn't</p> <p>13 want to have to deal with any of those complexities.</p> <p>14 So his feeling was he wanted to in essence</p> <p>15 report to Bill, and have Bill send a strong signal</p> <p>16 that he, Andrew, was going to be working with the</p> <p>17 endorsement of the very senior levels of the</p> <p>18 corporation.</p> <p>19 Q And did you guys agree on that?</p> <p>20 A Yeah, yeah.</p> <p>21 Q You discussed his background, you said, at</p> <p>22 this meeting?</p> <p>23 What was Mr. Kahr's background?</p> <p>24 A Andrew had worked as a consultant with</p>

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<p>1 IN THE UNITED STATES DISTRICT COURT</p> <p>2 FOR THE NORTHERN DISTRICT OF ILLINOIS</p> <p>3 EASTERN DIVISION</p> <p>4</p> <p>5 LAWRENCE E. JAFFE PENSION PLAN,)</p> <p>6 on behalf of Itself and All)</p> <p>7 Others Similarly Situated,)</p> <p>8 Plaintiffs,)</p> <p>9 vs.) No. 02 C 5893</p> <p>10 HOUSEHOLD INTERNATIONAL, INC.,)</p> <p>11 et al.,)</p> <p>12 Defendants.) Volume No. 2</p> <p>13</p> <p>14 I, DAVID A. SCHOENHOLZ, state that I</p> <p>15 have read the foregoing transcript of the</p> <p>16 testimony given by me at my deposition on the</p> <p>17 28th day of February and the 1st day of March</p> <p>18 2007, and that said transcript constitutes a true</p> <p>19 and correct record of the testimony given by me</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	<p>1 at said deposition except as I have so indicated</p> <p>2 on the errata sheets provided herein.</p> <p>3</p> <p>4 _____</p> <p>5 DAVID A. SCHOENHOLZ</p> <p>6</p> <p>7 No corrections (Please initial)_____</p> <p>8 Number of errata sheets submitted _____(pgs)</p> <p>9</p> <p>10 SUBSCRIBED AND SWORN TO</p> <p>11 before me this ____day</p> <p>12 of _____, 2007.</p> <p>13</p> <p>14 _____</p> <p>15 NOTARY PUBLIC</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>
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<p>1 STATE OF ILLINOIS)</p> <p>2) SS:</p> <p>3 COUNTY OF C O O K)</p> <p>4</p> <p>5 I, RICHARD H. DAGDIGIAN, Illinois CSR No.</p> <p>6 084-000035, Registered Professional Reporter and</p> <p>7 Notary Public in and for the County of Cook, State of</p> <p>8 Illinois, do hereby certify that previous to the</p> <p>9 commencement of the examination, said witness was</p> <p>10 duly sworn by me to testify the truth; that the said</p> <p>11 deposition was taken at the time and place aforesaid;</p> <p>12 that the testimony given by said witness was reduced</p> <p>13 to writing by means of shorthand and thereafter</p> <p>14 transcribed into typewritten form; and that the</p> <p>15 foregoing is a true, correct, and complete transcript</p> <p>16 of my shorthand notes so taken as aforesaid.</p> <p>17 I further certify that there were present at</p> <p>18 the taking of the said deposition the persons and</p> <p>19 parties as indicated on the appearance page made a</p> <p>20 part of this deposition.</p> <p>21 I further certify that I am not counsel for</p> <p>22 nor in any way related to any of the parties to this</p> <p>23 suits, nor am I in any way interested in the outcome</p> <p>24 thereof.</p>	<p>1 I further certify that this certificate</p> <p>2 applies to the original signed IN BLUE and certified</p> <p>3 transcripts only. I assume no responsibility for the</p> <p>4 accuracy of any reproduced copies not made under my</p> <p>5 control or direction.</p> <p>6</p> <p>7 IN TESTIMONY WHEREOF, I have hereunto set</p> <p>8 my hand and affixed my notarial seal this ____day of</p> <p>9 _____, 2007.</p> <p>10</p> <p>11</p> <p>12 _____</p> <p>13 Richard H. Dagdigian, CSR, RMR, CRR</p> <p>14</p> <p>15 My Commission expires</p> <p>16 May 1, 2007.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>

