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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

02 cv 5893

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
	Magistrate Judge Nan R. Nolan
vs. )	
HOUSEHOLD INTERNATIONAL, INC., et )	
al., )	
Defendants. )	

~~PROPOSED~~ FINAL PRETRIAL ORDER

VOLUME 1 OF 2

2008 MAR 02 10:00 AM

This matter having come before the Court at a pretrial conference held pursuant to Fed. R.

Civ. P. ("Rule") 16, and

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having appeared as lead counsel for lead plaintiffs Glickenhau & Company, PACE Industry Union  
Management Pension Fund, the International Union of Operating Engineers Local No. 132 Pension  
Plan, and the class, and

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having appeared as counsel for defendants Household International, Inc., William F. Aldinger, David  
A. Schoenholz and Gary Gilmer, the following actions were taken:

1. This is a certified class action brought under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§78j(b) and 78t(a), and the rules and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. 240.10b-5 and the jurisdiction of the Court is invoked under §27(a) of the Exchange Act, 15 U.S.C. §78aa. Jurisdiction is not disputed.

2. The following stipulations and statements were submitted and are attached to and made a part of this Order:

(a) Exhibit A – A comprehensive stipulation or statement of all uncontested facts, which, except where a specific objection to admissibility (as noted in Exhibit A) is upheld, will become a part of the evidentiary record in the case and which may be read to the jury by the Court or any party;

(b) Exhibit B – Statements by each party of the contested issues of fact and law;

B-1 – Plaintiffs' Statement of Contested Issues of Fact and Law

B-2 – Defendants' Statement of Contested Issues of Fact and Law

(c) Exhibit C – Description of the case to be read to prospective jurors;

(d) Exhibit D – Schedules of exhibits (other than demonstrative evidence)

expected to be offered in evidence during trial;

D-1 – Plaintiffs' Exhibit List (with Defendants' objections and Plaintiffs' responses)

D-2 – Defendants' Exhibit List (with Plaintiffs' objections and Defendants' responses)

The parties plan on continuing to meet and confer in the next two weeks to reduce the objections to exhibits and the number of exhibits. The parties plan on lodging any revised exhibit lists, and a list of disputed exhibits, and will attempt to agree on joint exhibits prior to the pretrial conference. At the pretrial conference the parties will discuss with the Court the appropriate schedule for the exchange of demonstratives prior to trial.

(e) Exhibit E – Lists of names and addresses of the potential witnesses to be called by each party, with a statement of any objections to calling, or to the qualifications of, any witness identified on the list;

E-1 – Plaintiffs' Witness List

E-2 – Defendants' Objections to Plaintiffs' Witness List

E-3 – Defendants' Witness List

E-4 – Plaintiffs' Objections to Defendants' Witness List

(f) Exhibit F – Statements setting forth the qualifications of each expert witness to be read to the jury at the time the expert witness takes the stand;

F-1 – Plaintiffs' Statement of Qualifications of Expert Witnesses to Be Read to the Jury

F-2 – Defendants' Statement of Qualifications of Expert Witnesses to Be Read to the Jury and Defendants' Statements of Qualifications of Witnesses Who May Offer Testimony Based on Specialized Knowledge, and Defendants' Objections to Plaintiffs' Statements of Qualifications of Expert Witnesses to be Read to the Jury

(g) Exhibit G – A list of all depositions, and designated page and line numbers, to be shown to the jury via video and statements of any objections thereto;

G-1 – Plaintiffs' Deposition Designations (with defendants' objections and counter-designations)

G-2 – Defendants' Deposition Designations (with plaintiffs' objections and counter-designations)

G-3 – Defendants' General Objections to Plaintiffs' Deposition Designations

(h) Exhibit H – An itemized statement of damages;

H-1 – Plaintiffs' Itemized Statement of Damages

H-2 – Defendants' Response and Objections to Plaintiffs' Itemized Statement of Damages

(i) Exhibit I – Proposed jury instructions and objections;

I-1 – Plaintiffs’ Proposed Jury Instructions

I-2 – Defendants’ Responses and Objections to Plaintiffs’ Proposed Jury Instructions

I-3 – Defendants’ Proposed Jury Instructions

I-4 – Plaintiffs’ Objections to Defendants’ Proposed Jury Instructions

The parties plan on continuing to meet and confer to present a number of joint jury instructions prior to the pretrial conference.

(j) Exhibit J – Proposed verdict forms and objections;

J-1 – Plaintiffs’ Proposed Verdict Form

J-2 – Defendants’ Responses and Objections to Plaintiffs’ Proposed Verdict Form

J-3 – Defendants’ Proposed Verdict Form

J-4 – Plaintiffs’ Objections to Defendants’ Proposed Verdict Form

(k) Exhibit K – List of the questions each party requests the Court to ask prospective jurors in accordance with Fed. R. Civ. P. 47(a);

K-1 – Joint Submission of Proposed Voir Dire Questions and Corresponding Objections

K-2 – [Proposed] Joint Jury Questionnaire

(l) Exhibit L – List of each party’s intended motions *in limine*. Pursuant to the Court’s Order, briefs in support of the parties’ motions *in limine* shall be filed by January 30, 2009. The parties have submitted a stipulation and proposed order regarding a briefing schedule, whereby responses would be due February 10, 2009, and replies due February 13, 2009;

L-1 – List of Plaintiffs’ Motions *In Limine*

L-2 – List of Defendants’ Motions *In Limine*

(m) Each party has completed discovery with respect to common class-wide issues that will be the subject of the upcoming trial, including the depositions of expert witnesses. Absent

further court order for good cause shown, no further discovery shall be permitted as to common class-wide issues.

3. Trial of this case is expected to take 20 court days. The Court, at the June 30, 2008 status conference, directed a four-week trial beginning on March 30, 2009, which the parties have agreed will be split equally between the two sides, with each side to designate a timekeeper.

4. This action will be tried by a jury. The plaintiffs recommend that nine jurors be selected at the commencement of the trial. Defendants recommend that twelve jurors be selected at the commencement of the trial. See Joint Proposal Pursuant to ¶5 attached as Exhibit M.

5. The parties do not agree whether the issues of liability and damages should be bifurcated for trial.

(a) Plaintiffs' Position on Bifurcation:

This case should not be bifurcated. The jury will be asked to render a verdict on all classwide issues, including reliance, liability and the damages per share for each day of the Class Period. If there is a verdict in favor of plaintiffs, a claims process will take place and individual class members' damages will be calculated. Defendants have not identified any issues that could not be addressed through the claims process. Issues defendants raise about "in and out traders," or LIFO versus FIFO all relate to the formula the Court will approve after a per share verdict in order to *calculate* individual class members' damages upon their filing of proof of claim forms. Accordingly, there will be no need for a second *jury*. Defendants will argue that they have the right to rebut the presumption of reliance that they concede exists in this case since Household's stock was traded in an efficient market. One means to do so is through a truth-on-the-market defense. If defendants intend to present this defense, it will be in this trial. Alternatively, defendants could seek to rebut the presumption by showing that a Class Member would have purchased Household stock even knowing about all of the facts of the fraud. It is blackletter law that no one would knowingly

buy stock that was inflated by fraud. *See Basic, Inc. v. Levinson*, 485 U.S. 224, 246-47 (1988). Additionally, as a further buttress, each class member could be asked on the claim form to answer the only relevant question – “would you still have purchased Household stock during the Class Period if you knew that defendants had made materially false statements which artificially inflated the price that you paid for that stock at the time?” Only if the class member answers “yes,” will defendants be able to rebut the presumption of reliance. Defendants’ proposal of forcing each class member to submit to discovery and appear in Court before a jury is improper, inefficient, unfair, and unnecessary and simply an attempt to turn the class action into thousands of mini-trials.

(b) Defendants’ Position on Bifurcation:

Contrary to their current position, in resisting Defendants’ efforts to depose them and their investment advisors, Plaintiffs affirmatively and successfully urged the Court that substantial issues relating to individual reliance and damages must be reserved for a later stage if the trial on class-wide common issues resulted in a finding of culpability against any Defendant. When Defendants moved Magistrate Judge Nolan for leave to depose Plaintiffs and their third-party investment advisors with respect to reliance, damages, and information known to the market, Plaintiffs opposed such discovery on the ground that these were individualized issues that should be addressed in a second phase of a bifurcated trial structure.

In affirmatively asking Magistrate Judge Nolan to “order the Household Defendants to withdraw the outstanding third-party subpoenas and prohibit further individualized discovery until after Classwide liability has been determined” (Pls. 2/8/2005 Reply in Support of Lead Pls. Mot. for Prot. Order Quashing Defs’ Third-Party Subpoenas, at 14), Plaintiffs acknowledged that the requested discovery related to possible defenses against individual class members. (*See Lead Plaintiffs’ 1/11/05 Mem. in Support of Motion for Protective Order at 6-7*, stating that “discovery of information related to PACE’s investment decisions and those of its investment advisors might, in

theory, give rise to a defense against PACE . . .”). Yet Plaintiffs urged the court that such issues “ought to be adjudicated” after a trial on common issues:

“Even if this Court finds the Household Defendants’ discovery is arguably relevant to the merits of the case, it should order that discovery not be conducted until after Classwide liability has been determined. . . . It is well established that individualized issues of reliance ought to be adjudicated at a later stage after classwide issues have been determined.” (Pls 2/8/2005 Reply in Support of Lead Pls. Mot. for Prot. Order Quashing Defs’ Third-Party Subpoenas, at 10) (emphasis added)

Magistrate Judge Nolan noted that “Lead Plaintiffs recognize that discovery related to PACE’s investment decisions may be relevant but contend that discovery should initially be limited to class-wide liability issues” (M.J. Nolan’s April 18, 2005 Order at 7, n.5), and on that basis granted Plaintiffs’ motion to quash, holding that such discovery should be postponed “without prejudice to reassertion, if necessary” after a finding of liability (if any). (*Id.* at 5).

Defendants renewed their requests for similar discovery in 2006. Plaintiffs successfully opposed this request based upon the same argument: that such discovery should be postponed until after the class-wide trial. *See* M.J. Nolan’s November 13, 2006 Order (denying Defendants’ motion to depose named plaintiffs and their financial advisors prior to a determination of class-wide liability) and Judge Guzman’s January 29, 2007 Order (adopting ruling in full)). Based on their representations to Magistrate Judge Nolan (on which they prevailed), Plaintiffs are now judicially estopped from arguing that bifurcation is inappropriate.

Furthermore, when Defendants raised the issue of bifurcation and second-phase discovery before this Court during the June 30, 2008 status conference, the Court recognized that similar class actions “generally are two-tiered trials” and urged the parties to incorporate such information in the final pretrial order. (Tr. of June 30, 2008 Conf. at 79). Counsel for Plaintiffs stood silently by, failing to inform the Court of their newfound opposition to the bifurcated trial that they had successfully advocated as a measure to deny Defendants any substantive discovery of Plaintiffs.