Pages 468 to 471

EXHIBIT 8

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

LAWRENCE E. JAFFE PENSION PLAN, On)	Lead Case No. 02-C-5893
Behalf of Itself and All Others Similarly)	(Consolidated)
Situated,)	
) <u>CLASS ACTION</u>
Plaintiff,)	
) Judge Ronald A. Guzman
vs.)	Magistrate Judge Nan R. Nolan
)
HOUSEHOLD INTERNATIONAL, INC., et)	
al.,)	
)
Defendants.)	
_____)	

LEAD PLAINTIFFS' NOTICE CONCERNING EXPERT TESTIMONY
PURSUANT TO THE COURT'S FEBRUARY 26, 2008 ORDER

Pursuant to the Court's February 26, 2008 Order, lead plaintiffs provide the following list of witnesses whose testimony as to opinions developed before or during the Class Period lead plaintiffs may introduce at trial or otherwise. Consistent with defendants' "hedging" approach, lead plaintiffs provide this list without conceding that any opinion testimony from these witnesses constitutes expert testimony or falls within the scope of this Court's *Sunstar, Inc. v. Alberto-Culver Co.*, No. 01 C 736, 2006 U.S. Dist. LEXIS 85678 (N.D. Ill. Nov. 16, 2006) opinion. Lead plaintiffs reserve the right to introduce opinion testimony from the 23 individuals identified in defendants' earlier Notice Concerning Expert Testimony which list is hereby incorporated by reference.

- Robin Allcock
- James Bernstein
- William Burgess
- Paul Creatura
- Charles Cross
- Christine Cunningham
- Kathleen Curtin
- Per Ekholdt
- Gregory Fasana
- Douglas Flint
- Douglas Friedrich
- Ned Hennigan
- Stephen Hicks
- Dennis Hueman
- David Huey
- David Little
- Paul Makowski
- Helen Markell
- Todd May
- Steven McDonald

- Kay Nelson
- Robert O'Han
- Richard Peters Jr.
- Kenneth Posner
- Jonathan Pruzan
- Kenneth Robin
- Carin Rodemoyer
- William Ryan
- Thomas Schneider
- Margaret Sprude
- Kenneth Walker
- Christine Worwa

DATED: February 27, 2008

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
AZRA Z. MEHDI (90785467)
D. CAMERON BAKER (154452)
LUKE O. BROOKS (90785469)
JASON C. DAVIS (253370)

/s/ Azra Z. Mehdi
AZRA Z. MEHDI

100 Pine Street, Suite 2600
San Francisco, CA 94111
Telephone: 415/288-4545
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Liaison Counsel

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New York, NY 10022
Telephone: 212/883-8000
212/355-6900 (fax)

Attorneys for Plaintiff

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DECLARATION OF SERVICE BY E-MAIL AND BY U.S. MAIL

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and employed in the City and County of San Francisco, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 100 Pine Street, Suite 2600, San Francisco, California 94111.

2. That on February 27, 2008, 2008 declarant served by electronic mail and by U.S. Mail to the parties: **LEAD PLAINTIFFS' NOTICE CONCERNING EXPERT TESTIMONY PURSUANT TO THE COURT'S FEBRUARY 26, 2008 ORDER** . The parties' email addresses are as follows:

TKavaler@cahill.com PSloane@cahill.com PFarren@cahill.com LBest@cahill.com DOwen@cahill.com	NEimer@EimerStahl.com ADeutsch@EimerStahl.com MMiller@MillerLawLLC.com LFanning@MillerLawLLC.com
--	--

and by U.S. Mail to:

Lawrence G. Soicher, Esq.
Law Offices of Lawrence G. Soicher
110 East 59th Street, 25th Floor
New York, NY 10022

David R. Scott, Esq.
Scott & Scott LLC
108 Norwich Avenue
Colchester, CT 06415

I declare under penalty of perjury that the foregoing is true and correct. Executed this 27th day of February, 2008, at San Francisco, California.