Plaintiffs are also mistaken as a matter of law that the issue of reliance will be fully adjudicated at the trial of class-wide issues. The Supreme Court has made clear that the presumption of reliance in a fraud-on-the-market case is rebuttable on either a class-wide or individual basis, and that any plaintiff who trades without relying on the integrity of the market is not entitled to the benefit of that presumption. See *Basic, Inc. v. Levinson*, 485 U.S. 224, 249-50 (1988). In *Basic*, the Supreme Court set forth three ways for defendants to rebut this presumption of reliance: (1) by rebutting proof of the elements giving rise to the presumption, (2) by showing that the misrepresentations did not lead to a distortion of a stock's market price, or (3) by demonstrating that an individual plaintiff traded or would have traded despite his knowing the statement was false. *Id.* at 248. "For example, a plaintiff who believed that [the defendant's] statements were false . . . but sold his shares nevertheless because of other unrelated concerns . . . could not be said to have relied on the integrity of a price he knew had been manipulated." *Basic*, 485 U.S. at 248.

The rebuttal of the presumption of reliance on an individual basis under *Basic* raises fact questions as to which discovery and a jury trial are required. See, e.g., *Jaroslavicz v. Engelhard Corp.*, 724 F. Supp. 294 (D.N.J. 1989):

[The court] must allow defendants to rebut the claimed reliance of each and every class member. Otherwise proof of [the lead plaintiff's] own "non-rebuttable" reliance will become conclusive as to all other class members. This result would let a "scheme of investor's insurance" into securities law through the back door.

725 F. Supp. at 301 (citing *Basic*, 108 S. Ct. at 994). These considerations are particularly relevant in this case, where discovery of large institutional investors could have a significant impact on the amount of potential damages. At year end 2001 and 2002, the top 10 Household shareholders generally owned over half of the net outstanding shares.<sup>1</sup> Plaintiffs' effort to block Defendants' right

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<sup>1</sup> In contrast, the three Lead Plaintiffs were among the smallest institutional investors in Household securities, collectively holding less than half of one percent of the outstanding shares of the Company's stock.

to take necessary discovery of such major shareholders as to reliance and individual damages (in the event of any adverse resolution of class-wide issues) ignores prior bifurcation rulings in this case and offends basic tenets of due process. Discovery of Lead Plaintiffs themselves (and the trial of any resulting individual fact disputes) will also be in order. The necessity of such discovery can be illustrated by a single telling example: Lead Plaintiff Glickenhau and Company purchased a large proportion of its holdings in Household stock more than 27 months into the Class Period, *after* the dates on which Plaintiffs contend the alleged fraud was disclosed to the market. (See Glickenhau Certification of Named Plaintiff, attached to Pls. Amended Complaint)<sup>2</sup> Yet, having successfully resisted discovery and trial on the implications of this apparent admission, Plaintiffs now argue without basis, and without regard to Defendants' right to discovery and a jury trial on contested factual issues, that the upcoming "common issue" trial will end all inquiry on the subject of reliance – *i.e.*, they now say there should be *no* phase two at all.

On the subject of damages, Plaintiffs also vigorously and successfully opposed disclosure of relevant information requested by Defendants under Fed. R. Civ. P. 26(a), on the ground that litigation of damages issues must be deferred. For example, Plaintiffs urged Magistrate Judge Nolan to postpone discovery and expert analysis of the consequences of "in and out" stock trading until after any finding of liability in an initial trial:

As for "in and out" traders: these "can be addressed after Plaintiffs' successful verdict at trial, with appropriate input from the parties and their experts." (10/24/07 Lead Plaintiffs' Supplemental Statement Regarding Damages Pursuant to the Court's October 17, 2007 Order, p. 2)

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As the Court of Appeals recently noted, "One can't help thinking that the unwillingness of any substantial shareholder to step forward as a representative suggests that the suit may not be in investors' interest." *Asher v. Baxter International, Inc.*, 505 F.3d 736, 738 (7th Cir. 2007).

<sup>2</sup> Glickenhau's Certification (which was required by the PSLRA) is difficult to reconcile with Glickenhau's interrogatory responses and other public filings – a subject Defendants' have not been allowed to pursue through discovery.

On this subject too, Magistrate Judge Nolan again accepted Plaintiffs' proposal for a bifurcated structure, with the determination of actual loss (if any) for individual class members taking place in the second proceeding: "In the event Plaintiffs prevail at trial on the issue of liability, the next step will be to determine whether each individual class member has suffered actual economic loss." (M.J. Nolan October 17, 2007 Minute Order, p. 3).


Furthermore, Plaintiffs' assumption that the class-wide portion of these proceedings will yield a determination of class-wide "damages" is mistaken. Calculation of any damages must be performed in a separate proceeding with additional expert analysis and factual discovery. (See Defendant's Responses and Objections to Plaintiffs' Itemized Statement of Damages). Further fact-finding and expert practice will be required to resolve numerous open issues related to any claim for actual damages by any class member. In the damages and individual reliance stage of proceedings Defendants will be entitled to appropriate discovery, and Defendants fully intend to renew their demands for depositions and documentary discovery of the Lead Plaintiffs and at least the top few shareholders during the Class Period, based on Plaintiffs' proposal, and the Court's prior Orders, that if there were a finding in Plaintiffs' favor on class-wide issues, such proceedings will be allowed. Because a showing of damages is a necessary element of each of Plaintiffs' claims, Defendants intend to litigate factual issues relevant to that element and are entitled to have related factual issues tried to a jury under the PSLRA, the Seventh Amendment and as a matter of basic Due Process.

6. The parties do not consent to reassignment of this case to a magistrate judge for trial.

7. This Order will control the course of the trial and may not be amended except by consent of the parties and the Court, or by order of the Court to prevent manifest injustice.

8. Possibility of settlement of this case was unsuccessfully considered by the parties in the course of two separate private mediation sessions on May 24, 2005 and again on May 19, 2008 and once before this Court on August 22, 2005.

DATED: 3/12/09

  
THE HONORABLE RONALD A. GUZMAN  
UNITED STATES DISTRICT JUDGE

[Attorneys are to sign the form before presenting it to the court.]

DATED: January 30, 2009

Respectfully submitted,

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# EXHIBIT A

**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. )	
	)
_____ )	

**STATEMENT OF UNCONTESTED FACTS**



The parties agree that the following facts are uncontested. Except where a specific objection to admissibility (as noted herein) is upheld, the following uncontested facts will become a part of the evidentiary record in the case and may be read to the jury by the court or any party. The parties agree that the following facts are uncontested without prejudice to their motions *in limine*, *Daubert* motions, or other pretrial motions.

**Uncontested Fact No. 1**

There is no unresolved jurisdictional question in this case. The parties agree that the United States District Court for the Northern District of Illinois has jurisdiction over this civil class action because it arises under the laws of the United States.

**Uncontested Fact No. 2**

The claims asserted arise under and pursuant to §§10(b) and 20(a) of the Securities Exchange Act of 1934 (“1934 Act”) [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission (“SEC”) [17 C.F.R. §240.10b5].

**Uncontested Fact No. 3**

This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the 1934 Act [15 U.S.C. §78aa].

**Uncontested Fact No. 4**

This is a class action. Plaintiffs are all persons who purchased or otherwise acquired common stock of Household International, Inc. (“Household” or the “Company”) between July 30, 1999 and October 11, 2002 (the “Class Period”). The class will be represented by three co-Lead Plaintiffs, Glickenhau & Company, PACE Industry Union Management Pension Fund, and The International Union of Operating Engineers Local No. 132 Pension Plan.

**Uncontested Fact No. 5**

Co-lead plaintiff PACE Industry Union Management Pension Fund ("PACE") is a self-insured, qualified Taft-Hartley De-fined Benefit plan. PACE administers pension and retirement benefits for 75,000 plan participants, including paper, pulp and board mills workers and refinery workers from the Oil, Chemical & Atomic Workers Union that merged with the PACE International Union in 2000.<sup>1</sup> As of March 2003, it administered over \$3.5 billion of pension and retirement benefits.

**Uncontested Fact No. 6**

Co-Lead plaintiff The International Union of Operating Engineers Local No. 132 Pension Plan ("IUOE") is a self-insured, qualified Taft-Hartley Defined Benefit plan. IUOE administers over \$160 million of pension and retirement benefits for over 3,000 plan participants.

**Uncontested Fact No. 7**

Co-Lead Plaintiff Glickenhau & Company ("Glickenhau") is an SEC-registered investment advisor in New York. As of March 2003, it had hundreds of millions of dollars of assets under management.

**Uncontested Fact No. 8**

During the Class Period, Defendant Household International, Inc. ("Household") was a publicly-traded company whose common stock traded on the New York Stock Exchange under the symbol HI.

**Uncontested Fact No. 9**

Shares of Household common stock were securities.

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<sup>1</sup> Defendants stipulate to the factual accuracy of Uncontested Fact No. 5. However, Defendants object that the stated information regarding occupations of participants in the plan is not admissible. (FRE 402, FRE 403)

**Uncontested Fact No. 10**

Household common stock traded in an efficient market.

**Uncontested Fact No. 11**

The “in connection with the purchase or sale of any security” requirement is satisfied as to each statement set forth in Exhibit A (attached).

**Uncontested Fact No. 12**

Those statements set forth in Exhibit A that were included in Household Form 10-K filings, Household Form 10-Q filings, or Household press releases were made by Household. The parties do not agree as to whether any statements other than the statements made in Household Form 10-K filings, Household Form 10-Q filings, or Household press releases were made by Household.

**Uncontested Fact No. 13**

During the Class Period, Household served over 50 million customers and had 31,000 employees in several different business units, including Consumer Lending, Mortgage Services, Retail Services, Auto Financing and Credit Card Services. Household’s Consumer Lending Business Unit operated about 1,400 consumer lending branch offices in 46 states and employed approximately 12,000 people.

**Uncontested Fact No. 14**

During the Class Period, Household issued reports on Form 10-Q for its first, second, and third fiscal quarters, which ended March 31, June 30 and September 30, respectively, and a report on Form 10-K for each fiscal year, which ended December 31. Defendant William F. Aldinger (“Aldinger”) signed each of the Household Form 10-K’s, which were filed with the SEC. Defendant David A. Schoenholz (“Schoenholz”) signed each of the Household Form 10-Q’s and Form 10-K’s, which were filed with the SEC.

**Uncontested Fact No. 15**

Defendant Aldinger was, during the Class Period, Chief Executive Officer (“CEO”) of Household and Chairman of the Household Board of Directors.