/s/ Monina O. Gamboa

MONINA O. GAMBOA

EXHIBIT 9

JUL 26 '01 10:52 FR HOUSEHOLD
HPL P L

FAX:6516517708

728 617 7590 TO 918472257452

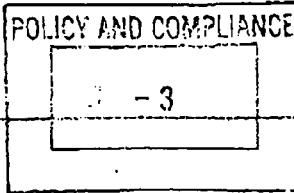
JUL 5 2001 15:33

P.02/09

P.02



MINNESOTA
DEPARTMENT OF
COMMERCE



85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198

651.296.4026 FAX 651.297.1959 TTY 651.297.3067

June 28, 2001

Mr. Jordan Ash, Loan Counseling Director
ACORN Housing Corporation
757 Raymond Avenue, Suite 200
St. Paul, Minnesota 55114

Re: Complaints Against Household Industrial Finance Company
and Beneficial Loan and Thrift Company

Dear Mr. Ash:

Enclosed are two responses from Household/Beneficial concerning the seven complaints that were forwarded to Household/Beneficial on May 25, 2001. The first response dated June 4, 2001 addressed the complaints on the following loans:

- Katie Sauve
- Mary Lee and Paul Satriano
- Lawrence and Diane Wales
- Darrell and Amy Swanson
- Frazier Brock
- Donald Brace

Household/Beneficial's response concerning each customer complaint included a brief description of the borrower's relationship with the lender, the rationale for the loan(s) granted, an explanation of the benefits to the borrower associated with the loan(s), and often discussed other issues such as loan pricing, prepayment penalties, loan disclosures and related documents, the borrower's ability to repay and credit insurance issues. Documentation showing prepayment penalties and insurance information was provided for many of the loans. In general, Household/Beneficial stated that the allegations by your organization were erroneous.

The June 4, 2001 response did not address the Ted and Mary Gaspers complaint, and the Commerce Department found the response to the Darrell and Amy Swanson and Donald Brace complaints to be insufficient. As a result, the enclosed letter was forwarded to Household/Beneficial on June 8, 2001, requesting further response on those three complaints. The June 22, 2001 response from Household/Beneficial provided additional information and documentation. The June 22, 2001 response concerning the Ted and Mary Gaspers complaint was insufficient. We requested additional information from Household, due back July 20, 2001.

O/S responses due to state: - Ted & Mary Gaspers - Paul & Mary Lee Satriano - Frazier Brock - Donald Brace - New complaint - call and to state 8-17-01

Enforcement: 1.800.657.3602
Energy Information: 1.800.657.3710
www.commerce.state.mn.us

Licensing: 1.800.657.3978
Unclaimed Property: 1.800.925.5668
An Equal Opportunity Employer

JUL 05 '01 15:56

6303177708

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JUL 06 '01 10:52 FR HOUSEHOLD

708 617 7590 TO 918472057452

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F T C

Fax-000111100

JUL 5 2001 15:04

P.03

Jordan Ash
June 28, 2001
Page 2

Additional information concerning the loan to Paul and Mary Lee Satriano was forwarded to Household/Beneficial on June 20, 2001, along with a complaint on a loan to James and Irene Memis. We expect a response by July 20, 2001.

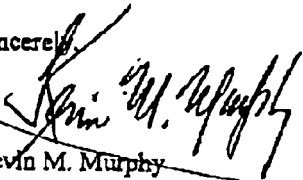
Enclosed are letters concerning each of the following complaints:

- Katie Sauve
- Lawrence and Diane Wales
- Darrell and Amy Swanson
- Frazier Brock
- Donald Brace

We are providing copies of the enclosed letters to each borrower who filed a complaint, along with copies of the related documentation/response provided by Household. The response concerning Lawrence and Diane Wales eliminates the prepayment penalties.

In addition to Ted Ellingson's efforts, I have personally reviewed all of the complaints and the response/documentation provided by Household/Beneficial. To date, we find no evidence of violations of law by Household/Beneficial with respect to these complaints. We are available, however, to discuss any or all of the individual complaints in greater detail. If you have questions, or wish to further discuss the complaints, please contact me at (651) 296-2715.

Sincerely,



Kevin M. Murphy
Deputy Commissioner

TRM:ls

Enc.

cc: Tom Schneider, Director
James Bernstein, Commissioner
Bruce Gordon, Communications

JUL 05 '01 15:56

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CONFIDENTIAL

HHS 02904676

EXHIBIT 10

Page 1	Page 2																																																																																																																					
<p style="text-align: center;">IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION Lead Case No. 02-C-5893 -----x LAWRENCE E. JAFFE PENSION PLAN, on Behalf of Itself and All Others Similarly Situated, Plaintiff, -against- HOUSEHOLD INTERNATIONAL, INC., et al., Defendants. -----x VIDEOTAPE DEPOSITION of HARRIS DEVOR, taken by the Defendants at the offices of Cahill Gordon & Reindell, 80 Pine Street, New York, New York 10005, on February 20, 2008, at 9:45 o'clock a.m., before Catherine M. Donahue, a Certified Court Reporter and Notary Public within and for the State of New York.</p>	<p>1 A P P E A R A N C E S: 2 3 Attorneys for Plaintiff 4 5 LUKE O. BROOKS, ESQ. 6 AZRA MEHDI, ESQ. 7 SPENCER BURKHOLZ, ESQ. 8 COUGHLIN STOIA GELLER RUDMAN & ROBBINS, LLP 9 100 Pine Street, 26th Floor 10 San Francisco, California 94111 11 Phone: 415.288.4545 12 Fax: 415.288.4534 13 E-mail: LukeB@csgr.com 14 E-mail: azram@csgr.com 15 E-mail: spenceb@csgr.com 16 17 18 19 20 21 22 23 24 25</p>																																																																																																																					
Page 3	Page 4																																																																																																																					
<p>1 Attorneys for Defendants 2 3 SUSAN BUCKLEY, ESQ. 4 DAVID R. OWEN, ESQ. 5 MICHAEL J. WERNKE, ESQ. 6 JASON M. HALL, ESQ. 7 JAMES VALENTINO, ESQ. 8 CAHILL GORDON & REINDELL, LLP 9 80 Pine Street 10 New York, New York 10005 11 Phone: 212.701.3000 12 Fax: 212.269.5420 13 E-mail: sbuckley@cahill.com 14 E-mail: dowen@cahill.com 15 E-mail: mwernke@cahill.com 16 E-mail: jhall@cahill.com 17 E-mail: jvalentino@cahill.com 18 ALSO PRESENT: 19 KIRSTEN FLANAGAN, BRIAN DUFFY, 20 ROMAN WEIL, T. J. FREDA, Videographer 21 I N D E X 22 Witness: Page 23 HARRIS DEVOR 24 Examination by Ms. Buckley 8 25</p>	<table border="1"> <thead> <tr> <th>Exhibit Name</th> <th>Description</th> <th>Page No.</th> </tr> </thead> <tbody> <tr> <td>1 Devor</td> <td></td> <td></td> </tr> <tr> <td>2 Exhibit 1</td> <td>Statement of Harris L. Devor</td> <td>6</td> </tr> <tr> <td>3 Exhibit 2</td> <td>Expert Report of Roman Weil</td> <td>6</td> </tr> <tr> <td>4 Exhibit 3</td> <td>Expert Report of Harris Devor</td> <td>6</td> </tr> <tr> <td>5</td> <td>with revised paragraph 8</td> <td></td> </tr> <tr> <td>6</td> <td></td> <td></td> </tr> <tr> <td>7 Exhibit 4</td> <td>Expert Report of Harris Devor</td> <td>6</td> </tr> <tr> <td>8</td> <td>with revised paragraph 42</td> <td></td> </tr> <tr> <td>9 Exhibit 5</td> <td>Expert Report of Harris Devor</td> <td>6</td> </tr> <tr> <td>10</td> <td>with revised