**Uncontested Fact No. 16**

Defendant Schoenholz was, during the Class Period, President and Chief Operating Officer and Vice-Chairman of the Household Board of Directors. During the Class Period, Schoenholz also served as Chief Financial Officer of Household.

**Uncontested Fact No. 17**

Defendant Gilmer was, during the Class Period, Vice-Chairman of Consumer Lending and Group Executive of U.S. Consumer Finance.

**Uncontested Fact No. 18**

During the Class Period, Household reported 2+ delinquency and charge-off statistics to investors in press releases and SEC filings.

**Uncontested Fact No. 19**

On June 21, 1998, Household merged with Beneficial Corporation (“Beneficial”), a consumer finance holding company headquartered in Wilmington, Delaware.

**Uncontested Fact No. 20**

Following Household’s merger with Beneficial, Household’s Consumer Lending business unit operated under two brand names, Household Finance Company (“HFC”) and Beneficial Finance Company (“BFC”).

**Uncontested Fact No. 21**

During the Class Period, HFC and BFC branch offices were run by the Branch Sales Managers. The Branch Sales Managers were supervised by District Sales Managers, who, in turn, were supervised by Division General Managers.

**Uncontested Fact No. 22**

During the first quarter of 1999 through December 31, 2001, District Sales Managers were responsible for conducting sales and compliance audits for any branch office within their district.

**Uncontested Fact No. 23**

The Home Owner Loan Proposal (HOLP) was a sales document used by the branch salespeople to propose a first or second mortgage to a potential customer.<sup>2</sup>

**Uncontested Fact No. 24**

On November 14, 2002, Household and HSBC Holdings plc ("HSBC") announced that HSBC would acquire Household.<sup>3</sup>

**Uncontested Fact No. 25**

On March 28, 2003, HSBC acquired Household for approximately \$28.75 per share.<sup>4</sup>

**Uncontested Fact No. 26**

On June 14, 1996, Household entered into two agreements with the AFL-CIO and AFL-CIO's marketing entity, Union Privilege ("UP"), with the purpose of developing an affinity credit card program offering credit cards to members of unions that were affiliated with the AFL-CIO. In connection with entering into the these two agreements, Household purchased the existing AFL-CIO portfolio of credit card accounts from the Bank of New York.

**Uncontested Fact No. 27**

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<sup>2</sup> Defendants stipulate to the factual accuracy of Uncontested Fact No. 23. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

<sup>3</sup> Defendants stipulate to the factual accuracy of Uncontested Fact No. 24. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

<sup>4</sup> Defendants stipulate to the factual accuracy of Uncontested Fact No. 25. However, Defendants object that this fact is not admissible. (FRE 402, FRE 403)

On June 23, 1999, Household entered into three agreements with Kessler Financial Services and Kessler Capital Company under which these companies were to assist Household in the marketing of Household's credit cards.

**Uncontested Fact No. 28**

On April 14, 1992, Household and General Motors entered into an agreement under which Household would issue a credit card that would allow customers to earn rebates for GM products.

**Uncontested Fact No. 29**

On or about April 1, 2002, KPMG LLP replaced Arthur Andersen as Household's independent external auditor.

**Uncontested Fact No. 30**

On August 14, 2002, Household publicly announced that it would restate its earnings for the prior eight years based on the accounting for the AFL-CIO, UP, Kessler and GM credit card contracts, reducing its reported net income for those years.

DATED: January 20, 2009

Respectfully submitted,

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# EXHIBIT A

**HOUSEHOLD INTERNATIONAL  
FALSE STATEMENTS**

Date	Document Title	Statement																																				
1. 07/22/1999 *Plaintiffs' use of this false statement is dependent on the Court's ruling on defendants' motion for summary judgment, and other pretrial rulings by the Court.	Household Press Release	<p>July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record \$326.9 million, compared with operating net income of \$249.4 million a year ago. Earnings per share increased 37 percent to a record \$.67, compared with operating EPS of \$.49 a year ago. Cash basis EPS for the quarter rose 28 percent to \$.74."</p> <p style="text-align: center;">* * * * *</p> <p>"Credit quality continued to improve. The managed delinquency ratio (60+days) declined for the third consecutive quarter to 4.72 percent at June 30, compared with 4.81 percent at March 31 and 4.65 percent a year ago. The annualized managed net chargeoff ratio for the second quarter improved to 4.10 percent, lower than 4.37 percent in the first quarter and 4.26 percent in the year-ago quarter."</p> <p style="text-align: center;">* * * * *</p> <p>"Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business."</p>																																				
2. 08/16/1999	Household 10-Q	<p>Household 10-Q for quarter ending 6/30/99: Household reported net income of \$326.9 million for the quarter ended June 30, 1999 and EPS of \$0.67:</p> <p>Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th>6/30/99</th> <th>3/31/99</th> <th>12/31/98</th> <th>9/30/98</th> <th>6/30/98</th> </tr> </thead> <tbody> <tr> <td>First mortgage</td> <td>12.72%</td> <td>10.91%</td> <td>14.90%</td> <td>11.80%</td> <td>11.07%</td> </tr> <tr> <td>Home equity</td> <td>3.29</td> <td>3.54</td> <td>3.67</td> <td>3.73</td> <td>3.55</td> </tr> <tr> <td>Auto finance</td> <td>1.87</td> <td>1.74</td> <td>2.29</td> <td>2.05</td> <td>1.67</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.11</td> <td>3.61</td> <td>3.75</td> <td>3.73</td> <td>3.30</td> </tr> <tr> <td>Private label</td> <td>6.62</td> <td>6.37</td> <td>6.20</td> <td>6.55</td> <td>6.10</td> </tr> </tbody> </table>		6/30/99	3/31/99	12/31/98	9/30/98	6/30/98	First mortgage	12.72%	10.91%	14.90%	11.80%	11.07%	Home equity	3.29	3.54	3.67	3.73	3.55	Auto finance	1.87	1.74	2.29	2.05	1.67	MasterCard/Visa	3.11	3.61	3.75	3.73	3.30	Private label	6.62	6.37	6.20	6.55	6.10
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3.	Household Press Release	<p data-bbox="728 233 855 1360">October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record \$399.9 million, compared with \$318.0 million a year ago. Earnings per share increased 32 percent to a record \$.83, from \$.63 a year ago."</p> <p data-bbox="893 233 954 1360">* * * *</p> <p data-bbox="959 233 1020 1360">"Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth."</p> <p data-bbox="1025 233 1087 1360">* * * *</p> <p data-bbox="1091 233 1174 1360">"Credit Quality and Loss Reserves Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago."</p>												
4.	Household 10-Q	<p data-bbox="1179 233 1240 1360">Household 10-Q for quarter ending 9/30/99: Household reported net income of \$399.9 million for the quarter ended September 30, 1999 and EPS of \$0.84:</p> <p data-bbox="1278 233 1371 1360">"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was</p>												

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5.	01/19/2000	Household Press Release																																																
		<p>January 19, 2000 Household Press Release entitled “Household International Reports Best Quarter and Year in Its History”: Household “reported that fourth quarter earnings per share increased 30 percent to a record \$.92 from \$.71 a year ago. Fourth quarter net income rose 25 percent to a record \$438.8 million, compared with \$349.9 million a year ago. For the full year, Household reported record earnings per share of \$3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled \$1.5 billion, or 29 percent above the prior year’s operating net income.”</p>																																																
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		<p>“We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our</p>																																																

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		<p>expectations. Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger.”</p> <p style="text-align: center;">* * *</p>																		
6.	03/28/2000 Household FY99 Report on Form 10-K	<p>“Credit Quality and Loss Reserves Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago.”</p> <p>Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000 Household reported net income of 1.486 billion and E.P.S. of \$3.10:</p> <p style="text-align: center;">* * *</p> <p>“Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . .</p> <p>We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses.”</p> <p style="text-align: center;">* * *</p> <p>Consumer Two-Month-and-Over Contractual Delinquency Ratios</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: center;">1999</td> <td style="text-align: center;">1998</td> <td style="text-align: center;">1997</td> <td style="text-align: center;">1996</td> <td style="text-align: center;">1995</td> </tr> <tr> <td>Managed Two Month and Over Contractual Delinquency Ratios</td> <td style="text-align: center;">3.27%</td> <td style="text-align: center;">3.67%</td> <td style="text-align: center;">3.69%</td> <td style="text-align: center;">3.04%</td> <td style="text-align: center;">2.76%</td> </tr> <tr> <td>Home equity</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>		1999	1998	1997	1996	1995	Managed Two Month and Over Contractual Delinquency Ratios	3.27%	3.67%	3.69%	3.04%	2.76%	Home equity					
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7.	04/19/2000 Household Press Release	<p>April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results". Household "reported that earnings per share rose 20 percent to a first quarter record of \$.78, from \$.65 a year ago. Net income increased to \$372.9 million, up 16 percent from \$320.8 million in the first quarter of 1999."</p> <p>* * *</p> <p>"This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve."</p> <p>* * *</p> <p>"Credit Quality and Loss Reserves</p> <p>At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter."</p> <p>Household 10-Q for 3/31/00 quarter ending: Household reported net income of \$372.9 million for the quarter ended March 30, 2000 and EPS of \$0.79 per share:</p> <p>CREDIT QUALITY</p>																																																																																										
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9.	07/19/2000 Household Press Release	<p>July 19, 2000 Household Press Release entitled “Household International Reports Record Strongest Second Quarter in Its History”: Household “reported that earnings per share rose to a second quarter record \$.80, up 19 percent from \$.67 a year ago. Net income increased 17 percent to \$383.9 million, from \$326.9 million in the second quarter of 1999. . . . The company’s managed receivables portfolio grew 22 percent from a year ago, reaching almost \$80 billion. The company added \$4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter.”</p> <p style="text-align: center;">* * *</p>																																																						