paragraph 149</td> <td></td> </tr> <tr> <td>11</td> <td></td> <td></td> </tr> <tr> <td>12 Exhibit 6</td> <td>Corrected Rule 26 Statement of</td> <td>54</td> </tr> <tr> <td>13</td> <td>Harris L. Devor in Omnicom</td> <td></td> </tr> <tr> <td>14</td> <td>case</td> <td></td> </tr> <tr> <td>15</td> <td></td> <td></td> </tr> <tr> <td>16 Exhibit 7</td> <td>Rebuttal Statement of Harris</td> <td>54</td> </tr> <tr> <td>17</td> <td>L. Devor in Omnicom case</td> <td></td> </tr> <tr> <td>18 Exhibit 8</td> <td>Videotape Deposition of Harris</td> <td>55</td> </tr> <tr> <td>19</td> <td>L. Devor in Omnicom case</td> <td></td> </tr> <tr> <td>20</td> <td></td> <td></td> </tr> <tr> <td>21 Exhibit 9</td> <td>Document entitled Topic No.</td> <td>136</td> </tr> <tr> <td>22</td> <td>D-1</td> <td></td> </tr> <tr> <td>23 Exhibit 10</td> <td>Document entitled Differing</td> <td>160</td> </tr> <tr> <td>24</td> <td>Positions on the AFL-CIO</td> <td></td> </tr> <tr> <td>25</td> <td>Agreement</td> <td></td> </tr> <tr> <td>26 Exhibit 11</td> <td>Letter dated August 12, 2002</td> <td>166</td> </tr> <tr> <td>27</td> <td></td> <td></td> </tr> <tr> <td>28 Exhibit 12</td> <td>Exhibit No. 17 from Rodemoyer</td> <td>217</td> </tr> <tr> <td>29</td> <td>deposition</td> <td></td> </tr> <tr> <td>30</td> <td></td> <td></td> </tr> <tr> <td>31 Exhibit 13</td> <td>Form 10Q for period 6/30/2002</td> <td>271</td> </tr> <tr> <td>32</td> <td></td> <td></td> </tr> <tr> <td>33 Exhibit 14</td> <td>KPMG benchmarking study</td> <td>283</td> </tr> <tr> <td>34</td> <td></td> <td></td> </tr> <tr> <td>35 Exhibit 15</td> <td>Document entitled HSBC Home</td> <td>299</td> </tr> <tr> <td>36</td> <td>Equity Loan Corp. 1</td> <td></td> </tr> <tr> <td>37</td> <td></td> <td></td> </tr> <tr> <td>38</td> <td>(Exhibits attached with transcript.)</td> <td></td> </tr> </tbody> </table>	Exhibit Name	Description	Page No.	1 Devor			2 Exhibit 1	Statement of Harris L. Devor	6	3 Exhibit 2	Expert Report of Roman Weil	6	4 Exhibit 3	Expert Report of Harris Devor	6	5	with revised paragraph 8		6			7 Exhibit 4	Expert Report of Harris Devor	6	8	with revised paragraph 42		9 Exhibit 5	Expert Report of Harris Devor	6	10	with revised paragraph 149		11			12 Exhibit 6	Corrected Rule 26 Statement of	54	13	Harris L. Devor in Omnicom		14	case		15			16 Exhibit 7	Rebuttal Statement of Harris	54	17	L. Devor in Omnicom case		18 Exhibit 8	Videotape Deposition of Harris	55	19	L. Devor in Omnicom case		20			21 Exhibit 9	Document entitled Topic No.	136	22	D-1		23 Exhibit 10	Document entitled Differing	160	24	Positions on the AFL-CIO		25	Agreement		26 Exhibit 11	Letter dated August 12, 2002	166	27			28 Exhibit 12	Exhibit No. 17 from Rodemoyer	217	29	deposition		30			31 Exhibit 13	Form 10Q for period 6/30/2002	271	32			33 Exhibit 14	KPMG benchmarking study	283	34			35 Exhibit 15	Document entitled HSBC Home	299	36	Equity Loan Corp. 1		37			38	(Exhibits attached with transcript.)	
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Devor, Harris L.