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		<p>"Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency."</p> <p style="text-align: center;">* * *</p> <p>"Credit Quality and Loss Reserves</p> <p>Credit quality improved dramatically during the quarter, as dollars of chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter fell 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago."</p>																																																						
10.	08/11/2000	<p>Household 10-Q</p> <p>Household 10-Q for 6/30/00 quarter ending: Household reported net income of \$383.9 million for the quarter ended June 30, 2000 and EPS of \$0.80:</p> <p>CREDIT QUALITY</p> <p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency</p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="602 892 801 1732"> <thead> <tr> <th></th> <th>6/30/00</th> <th>3/31/00</th> <th>12/31/99</th> <th>9/30/99</th> <th>6/30/99</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.72%</td> <td>2.99%</td> <td>3.27%</td> <td>3.46%</td> <td>3.29%</td> </tr> <tr> <td>Auto finance</td> <td>1.99</td> <td>1.52</td> <td>2.43</td> <td>2.26</td> <td>1.87</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.14</td> <td>3.06</td> <td>2.78</td> <td>3.10</td> <td>3.11</td> </tr> <tr> <td>Private label</td> <td>5.77</td> <td>5.94</td> <td>5.97</td> <td>6.66</td> <td>6.62</td> </tr> <tr> <td>Other unsecured</td> <td>7.92</td> <td>8.56</td> <td>8.81</td> <td>8.57</td> <td>8.17</td> </tr> <tr> <td>Total</td> <td>4.16%</td> <td>4.43%</td> <td>4.66%</td> <td>4.89%</td> <td>4.72%</td> </tr> <tr> <td>Owned</td> <td>4.25%</td> <td>4.58%</td> <td>4.81%</td> <td>5.24%</td> <td>4.96%</td> </tr> </tbody> </table> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000</p>		6/30/00	3/31/00	12/31/99	9/30/99	6/30/99	Managed:						Real estate secured	2.72%	2.99%	3.27%	3.46%	3.29%	Auto finance	1.99	1.52	2.43	2.26	1.87	MasterCard/Visa	3.14	3.06	2.78	3.10	3.11	Private label	5.77	5.94	5.97	6.66	6.62	Other unsecured	7.92	8.56	8.81	8.57	8.17	Total	4.16%	4.43%	4.66%	4.89%	4.72%	Owned	4.25%	4.58%	4.81%	5.24%	4.96%
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11. 10/18/2000	Household Press Release	<p>was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter.</p> <p>Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent, compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999. The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter."</p> <p>October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to \$.94, compared to \$.83 a year ago. Net income also rose to a third quarter record of \$451.2 million, a 13 percent increase from \$399.9 million a year ago."</p> <p style="text-align: center;">* * *</p> <p>"Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality."</p> <p style="text-align: center;">* * *</p> <p>"Credit Quality and Loss Reserves</p> <p>The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent."</p>
12. 11/01/2000	St. Louis Dispatch article	<p>Article in <i>St. Louis Dispatch</i> on November 1, 2000</p> <p>"ACORN cited a loan made in July by another subprime lender, HFC Mortgage Corp. According to loan documents, HFC charged a University City couple 12.5 percent interest on a \$76,900 loan. Added in were \$5,700 for credit life insurance and an origination fee of \$5,200, adding nearly \$11,000 to the cost. Mainstream lenders were charging 8 percent in interest on such 15-year loans at the time."</p> <p style="text-align: center;">* * *</p>

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13. 11/07/2000	Household Press Release	<p>"HFC spokesman Craig Stream said that the loan was 'not a predatory loan by any definition.'"</p> <p>"Stream says HFC never pressures people to buy credit life insurance."</p> <p>November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital: Household International supports Citigroup's announcement today of its efforts to boost consumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International.</p> <p>Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete."</p> <p>Household 10-Q for quarter ending 9/30/2000: "Household reported net income of \$451.2 million for the quarter ended September 30, 2000 and EPS of \$0.95:</p>																																																						
14. 11/14/2000	Household 10-Q	<p><b>CREDIT QUALITY</b></p> <p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p><b>Delinquency</b></p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="958 905 1040 1738"> <thead> <tr> <th></th> <th>September 30, 2000</th> <th>June 30, 2000</th> <th>March 31, 2000</th> <th>December 31, 2000</th> <th>September 30, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.77%</td> <td>2.72%</td> <td>2.99%</td> <td>3.27%</td> <td>3.46%</td> </tr> <tr> <td>Auto finance</td> <td>2.19</td> <td>1.99</td> <td>1.52</td> <td>2.43</td> <td>2.26</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.48</td> <td>3.14</td> <td>3.06</td> <td>2.78</td> <td>3.10</td> </tr> <tr> <td>Private label</td> <td>5.67</td> <td>5.77</td> <td>5.94</td> <td>5.97</td> <td>6.66</td> </tr> <tr> <td>Other unsecured</td> <td>7.72</td> <td>7.92</td> <td>8.56</td> <td>8.81</td> <td>8.57</td> </tr> <tr> <td>Total</td> <td>4.21%</td> <td>4.16%</td> <td>4.43%</td> <td>4.66%</td> <td>4.89%</td> </tr> <tr> <td>Owned</td> <td>4.29%</td> <td>4.25%</td> <td>4.58%</td> <td>4.81%</td> <td>5.24%</td> </tr> </tbody> </table> <p>* * * * *</p> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000</p>		September 30, 2000	June 30, 2000	March 31, 2000	December 31, 2000	September 30, 2000	Managed:						Real estate secured	2.77%	2.72%	2.99%	3.27%	3.46%	Auto finance	2.19	1.99	1.52	2.43	2.26	MasterCard/Visa	3.48	3.14	3.06	2.78	3.10	Private label	5.67	5.77	5.94	5.97	6.66	Other unsecured	7.72	7.92	8.56	8.81	8.57	Total	4.21%	4.16%	4.43%	4.66%	4.89%	Owned	4.29%	4.25%	4.58%	4.81%	5.24%
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15.	01/17/2001 Household Press Release	<p>January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household reported full year earnings per share of \$3.55, a 16 percent increase over \$3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled \$1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to \$8.9 billion, compared to \$7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record \$1.03, from \$.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of \$492.7 million, compared with \$438.8 million a year ago."</p> <p>"These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality."</p> <p style="text-align: center;">* * *</p> <p>"Credit Quality and Loss Reserves</p> <p>The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio (60+-days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago."</p>
16.	03/12/2001 Household Press Release	<p>March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z": "Household's position on predatory lending is perfectly clear," said Gary Gilmer, president and CEO of HFC and Beneficial. "Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly,</p>

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17. 03/28/2001	Household FY00 Report on Form 10-K	<p>our customers' . . . The company reaffirmed that it fully complies with all applicable federal and state laws and regulations."</p> <p>Household FY00 Report on Form 10-K filed with the SEC on March 28, 2001 Household reported net income of 1.7 billion and E.P.S. of \$3.55:</p> <p style="text-align: center;">* * *</p> <p>"Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."</p> <p style="text-align: center;">* * *</p> <p>"Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions." . . .</p> <p>We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."</p> <p>Credit Quality Statistics:</p> <p style="text-align: center;">* * *</p> <p style="text-align: center;">CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">4</td> <td style="width: 10%; text-align: center;">3</td> <td style="width: 10%; text-align: center;">2</td> <td style="width: 10%; text-align: center;">1</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">1999 Quarter End</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">2</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">3</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">4</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">1</td> </tr> </table>		4	3	2	1		1999 Quarter End							2							3							4							1
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18.	Household Press Release	<p>April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of \$.91 from \$.78 a year ago. Net income increased to \$431.8 million, up 16 percent from \$372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results."</p> <p style="text-align: center;">* * * *</p> <p>"Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet."</p> <p style="text-align: center;">* * * *</p> <p>"Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter."</p>																																																															
19.	Origination News article	<p>Origination News - March 23, 2001: "Gary Gilmer, president and chief executive of Household's subsidiaries HFC and Beneficial said the company's 'position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers.'"</p>																																																															
20.	Household 10-Q	<p>Household 10-Q for 3/31/01 quarter ended: Household reported net income of \$431.8 million for the quarter ended March 31, 2001 and EPS of \$0.92:</p> <p><b>CREDIT QUALITY</b> We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency</p>																																																															

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		<p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1"> <thead> <tr> <th></th> <th>March 31, 2001</th> <th>December 31, 2000</th> <th>September 30, 2000</th> <th>June 30, 2000</th> <th>March 31, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.61%</td> <td>2.63%</td> <td>2.77%</td> <td>2.72%</td> <td>2.99%</td> </tr> <tr> <td>Auto finance</td> <td>1.79</td> <td>2.55</td> <td>2.19</td> <td>1.99</td> <td>1.52</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.68</td> <td>3.49</td> <td>3.48</td> <td>3.14</td> <td>3.06</td> </tr> <tr> <td>Private label</td> <td>5.50</td> <td>5.48</td> <td>5.67</td> <td>5.77</td> <td>5.94</td> </tr> <tr> <td>Other unsecured</td> <td>8.37</td> <td>7.97</td> <td>7.72</td> <td>7.92</td> <td>8.56</td> </tr> <tr> <td>Total managed</td> <td>4.25%</td> <td>4.20%</td> <td>4.21%</td> <td>4.16%</td> <td>4.43%</td> </tr> <tr> <td>Owned</td> <td>4.36%</td> <td>4.26%</td> <td>4.29%</td> <td>4.25%</td> <td>4.58%</td> </tr> </tbody> </table>		March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000	Managed:						Real estate secured	2.61%	2.63%	2.77%	2.72%	2.99%	Auto finance	1.79	2.55	2.19	1.99	1.52	MasterCard/Visa	3.68	3.49	3.48	3.14	3.06	Private label	5.50	5.48	5.67	5.77	5.94	Other unsecured	8.37	7.97	7.72	7.92	8.56	Total managed	4.25%	4.20%	4.21%	4.16%	4.43%	Owned	4.36%	4.26%	4.29%	4.25%	4.58%
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21.	07/18/2001	<p>Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of \$.93, up 16 percent from a year ago. Net income rose 14 percent, to \$439.0 million, from \$383.9 million for the second quarter of 2000." . . .</p> <p>"We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter."</p>																																																						

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22.	07/24/2001 <i>The New York Times</i> article	<p>"Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter."</p> <p><i>The New York Times</i> - July 24, 2001: "It's not tied to hearings or activism or anything else in particular" said Craig Sireem, a spokesman for Household . . . "[W]e've been working on [the announced changes] for quite some time. So, it really is a coincidence."</p>																																																												
23.	07/27/2001 <i>Star Tribune</i> article	<p><i>Star Tribune</i> - July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'"</p>																																																												
24.	08/10/2001 Household 10-Q	<p>Household 10-Q for 6/30/01 quarter ended: Household reported net income of \$439 million for the quarter ended June 30, 2001 and EPS of \$0.94:</p> <p><b>CREDIT QUALITY</b> We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p><b>Delinquency</b> Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="429 210 578 1791"> <thead> <tr> <th></th> <th>June 30, 2001</th> <th>March 31, 2001</th> <th>December 31, 2000</th> <th>September 30, 2000</th> <th>June 30, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.63%</td> <td>2.61%</td> <td>2.63%</td> <td>2.77%</td> <td>2.72%</td> </tr> <tr> <td>Auto finance</td> <td>2.09</td> <td>1.79</td> <td>2.55</td> <td>2.19</td> <td>1.99</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.60</td> <td>3.68</td> <td>3.49</td> <td>3.48</td> <td>3.14</td> </tr> <tr> <td>Private label</td> <td>5.66</td> <td>5.50</td> <td>5.48</td> <td>5.67</td> <td>5.77</td> </tr> <tr> <td>Other unsecured</td> <td>8.43</td> <td>8.37</td> <td>7.97</td> <td>7.72</td> <td>7.92</td> </tr> <tr> <td>Total managed</td> <td>4.27%</td> <td>4.25%</td> <td>4.20%</td> <td>4.21%</td> <td>4.16%</td> </tr> <tr> <td>Owned</td> <td>4.48%</td> <td>4.36%</td> <td>4.26%</td> <td>4.29%</td> <td>4.25%</td> </tr> <tr> <td></td> <td></td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> </tr> </tbody> </table> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and</p>		June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	Managed:						Real estate secured	2.63%	2.61%	2.63%	2.77%	2.72%	Auto finance	2.09	1.79	2.55	2.19	1.99	MasterCard/Visa	3.60	3.68	3.49	3.48	3.14	Private label	5.66	5.50	5.48	5.67	5.77	Other unsecured	8.43	8.37	7.97	7.72	7.92	Total managed	4.27%	4.25%	4.20%	4.21%	4.16%	Owned	4.48%	4.36%	4.26%	4.29%	4.25%			*	*	*	*
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		<p>4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter.</p> <p>Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter."</p>
25.	Household Press Release	<p>October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of \$1.07 rose 14 percent from \$.94 the prior year. Net income increased 12 percent, to \$504 million, from \$451 million in the third quarter of 2000."</p> <p>"Household's performance this year has been outstanding, even as the economy has continued to weaken. . . . The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations."</p> <p>"Credit Quality and Loss Reserves</p> <p>At September 30th, the managed delinquency ratio (60+ days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter."</p>
26.	Associated Press article	<p>Associated Press -- October 31, 2001: "Household spokeswoman Megan Hayden denied the company engaged in predatory lending through its Beneficial and Household Finance subsidiaries, even as she pointed to steps the company took this year to end some of its most criticized practices. Hayden said the problem involved not her company, but 'rogue lenders.' Government regulators say predatory lenders often target the poor, racial and ethnic minorities, seniors and single women."</p>



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27.	11/14/2001 Household 10-Q	<p data-bbox="305 1018 388 1705">Household 10-Q for quarter ended 9/30/01: Household reported net income of \$503.8 million for the quarter ended June 30, 2001 and EPS of \$1.09:</p> <p data-bbox="404 1018 437 1155"><b>CREDIT QUALITY</b></p> <p data-bbox="437 1018 487 1705">We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p data-bbox="487 1018 520 1155"><b>Delinquency</b></p> <p data-bbox="520 1018 553 1705">Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table data-bbox="553 1018 801 1705"> <thead> <tr> <th></th> <th>September 30, 2001</th> <th>June 30, 2001</th> <th>March 31, 2001</th> <th>December 30, 2000</th> <th>September 30, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.74%</td> <td>2.63%</td> <td>2.61%</td> <td>2.63%</td> <td>2.77%</td> </tr> <tr> <td>Auto finance</td> <td>2.54</td> <td>2.09</td> <td>1.79</td> <td>2.55</td> <td>2.19</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.91</td> <td>3.60</td> <td>3.68</td> <td>3.49</td> <td>3.48</td> </tr> <tr> <td>Private label</td> <td>5.88</td> <td>5.66</td> <td>5.50</td> <td>5.48</td> <td>5.67</td> </tr> <tr> <td>Other unsecured</td> <td>8.51</td> <td>8.43</td> <td>8.37</td> <td>7.97</td> <td>7.72</td> </tr> <tr> <td>Total managed</td> <td>4.43%</td> <td>4.27%</td> <td>4.25%</td> <td>4.20%</td> <td>4.21%</td> </tr> <tr> <td>Owned</td> <td>4.58%</td> <td>4.48%</td> <td>4.36%</td> <td>4.26%</td> <td>4.29%</td> </tr> </tbody> </table> <p data-bbox="817 1018 850 1705">* * * * *</p> <p data-bbox="850 1018 999 1705">"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at September 30, 2001, compared with 4.48 percent at June 30, 2001 and 4.29 percent at September 30, 2000. The annualized total consumer owned chargeoff ratio in the third quarter of 2001 was 3.43 percent, compared with 3.26 percent in the prior quarter and 3.01 percent in the year-ago quarter.</p> <p data-bbox="1032 1018 1181 1705">Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 31, 2000. The annualized total consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter."</p> <p data-bbox="1214 1018 1341 1705">* * * * *</p> <p data-bbox="1214 1018 1341 1705">"Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy."</p>		September 30, 2001	June 30, 2001	March 31, 2001	December 30, 2000	September 30, 2000	Managed:						Real estate secured	2.74%	2.63%	2.61%	2.63%	2.77%	Auto finance	2.54	2.09	1.79	2.55	2.19	MasterCard/Visa	3.91	3.60	3.68	3.49	3.48	Private label	5.88	5.66	5.50	5.48	5.67	Other unsecured	8.51	8.43	8.37	7.97	7.72	Total managed	4.43%	4.27%	4.25%	4.20%	4.21%	Owned	4.58%	4.48%	4.36%	4.26%	4.29%
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28. 12/03/2001	<i>Business Week</i> article	<p><i>Business Week</i> – December 3, 2001:</p> <p>HOUSEHOLD IS ACCUSED OF:</p> <ul style="list-style-type: none"> <li>• Rolling over late loans by adding missed payments to ends of loans, thus masking delinquencies</li> <li>• Delaying recognition of charge-offs to boost earnings</li> <li>• Moving loans from its bank subsidiary to minimize need for reserves</li> <li>• Cutting on balance sheet reserves, though its portfolio is riskier</li> </ul> <p>HOUSEHOLD REPLIES:</p> <ul style="list-style-type: none"> <li>• The practice is an industry norm, and collection rates improve after loans are "re-aged"</li> <li>• Charge-off policy follows industry standards closely</li> <li>• Applying bank regulatory rules would barely increase the amount of charge-offs</li> <li>• Total reserves are at the highest level in company history</li> </ul>
29. 12/04/2001	Goldman Sachs Presentation	<p>December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring.</p> <p>* * *</p> <p>"Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158)</p> <p>"All policies have been consistently applied and realistically report results" (PFG000158)</p> <p>"Why are Household's Credit Losses Better" - better credit skills (PFG000152)</p>
30. 01/16/2002	Household Press Release	<p>January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full-Year Net Income": Household "reported fourth quarter earnings per share of \$1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from \$1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of \$549 million. For the full year, Household reported earnings per share of \$4.08, representing a 15 percent increase from \$3.55 in 2000. Net income for 2001 totaled \$1.9 billion, also an all-time high, 13 percent above \$1.7 billion earned in 2000."</p> <p>"Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded</p>

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		<p>our expectations while credit indicators weakened only modestly in a tough economic environment. . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year." * * *</p> <p>"Credit Quality and Loss Reserves At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent."</p>																																										
31.	02/06/2002 <i>Copley News Services</i> article	<p><i>Copley News Services</i> - February 6, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers." <i>National Mortgage News</i> - February 18, 2002:</p>																																										
32.	02/18/2002 <i>National Mortgage News</i> article	<p>"Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002 Household reported Net Income of \$1.923 billion in 2001, and E.P.S. of \$4.13:</p>																																										
33.	03/13/2002 Household FY01 Report on Form 10-K	<p>Household International, Inc. and Subsidiaries CREDIT QUALITY STATISTICS - OWNED BASIS All dollar amounts are stated in millions. 2001 2000 1999 1998 1997</p> <table border="1"> <thead> <tr> <th data-bbox="517 344 538 449">Owned Two-Month-and-Over Contractual Delinquency Ratios</th> <th data-bbox="517 449 538 518">2001</th> <th data-bbox="517 518 538 588">2000</th> <th data-bbox="517 588 538 657">1999</th> <th data-bbox="517 657 538 726">1998</th> <th data-bbox="517 726 538 795">1997</th> </tr> </thead> <tbody> <tr> <td data-bbox="538 344 560 449">Real estate secured</td> <td data-bbox="538 449 560 518">2.63%</td> <td data-bbox="538 518 560 588">2.58%</td> <td data-bbox="538 588 560 657">3.10%</td> <td data-bbox="538 657 560 726">3.95%</td> <td data-bbox="538 726 560 795">3.66%</td> </tr> <tr> <td data-bbox="560 344 581 449">Auto finance</td> <td data-bbox="560 449 581 518">2.92</td> <td data-bbox="560 518 581 588">2.46</td> <td data-bbox="560 588 581 657">2.02</td> <td data-bbox="560 657 581 726">2.90</td> <td data-bbox="560 726 581 795">1.48</td> </tr> <tr> <td data-bbox="581 344 602 449">MasterCard/Visa</td> <td data-bbox="581 449 602 518">5.67</td> <td data-bbox="581 518 602 588">4.90</td> <td data-bbox="581 588 602 657">3.59</td> <td data-bbox="581 657 602 726">5.09</td> <td data-bbox="581 726 602 795">3.55</td> </tr> <tr> <td data-bbox="602 344 624 449">Private label</td> <td data-bbox="602 449 624 518">5.99</td> <td data-bbox="602 518 624 588">5.60</td> <td data-bbox="602 588 624 657">6.09</td> <td data-bbox="602 657 624 726">6.03</td> <td data-bbox="602 726 624 795">5.60</td> </tr> <tr> <td data-bbox="624 344 645 449">Personal non-credit card</td> <td data-bbox="624 449 645 518">9.04</td> <td data-bbox="624 518 645 588">7.99</td> <td data-bbox="624 588 645 657">9.06</td> <td data-bbox="624 657 645 726">8.24</td> <td data-bbox="624 726 645 795">7.55</td> </tr> <tr> <td data-bbox="645 344 667 449">Total consumer</td> <td data-bbox="645 449 667 518">4.53%</td> <td data-bbox="645 518 667 588">4.26%</td> <td data-bbox="645 588 667 657">4.82%</td> <td data-bbox="645 657 667 726">5.31%</td> <td data-bbox="645 726 667 795">4.87%</td> </tr> </tbody> </table>	Owned Two-Month-and-Over Contractual Delinquency Ratios	2001	2000	1999	1998	1997	Real estate secured	2.63%	2.58%	3.10%	3.95%	3.66%	Auto finance	2.92	2.46	2.02	2.90	1.48	MasterCard/Visa	5.67	4.90	3.59	5.09	3.55	Private label	5.99	5.60	6.09	6.03	5.60	Personal non-credit card	9.04	7.99	9.06	8.24	7.55	Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%
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		<p><i>our policies during any of the periods reported.</i> Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition.”</p> <p style="text-align: center;">* * *</p> <p>“Our policies for consumer receivables permit reset of the contractual delinquency statute of an account to current, subject to certain limits, if a delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections.” (Emphasis added.)</p>
34.	Household Financial Relations Conference	<p>April 9, 2002 Financial Relations Conference:</p> <ul style="list-style-type: none"> <li>• Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530]</li> <li>• Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management.</li> <li>• Reage Policies – Overview <ul style="list-style-type: none"> <li>• Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices</li> <li>• Not intended to defer credit loss recognition or to overstate net income</li> <li>• Policies have been consistently applied and are appropriate for each product</li> </ul> </li> <li>• Credit Policies – Personal Non-Credit Card <ul style="list-style-type: none"> <li>• Restructures <ul style="list-style-type: none"> <li>• If an account is ever 90+, lifetime limit of 4 restructures allowed</li> </ul> </li> </ul> </li> </ul>
35.	Household Press Release	<p>Defendants issued false or misleading information regarding Household’s reaged portfolio in a number of charts included in Exhibit ___ (HHS01883518) – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.</p> <p>April 17, 2002 Household Press Release entitled “Household Reports Record First Quarter Net Income”: Household “reported first quarter earnings per share of \$1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from \$.91 the prior year. Net income in the first quarter increased 18 percent, to a record \$511 million.”</p>