2/20/2008

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<p>1 the whole answer or just the second paragraph?</p> <p>2 Q. Why don't we start with the second</p> <p>3 paragraph and we'll do one piece at a time so</p> <p>4 Mr. Brooks doesn't get upset.</p> <p>5 A. Okay. Okay.</p> <p>6 So the question is pending. I'm</p> <p>7 sorry?</p> <p>8 Q. Well, we were discussing whether two</p> <p>9 qualified accountants can come to a different</p> <p>10 opinion as to the proper treatment for one</p> <p>11 transaction. And you just have taken the time</p> <p>12 to read Dr. Weil's description of the LIFO/FIFO</p> <p>13 debate.</p> <p>14 And my question is: Do you agree</p> <p>15 with Dr. Weil that either LIFO or FIFO are two</p> <p>16 acceptable ways to account for the cost for</p> <p>17 assumptions of inventory?</p> <p>18 A. I do. I think that's consistent</p> <p>19 with what I said before in my discussion.</p> <p>20 Q. Okay. All right.</p> <p>21 Moving on, Mr. Devor. Would you</p> <p>22 agree that the fact of the restatement does not</p> <p>23 imply fraud?</p> <p>24 A. You don't mean moving along in this</p> <p>25 report?</p>	<p>1 Q. No. I'm just moving along.</p> <p>2 A. What was the question?</p> <p>3 Q. Does the fact of a restatement imply</p> <p>4 fraud?</p> <p>5 MR. BROOKS: Objection. Vague.</p> <p>6 A. The fact that a company restates</p> <p>7 does not necessarily mean that fraud took place.</p> <p>8 Q. Okay.</p> <p>9 A. If that's what you're asking.</p> <p>10 Q. That's what I'm asking.</p> <p>11 Let me turn to page 18 of your</p> <p>12 report, Mr. Devor.</p> <p>13 A. Okay.</p> <p>14 Q. Are we on page 18 of your report?</p> <p>15 A. We are.</p> <p>16 Q. I guess it starts with the</p> <p>17 carry-over paragraph from 17, paragraph 49. You</p> <p>18 go on to quote from APB 20 at the outset.</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. And then you go on to say, quote,</p> <p>22 "Thus, only those items bearing a material</p> <p>23 impact, either individually or in the aggregate,</p> <p>24 should cause a company to restate its</p> <p>25 previously-issued financial statements. A</p>
<p>Page 99</p> <p>1 restatement is, therefore, in effect, an</p> <p>2 admission of a material misstatement in</p> <p>3 previously-issued financial statements." period.</p> <p>4 Did I read that correctly,</p> <p>5 Mr. Devor?</p> <p>6 A. I think you did.</p> <p>7 Q. My question is: Why do you say "in</p> <p>8 effect"?</p> <p>9 A. I have to find out where I said</p> <p>10 that.</p> <p>11 Oh, okay. By virtue of restating,</p> <p>12 it is -- you can only restate in this context.</p> <p>13 You can only restate if the financial statements</p> <p>14 were wrong or materially wrong.</p> <p>15 So, therefore, when a company who</p> <p>16 has the responsibility to restate restates,</p> <p>17 they're saying the numbers were materially wrong</p> <p>18 and they need to restate.</p> <p>19 Q. That's your interpretation of APB</p> <p>20 20?</p> <p>21 A. You cannot restate -- yes, that is</p> <p>22 my interpretation of APB 20. APB 20 indicates</p> <p>23 that the rules of APB 20 only apply to material</p> <p>24 items and, therefore, when one restates, they</p> <p>25 are restating for a material error. And, in</p>	<p>Page 100</p> <p>1 fact, there is a big discussion, as I recall,</p> <p>2 about how you should restate only in very few</p> <p>3 circumstances so that the public doesn't lose</p> <p>4 confidence in financial statements for financial</p> <p>5 reporting, so that it reserves restatement only</p> <p>6 for material items.</p> <p>7 Q. And what if -- what if it is</p> <p>8 ambiguous as to whether it is material or not?</p> <p>9 A. I'm not sure what that means. I</p> <p>10 know what the word "ambiguous" means. Does that</p> <p>11 mean that it is borderline material? What do</p> <p>12 you mean in the context of that statement?</p> <p>13 Q. That two reasonable people could</p> <p>14 differ as to whether it was material?</p> <p>15 A. The company is responsible for the</p> <p>16 restatement. The company, therefore, makes the</p> <p>17 decision as to whether or not they need to</p> <p>18 restate or not and then restates.</p> <p>19 Q. So two reasonable people can</p> <p>20 disagree as to whether it is material and they</p> <p>21 decide to restate and then, by definition, the</p> <p>22 restatement does not suggest that it is an</p> <p>23 admission of materiality, correct?</p> <p>24 MR. BROOKS: Objection.</p> <p>25 Misstates the testimony.</p>