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

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39.	<i>The Record</i> article	<i>The Record</i> – May 10, 2002: “Our position is that the accusations [regarding predatory lending] are baseless . . . . The loans are legal, they are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . Hayden says the loan[s] conform[] to the company’s ‘tangible benefits test.’”																												
40.	<i>AP Online</i> article	<i>AP Online</i> – May 14, 2002: “All of [Household’s] lending policies are in accord with federal and state regulations and requirements . . . .”																												
41.	<i>American Banker</i> article	<i>American Banker</i> – May 31, 2002: “It is our regulators’ and the attorney general’s job to investigate any complaints brought forth by consumers in their state, and we don’t find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower.” . . . “some customers in Bellingham may have indeed been justified in their confusion about the rate of their loans” and claimed Household “took full and prompt responsibility” and is “satisfied that this situation was localized to the Bellingham branch.”																												
42.	<i>The Oregonian</i>	<i>The Oregonian</i> – July 2, 2002: “Household International offices deny any pattern of wrongdoing and say the company is open to changes in its lending practices if they are harmful to consumers. ‘We’ve made mistakes,’ said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. ‘Is there a companywide pattern of abuse? Absolutely not.’”																												
43.	Household Press Release	July 17, 2002 Household Press Release entitled “Household Reports Record Second Quarter Results on Strong Receivables Growth”: Household “reported second quarter earnings per share increased 16 percent to \$1.08, from \$.93 the prior year. These results mark Household’s sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record \$514 million.” * * *																												
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44.	Household Press Release	<p>August 14, 2002 Household Press Release entitled “Household International Certifies Accuracy of SEC filings in 2002”: “Household’s results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels.”</p>																																
45.	Household 10-Q	<p>Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002: Household reported net income of \$507 million and E.P.S. of \$1.08</p> <p>CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):</p> <table border="1" data-bbox="789 352 1053 1690"> <thead> <tr> <th></th> <th>June 30, 2002</th> <th>March 31, 2002</th> <th>June 30, 2001</th> </tr> </thead> <tbody> <tr> <td>Real estate secured</td> <td>2.78%</td> <td>2.88%</td> <td>2.59%</td> </tr> <tr> <td>Auto finance</td> <td>2.99</td> <td>2.04</td> <td>2.35</td> </tr> <tr> <td>MasterCard/Visa</td> <td>6.13</td> <td>6.54</td> <td>4.80</td> </tr> <tr> <td>Private label</td> <td>6.19</td> <td>6.33</td> <td>6.54</td> </tr> <tr> <td>Personal non-credit card</td> <td>9.12</td> <td>9.60</td> <td>8.79</td> </tr> <tr> <td>Total Owned</td> <td>4.61%</td> <td>4.77%</td> <td>4.48%</td> </tr> <tr> <td></td> <td></td> <td>*</td> <td>*</td> </tr> </tbody> </table> <p>“Our credit policies for consumer loans permit the reset of the contractual delinquency status of an</p>		June 30, 2002	March 31, 2002	June 30, 2001	Real estate secured	2.78%	2.88%	2.59%	Auto finance	2.99	2.04	2.35	MasterCard/Visa	6.13	6.54	4.80	Private label	6.19	6.33	6.54	Personal non-credit card	9.12	9.60	8.79	Total Owned	4.61%	4.77%	4.48%			*	*
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		<p>account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections.”</p> <p style="text-align: center;">* * * *</p> <p>Household reiterated this false disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002.</p>
46.	08/23/2002 <i>Origination News</i> article	<p><i>Origination News</i> – August 23, 2002: “We clearly follow all state and federal laws and regulations,” Household spokeswoman Megan Hayden said.”</p>
47.	09/02/2002 <i>National Mortgage News</i> article	<p><i>National Mortgage News</i> – September 2, 2002: “A Household spokeswoman said she is not aware of any pending enforcement actions or settlement talks.”</p>

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# EXHIBIT B-1

**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
	Magistrate Judge Nan R. Nolan
vs. )	
HOUSEHOLD INTERNATIONAL, INC., et )	
al., )	
Defendants. )	
_____ )	

**PLAINTIFFS' STATEMENT OF CONTESTED ISSUES OF FACT AND LAW**

Plaintiffs hereby submit their statement of contested issues of fact and law for the trial in this matter. In framing the contested issues for trial, the parties have disagreements over the scope of the trial. Plaintiffs believe, consistent with this Court's prior orders, that the scope of the trial will include all class-wide issues. Should plaintiffs prevail at trial on the factual and legal issues identified below, plaintiffs do not believe that any further trial or discovery is necessary and that the damage calculations for each Class member can be determined via the claims administration process pursuant to a court approved formula. Additionally, in their proposed statement of contested issues, defendants have included references to the good faith defense to §20(a). Defendants did not assert any good faith defense in their amended answer and, indeed, stipulated that it would be dismissed with prejudice. Stipulation for Leave to File an Amended Answer, Docket No. 342 (December 6, 2005). Accordingly, they may not assert this defense at trial.

**I. PLAINTIFFS' CONTESTED ISSUES OF FACT**

1. Whether defendant Household International, Inc. ("Household") made an untrue statement of a material fact or failed to state a material fact that was necessary to prevent the statements that were made from being misleading under the circumstances. (*See Exhibits A & B attached*);

2. Whether defendant Household acted with scienter;

3. Whether defendant William F. Aldinger ("Aldinger") made an untrue statement of a material fact or failed to state a material fact that was necessary to prevent the statements that were made from being misleading under the circumstances. (*See Exs. A & B attached*);

4. Whether defendant Aldinger acted with scienter;

5. Whether defendant David A. Schoenholz ("Schoenholz") made an untrue statement of a material fact or failed to state a material fact that was necessary to prevent the statements that were made from being misleading under the circumstances. (*See Exs. A & B attached*);

6. Whether defendant Schoenholz acted with scienter;
7. Whether defendant Gary D. Gilmer ("Gilmer") made an untrue statement of a material fact or failed to state a material fact that was necessary to prevent the statements that were made from being misleading under the circumstances. (See Exs. A & B attached);
8. Whether defendant Gilmer acted with scienter;
9. Whether plaintiffs have established transaction causation (reliance)<sup>1</sup>;
10. Whether plaintiffs have proven the "in connection with" element;
11. Whether plaintiffs have established loss causation;
12. Whether the plaintiff Class suffered damages and if so, in what per share amount;
13. For each defendant found to have violated the securities laws, whether any such violation was committed knowingly<sup>2</sup>;
14. If any defendant is found to have violated §10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Aldinger was a controlling person within the meaning of §20(a) of the Exchange Act, 15 U.S.C. §78t(a);
15. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Schoenholz was a controlling person within the meaning of §20(a) of the Exchange Act, 15 U.S.C. §78t(a);

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<sup>1</sup> In defendants' proposed Jury Instruction 4.22, defendants concede that reliance is presumed in cases such as this one under applicable case law, including *Basic, Inc. v. Levinson*, 485 U.S. 224 (1988). Defendants do not in their own proposed contested issues of fact and law identify reliance as an issue for trial. Accordingly, assuming defendants do not alter their position, there will not be a contested factual issue regarding reliance upon which plaintiffs will bear the burden of proof.

<sup>2</sup> If any defendant is found to have knowingly committed a violation of the securities laws at issue, that defendant is jointly and severally liable for all damages caused thereby.

16. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Gilmer was a controlling person within the meaning of §20(a) of the Exchange Act, 15 U.S.C. §78t(a);

17. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Household was a controlling person within the meaning of §20(a) of the Exchange Act, 15 U.S.C. §78t(a);

18. For each defendant found to have violated the securities laws, the percentage of responsibility of each defendant for the damages incurred by the plaintiff Class;

19. Whether plaintiffs are entitled to prejudgment interest;

## **II. PLAINTIFFS' STATEMENT OF CONTESTED ISSUES OF LAW**

20. Whether defendant Household violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b);

21. Whether defendant Household is jointly and severally liable for any award of damages to plaintiffs;

22. Whether defendant Aldinger violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b);

23. Whether defendant Aldinger is jointly and severally liable for any award of damages to plaintiffs;

24. Whether defendant Schoenholz violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b);

25. Whether defendant Schoenholz is jointly and severally liable for any award of damages to plaintiffs;

26. Whether defendant Gilmer violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b);

27. Whether defendant Gilmer is jointly and severally liable for any award of damages to plaintiffs;

28. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Aldinger is liable under §20(a) of the Exchange Act, 15 U.S.C. §78t(a);

29. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Schoenholz is liable under §20(a) of the Exchange Act, 15 U.S.C. §78t(a);

30. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Gilmer is liable under §20(a) of the Exchange Act, 15 U.S.C. §78t(a); and

31. If any defendant is found to have violated §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5(b), whether defendant Household is liable under §20(a) of the Exchange Act, 15 U.S.C. §78t(a).

DATED: January 15, 2009

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# EXHIBIT A

**HOUSEHOLD INTERNATIONAL  
FALSE STATEMENTS**

Date	Document Title	Statement																																				
<p>1. 07/22/1999</p> <p>*Plaintiffs' use of this false statement is dependent on the Court's ruling on defendants' motion for summary judgment, and other pretrial rulings by the Court.</p>	Household Press Release	<p>July 22, 1999 Household Press Release entitled "Household International Reports Record Second Quarter Results": Household "reported that second quarter net income rose 31 percent to a record \$326.9 million, compared with operating net income of \$249.4 million a year ago. Earnings per share increased 37 percent to a record \$.67, compared with operating EPS of \$.49 a year ago. Cash basis EPS for the quarter rose 28 percent to \$.74."</p> <p style="text-align: center;">* * * *</p> <p>"Credit quality continued to improve. The managed delinquency ratio (60+days) declined for the third consecutive quarter to 4.72 percent at June 30, compared with 4.81 percent at March 31 and 4.65 percent a year ago. The annualized managed net chargeoff ratio for the second quarter improved to 4.10 percent, lower than 4.37 percent in the first quarter and 4.26 percent in the year-ago quarter."</p> <p style="text-align: center;">* * * *</p> <p>"Our results, a second quarter record, highlight the growth and improved profitability of our consumer finance businesses. . . . Business fundamentals are strong and reflect the positive trends we have seen since late last year. Our net interest margin percentage expanded substantially, credit quality improved and costs remained well under control. Receivable growth was strong in the consumer finance business."</p>																																				
2. 08/16/1999	Household 10-Q	<p>Household 10-Q for quarter ending 6/30/99: Household reported net income of \$326.9 million for the quarter ended June 30, 1999 and EPS of \$0.67:</p> <p>Delinquency</p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>6/30/99</th> <th>3/31/99</th> <th>12/31/98</th> <th>9/30/98</th> <th>6/30/98</th> </tr> </thead> <tbody> <tr> <td>First mortgage</td> <td>12.72%</td> <td>10.91%</td> <td>14.90%</td> <td>11.80%</td> <td>11.07%</td> </tr> <tr> <td>Home equity</td> <td>3.29</td> <td>3.54</td> <td>3.67</td> <td>3.73</td> <td>3.55</td> </tr> <tr> <td>Auto finance</td> <td>1.87</td> <td>1.74</td> <td>2.29</td> <td>2.05</td> <td>1.67</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.11</td> <td>3.61</td> <td>3.75</td> <td>3.73</td> <td>3.30</td> </tr> <tr> <td>Private label</td> <td>6.62</td> <td>6.37</td> <td>6.20</td> <td>6.55</td> <td>6.10</td> </tr> </tbody> </table>		6/30/99	3/31/99	12/31/98	9/30/98	6/30/98	First mortgage	12.72%	10.91%	14.90%	11.80%	11.07%	Home equity	3.29	3.54	3.67	3.73	3.55	Auto finance	1.87	1.74	2.29	2.05	1.67	MasterCard/Visa	3.11	3.61	3.75	3.73	3.30	Private label	6.62	6.37	6.20	6.55	6.10
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Other unsecured	8.17	7.84	7.94	8.03	7.82									
Total	4.72%	4.81%	4.90%	4.96%	4.65%									
3.	10/19/1999 Household Press Release	<p>“Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.96 percent, compared with 5.04 percent at March 31, 1999 and 4.89 percent at June 30, 1998. The annualized total consumer owned chargeoff ratio in the second quarter of 1999 was 3.54 percent, compared with 3.92 percent in the prior quarter and 3.69 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency (“delinquency”) as a percent of managed consumer receivables was 4.72 percent, compared with 4.81 percent at March 31, 1999 and 4.65 percent at June 30, 1998. The annualized total consumer managed chargeoff ratio in the second quarter of 1999 was 4.10 percent, compared with 4.37 percent in the prior quarter and 4.26 percent in the year-ago quarter.”</p> <p>October 19, 1999 Household Press Release entitled “Household International Reports Highest Quarterly Earnings in Company’s History”: Household “reported that third quarter net income rose 26 percent to a record \$399.9 million, compared with \$318.0 million a year ago. Earnings per share increased 32 percent to a record \$.83, from \$.63 a year ago.”</p> <p>“Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth.”</p> <p>“Credit Quality and Loss Reserves</p> <p>Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago.”</p>												
4.	11/12/1999 Household 10-Q	<p>Household 10-Q for quarter ending 9/30/99: Household reported net income of \$399.9 million for the quarter ended September 30, 1999 and EPS of \$0.84:</p> <p>“Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was</p>												

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5.	01/19/2000	<p>Household Press Release</p> <p>January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record \$.92 from \$.71 a year ago. Fourth quarter net income rose 25 percent to a record \$438.8 million, compared with \$349.9 million a year ago. For the full year, Household reported record earnings per share of \$3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled \$1.5 billion, or 29 percent above the prior year's operating net income."</p> <p style="text-align: center;">* * *</p> <p>"We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our</p>																																																

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6.	03/28/2000 Household FY99 Report on Form 10-K	<p>Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger.”</p> <p style="text-align: center;">* * * *</p> <p>“Credit Quality and Loss Reserves</p> <p>Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago.”</p> <p>Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000 Household reported net income of 1.486 billion and E.P.S. of \$3.10:</p> <p style="text-align: center;">* * * *</p> <p>“Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . .</p> <p>We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses.”</p> <p style="text-align: center;">* * * *</p> <p style="text-align: center;"><b>Consumer Two-Month-and-Over Contractual Delinquency Ratios</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Managed Two Month and Over Contractual Delinquency Ratios</td> <td style="width: 10%;">1999</td> <td style="width: 10%;">1998</td> <td style="width: 10%;">1997</td> <td style="width: 10%;">1996</td> <td style="width: 10%;">1995</td> </tr> <tr> <td></td> <td style="text-align: center;">3.27%</td> <td style="text-align: center;">3.67%</td> <td style="text-align: center;">3.69%</td> <td style="text-align: center;">3.04%</td> <td style="text-align: center;">2.76%</td> </tr> </table>	Managed Two Month and Over Contractual Delinquency Ratios	1999	1998	1997	1996	1995		3.27%	3.67%	3.69%	3.04%	2.76%
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7.	04/19/2000 Household Press Release	<p>April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of \$.78, from \$.65 a year ago. Net income increased to \$372.9 million, up 16 percent from \$320.8 million in the first quarter of 1999."</p> <p style="text-align: center;">* * *</p> <p>"This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve."</p> <p style="text-align: center;">* * *</p> <p>"Credit Quality and Loss Reserves At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter."</p> <p>Household 10-Q for 3/31/00 quarter ending: Household reported net income of \$372.9 million for the quarter ended March 30, 2000 and EPS of \$0.79 per share.</p> <p style="text-align: center;">CREDIT QUALITY</p>																																																												
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		<p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency</p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1"> <thead> <tr> <th></th> <th>3/31/00</th> <th>12/31/99</th> <th>9/30/99</th> <th>6/30/99</th> <th>3/31/99</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.99%</td> <td>3.27%</td> <td>3.46%</td> <td>3.29%</td> <td>3.54%</td> </tr> <tr> <td>Auto finance</td> <td>1.52</td> <td>2.43</td> <td>2.26</td> <td>1.87</td> <td>1.74</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.06</td> <td>2.78</td> <td>3.10</td> <td>3.11</td> <td>3.61</td> </tr> <tr> <td>Private label</td> <td>5.94</td> <td>5.97</td> <td>6.66</td> <td>6.62</td> <td>6.37</td> </tr> <tr> <td>Other unsecured</td> <td>8.56</td> <td>8.81</td> <td>8.57</td> <td>8.17</td> <td>7.84</td> </tr> <tr> <td>Total</td> <td>4.43%</td> <td>4.66%</td> <td>4.89%</td> <td>4.72%</td> <td>4.81%</td> </tr> <tr> <td>Owned</td> <td>4.58%</td> <td>4.81%</td> <td>5.24%</td> <td>4.96%</td> <td>5.04%</td> </tr> </tbody> </table> <p>* * * * *</p> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at March 31, 2000, compared with 4.81 percent at December 31, 1999 and 5.04 percent at March 31, 1999. The annualized consumer owned chargeoff ratio was 3.53 percent in the first quarter of 2000, compared with 3.62 percent in the prior quarter and 3.92 percent in the year-ago quarter.</p> <p>Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at March 31, 2000, compared with 4.66 percent at December 31, 1999 and 4.81 percent at March 31, 1999. The annualized total consumer managed chargeoff ratio was 4.00 percent in the first quarter of 2000, compared with 3.96 percent in the prior quarter and 4.37 percent in the year-ago quarter."</p>		3/31/00	12/31/99	9/30/99	6/30/99	3/31/99	Managed:						Real estate secured	2.99%	3.27%	3.46%	3.29%	3.54%	Auto finance	1.52	2.43	2.26	1.87	1.74	MasterCard/Visa	3.06	2.78	3.10	3.11	3.61	Private label	5.94	5.97	6.66	6.62	6.37	Other unsecured	8.56	8.81	8.57	8.17	7.84	Total	4.43%	4.66%	4.89%	4.72%	4.81%	Owned	4.58%	4.81%	5.24%	4.96%	5.04%
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9. 07/19/2000	Household Press Release	<p>July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record \$.80, up 19 percent from \$.67 a year ago. Net income increased 17 percent to \$383.9 million, from \$326.9 million in the second quarter of 1999. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost \$80 billion. The company added \$4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter."</p> <p>* * * * *</p>																																																						

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		<p>"Our superb second quarter results were highlighted by outstanding receivables and revenue growth and a significant improvement in credit quality . . . . Our record performance reflects strong sales and marketing results in all of our businesses coupled with our continued focus on risk management and operational efficiency."</p> <p style="text-align: center;">* * * *</p> <p>"Credit Quality and Loss Reserves</p> <p>Credit quality improved dramatically during the quarter, as dollars of chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter fell 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago."</p>																																																						
10.	08/11/2000	Household 10-Q																																																						
		<p>Household 10-Q for 6/30/00 quarter ending: Household reported net income of \$383.9 million for the quarter ended June 30, 2000 and EPS of \$0.80:</p> <p><b>CREDIT QUALITY</b></p> <p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p><b>Delinquency</b></p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="508 386 578 1764"> <thead> <tr> <th></th> <th>6/30/00</th> <th>3/31/00</th> <th>12/31/99</th> <th>9/30/99</th> <th>6/30/99</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.72%</td> <td>2.99%</td> <td>3.27%</td> <td>3.46%</td> <td>3.29%</td> </tr> <tr> <td>Auto finance</td> <td>1.99</td> <td>1.52</td> <td>2.43</td> <td>2.26</td> <td>1.87</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.14</td> <td>3.06</td> <td>2.78</td> <td>3.10</td> <td>3.11</td> </tr> <tr> <td>Private label</td> <td>5.77</td> <td>5.94</td> <td>5.97</td> <td>6.66</td> <td>6.62</td> </tr> <tr> <td>Other unsecured</td> <td>7.92</td> <td>8.56</td> <td>8.81</td> <td>8.57</td> <td>8.17</td> </tr> <tr> <td>Total</td> <td>4.16%</td> <td>4.43%</td> <td>4.66%</td> <td>4.89%</td> <td>4.72%</td> </tr> <tr> <td>Owned</td> <td>4.25%</td> <td>4.58%</td> <td>4.81%</td> <td>5.24%</td> <td>4.96%</td> </tr> </tbody> </table> <p style="text-align: center;">* * * *</p> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000</p>		6/30/00	3/31/00	12/31/99	9/30/99	6/30/99	Managed:						Real estate secured	2.72%	2.99%	3.27%	3.46%	3.29%	Auto finance	1.99	1.52	2.43	2.26	1.87	MasterCard/Visa	3.14	3.06	2.78	3.10	3.11	Private label	5.77	5.94	5.97	6.66	6.62	Other unsecured	7.92	8.56	8.81	8.57	8.17	Total	4.16%	4.43%	4.66%	4.89%	4.72%	Owned	4.25%	4.58%	4.81%	5.24%	4.96%
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11. 10/18/2000	Household Press Release	<p>was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter.</p> <p>Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent, compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999. The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter."</p> <p>October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to \$.94, compared to \$.83 a year ago. Net income also rose to a third quarter record of \$451.2 million, a 13 percent increase from \$399.9 million a year ago."</p> <p style="text-align: center;">* * *</p> <p>"Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality."</p> <p style="text-align: center;">* * *</p>
12. 11/01/2000	St. Louis Dispatch article	<p>"Credit Quality and Loss Reserves</p> <p>The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent."</p> <p>Article in <i>St. Louis Dispatch</i> on November 1, 2000</p> <p>"ACORN cited a loan made in July by another subprime lender, HFC Mortgage Corp. According to loan documents, HFC charged a University City couple 12.5 percent interest on a \$76,900 loan. Added in were \$5,700 for credit life insurance and an origination fee of \$5,200, adding nearly \$11,000 to the cost. Mainstream lenders were charging 8 percent in interest on such 15-year loans at the time."</p> <p style="text-align: center;">* * *</p>