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<p>1 adequately disclose its re-aging practices and 2 policies, correct? 3 A. I believe that that's one source 4 that we cite to, that I cite to with respect to 5 the materiality of this issue. But I'm not 6 prepared to say that's -- that, quote, I rely on 7 that or that that in any way, shape or form is 8 the sole reliance for determining that it was 9 material. But, obviously, I am aware of the SEC 10 cease and desist letter. 11 Q. Did you make your own analysis of 12 documents available to the SEC to determine 13 whether, in your view, the company's disclosures 14 concerning its re-aging practices and policies 15 was materially insufficient? 16 A. Well, I have reviewed all kinds of 17 discovery that in this section for some 80 pages 18 is set forth, which is way beyond just the SEC 19 cease and desist letter. 20 Q. So you reviewed even more than the 21 SEC reviewed? 22 A. I'm not aware of what the SEC 23 reviewed. Certainly, as I sit here, I don't 24 know that I was ever aware of what precisely the 25 SEC reviewed or if that information is even</p>	<p>1 available. 2 Q. Do you know, Mr. Devor, whether the 3 plaintiff's claims in this case are the same as 4 the claims that the SEC asserted against the 5 company? 6 A. Whether the plaintiffs's claims are 7 the same as what the SEC -- 8 MR. BROOKS: I object. That 9 calls for a legal conclusion. 10 Q. Go ahead. 11 A. Well, the SEC's claims and 12 allegations in the cease and desist letter 13 certainly are consistent for at least whatever 14 period of time they were opining on with respect 15 to my opinions regarding the adequacy for 16 whether it was misleading, the disclosures 17 surrounding restructures and re-agings, so -- 18 By the way, just so it is clear, 19 that re-age, restructure issue was not just an 20 issue of how it impacted the numbers, but there 21 was also an element of the disclosure that was 22 just flat out false, and that is that the 23 disclosure was that things are re-aged after 24 certain consecutive payments were made when, in 25 fact, that wasn't always the case. And that</p>
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<p>1 whenever gave rise to the delinquency to begin 2 with had been cured, and that is also not the 3 case, especially in the process of automatic 4 restructures. 5 So I just want to make clear that 6 that's also misleading about the disclosure. I 7 think we talked about volume and stuff like 8 that, but I also want to make sure that it is 9 clear there were things that were just flat out 10 wrong and false. 11 MR. BROOKS: Are we at seven 12 hours? 13 THE VIDEOGRAPHER: Yes. This is 14 the end of Videotape 7, Volume 1, in the 15 deposition of Harris Devor. We're going 16 off the record. The time is 7:12. 17 (Whereupon, at 7:12 o'clock 18 p.m., the deposition was concluded.) 19 20 _____ 21 HARRIS DEVOR 22 23 Subscribed and Sworn to 24 before me this ____ day 25 of _____, 2008</p>	<p>1 C E R T I F I C A T E 2 3 STATE OF NEW YORK) 4)SS: 5 COUNTY OF NEW YORK) 6 7 I, CATHERINE M. DONAHUE, a Certified Court 8 Reporter and Notary Public within and for the 9 State of New York, do hereby certify: 10 That the witness whose deposition is 11 hereinbefore set forth was duly sworn by me and 12 that such deposition is a true record of the 13 testimony given by such witness. 14 I further certify that I am not related to 15 any of the parties to this action by blood or 16 marriage, and that I am in no way interested in 17 the outcome of this matter. 18 IN WITNESS WHEREOF, I have hereunto set my 19 hand this 23rd day of February, 2008. 20 21 _____ 22 CATHERINE M. DONAHUE, CCR 23 24 25</p>

EXHIBIT 11

Restricted Document Pursuant To L.R. 26.2
Filed Under Seal Pursuant To The Protective Order
Dated November 5, 2004 And The Minute Order
Dated October 10, 2006

EXHIBIT 12

Restricted Document Pursuant To L.R. 26.2
Filed Under Seal Pursuant To The Protective Order
Dated November 5, 2004 And The Minute Order
Dated October 10, 2006