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13. 11/07/2000	Household Press Release	<p>"HFC spokesman Craig Stream said that the loan was 'not a predatory loan by any definition.'"</p> <p>"Stream says HFC never pressures people to buy credit life insurance."</p> <p>November 7, 2000 Household Press Release entitled "Household International Responds to Citigroup's Announcement to Change Lending Practices at Associates First Capital: Household International supports Citigroup's announcement today of its efforts to boost consumer protections at Associates First Capital. Their proposed changes are generally consistent with the stringent policies and procedures that have long been in place at Household International.</p> <p>Household's long-standing view has been that unethical lending practices of any type are abhorrent to our company, employees, and most importantly our customers. So-called "predatory lending" practices undermine the integrity of the industry in which we compete."</p> <p>Household 10-Q for quarter ending 9/30/2000: "Household reported net income of \$451.2 million for the quarter ended September 30, 2000 and EPS of \$0.95:</p>																																																						
14. 11/14/2000	Household 10-Q	<p><b>CREDIT QUALITY</b></p> <p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency</p> <p>Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="541 386 723 1753"> <thead> <tr> <th></th> <th>September 30, 2000</th> <th>June 30, 2000</th> <th>March 31, 2000</th> <th>December 31, 2000</th> <th>September 30, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.77%</td> <td>2.72%</td> <td>2.99%</td> <td>3.27%</td> <td>3.46%</td> </tr> <tr> <td>Auto finance</td> <td>2.19</td> <td>1.99</td> <td>1.52</td> <td>2.43</td> <td>2.26</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.48</td> <td>3.14</td> <td>3.06</td> <td>2.78</td> <td>3.10</td> </tr> <tr> <td>Private label</td> <td>5.67</td> <td>5.77</td> <td>5.94</td> <td>5.97</td> <td>6.66</td> </tr> <tr> <td>Other unsecured</td> <td>7.72</td> <td>7.92</td> <td>8.56</td> <td>8.81</td> <td>8.57</td> </tr> <tr> <td>Total</td> <td>4.21%</td> <td>4.16%</td> <td>4.43%</td> <td>4.66%</td> <td>4.89%</td> </tr> <tr> <td>Owned</td> <td>4.29%</td> <td>4.25%</td> <td>4.58%</td> <td>4.81%</td> <td>5.24%</td> </tr> </tbody> </table> <p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000</p>		September 30, 2000	June 30, 2000	March 31, 2000	December 31, 2000	September 30, 2000	Managed:						Real estate secured	2.77%	2.72%	2.99%	3.27%	3.46%	Auto finance	2.19	1.99	1.52	2.43	2.26	MasterCard/Visa	3.48	3.14	3.06	2.78	3.10	Private label	5.67	5.77	5.94	5.97	6.66	Other unsecured	7.72	7.92	8.56	8.81	8.57	Total	4.21%	4.16%	4.43%	4.66%	4.89%	Owned	4.29%	4.25%	4.58%	4.81%	5.24%
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15. 01/17/2001	Household Press Release	<p>was 3.01 percent, compared with 3.27 percent in the prior quarter and 3.63 percent in the year-ago quarter.</p> <p>Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.21 percent at September 30, 2000, compared with 4.16 percent at June 30, 2000 and 4.89 percent at September 30, 1999. The annualized total consumer managed chargeoff ratio in the third quarter of 2000 was 3.47 percent, compared with 3.74 percent in the prior quarter and 4.09 percent in the year-ago quarter."</p> <p>January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household reported full year earnings per share of \$3.55, a 16 percent increase over \$3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled \$1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to \$8.9 billion, compared to \$7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record \$1.03, from \$.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of \$492.7 million, compared with \$438.8 million a year ago."</p> <p>"These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality." * * *</p> <p>"Credit Quality and Loss Reserves</p> <p>The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio (60+days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago."</p>
16. 03/12/2001	Household Press Release	<p>March 12, 2001 Household Press Release entitled "Household International Applauds Federal Reserve Board's Proposed Amendments to Regulation Z": "Household's position on predatory lending is perfectly clear," said Gary Gilmer, president and CEO of HFC and Beneficial. "Unethical lending practices of any type are abhorrent to our company, our employees, and most importantly,</p>

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17. 03/28/2001	Household FY00 Report on Form 10-K	<p>our customers.' . . . The company reaffirmed that it fully complies with all applicable federal and state laws and regulations."</p> <p>Household FY00 Report on Form 10-K filed with the SEC on March 28, 2001 Household reported net income of 1.7 billion and E.P.S. of \$3.55:</p> <p style="text-align: center;">* * *</p> <p>"Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."</p> <p style="text-align: center;">* * *</p> <p>"Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions." . . .</p> <p>We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses."</p> <p style="text-align: center;">* * *</p> <p>Credit Quality Statistics:</p> <p style="text-align: center;">CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="4" style="text-align: center;">2000 Quarter End</th> <th colspan="2" style="text-align: center;">1999 Quarter End</th> </tr> <tr> <th></th> <th style="text-align: center;">4</th> <th style="text-align: center;">3</th> <th style="text-align: center;">2</th> <th style="text-align: center;">1</th> <th style="text-align: center;">4</th> <th style="text-align: center;">3</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">2</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		2000 Quarter End				1999 Quarter End			4	3	2	1	4	3	1							2							1						
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18.	Household Press Release	<p>April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of \$.91 from \$.78 a year ago. Net income increased to \$431.8 million, up 16 percent from \$372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results." * * * *</p> <p>"Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet." * * * *</p> <p>"Credit Quality and Loss Reserves</p> <p>At March 31, the managed delinquency ratio (60+-days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter."</p>																																																															
19.	Origination News article	<p>Origination News - March 23, 2001: "Gary Gilmer, president and chief executive of Household's subsidiaries HFC and Beneficial said the company's 'position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers.'"</p>																																																															
20.	Household 10-Q	<p>Household 10-Q for 3/31/01 quarter ended: Household reported net income of \$431.8 million for the quarter ended March 31, 2001 and EPS of \$0.92:</p> <p>CREDIT QUALITY</p> <p>We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency</p>																																																															

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		<p data-bbox="332 674 365 1738">Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table data-bbox="365 674 530 1738"> <thead> <tr> <th data-bbox="365 674 398 800">Managed:</th> <th data-bbox="365 800 398 926">March 31, 2001</th> <th data-bbox="365 926 398 1052">December 31, 2000</th> <th data-bbox="365 1052 398 1178">September 30, 2000</th> <th data-bbox="365 1178 398 1304">June 30, 2000</th> <th data-bbox="365 1304 398 1430">March 31, 2000</th> </tr> </thead> <tbody> <tr> <td data-bbox="398 674 431 800">Real estate secured</td> <td data-bbox="398 800 431 926">2.61%</td> <td data-bbox="398 926 431 1052">2.63%</td> <td data-bbox="398 1052 431 1178">2.77%</td> <td data-bbox="398 1178 431 1304">2.72%</td> <td data-bbox="398 1304 431 1430">2.99%</td> </tr> <tr> <td data-bbox="431 674 464 800">Auto finance</td> <td data-bbox="431 800 464 926">1.79</td> <td data-bbox="431 926 464 1052">2.55</td> <td data-bbox="431 1052 464 1178">2.19</td> <td data-bbox="431 1178 464 1304">1.99</td> <td data-bbox="431 1304 464 1430">1.52</td> </tr> <tr> <td data-bbox="464 674 497 800">MasterCard/Visa</td> <td data-bbox="464 800 497 926">3.68</td> <td data-bbox="464 926 497 1052">3.49</td> <td data-bbox="464 1052 497 1178">3.48</td> <td data-bbox="464 1178 497 1304">3.14</td> <td data-bbox="464 1304 497 1430">3.06</td> </tr> <tr> <td data-bbox="497 674 530 800">Private label</td> <td data-bbox="497 800 530 926">5.50</td> <td data-bbox="497 926 530 1052">5.48</td> <td data-bbox="497 1052 530 1178">5.67</td> <td data-bbox="497 1178 530 1304">5.77</td> <td data-bbox="497 1304 530 1430">5.94</td> </tr> <tr> <td data-bbox="530 674 563 800">Other unsecured</td> <td data-bbox="530 800 563 926">8.37</td> <td data-bbox="530 926 563 1052">7.97</td> <td data-bbox="530 1052 563 1178">7.72</td> <td data-bbox="530 1178 563 1304">7.92</td> <td data-bbox="530 1304 563 1430">8.56</td> </tr> <tr> <td data-bbox="563 674 596 800">Total managed</td> <td data-bbox="563 800 596 926">4.25%</td> <td data-bbox="563 926 596 1052">4.20%</td> <td data-bbox="563 1052 596 1178">4.21%</td> <td data-bbox="563 1178 596 1304">4.16%</td> <td data-bbox="563 1304 596 1430">4.43%</td> </tr> <tr> <td data-bbox="596 674 629 800">Owned</td> <td data-bbox="596 800 629 926">4.36%</td> <td data-bbox="596 926 629 1052">4.26%</td> <td data-bbox="596 1052 629 1178">4.29%</td> <td data-bbox="596 1178 629 1304">4.25%</td> <td data-bbox="596 1304 629 1430">4.58%</td> </tr> </tbody> </table>	Managed:	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000	Real estate secured	2.61%	2.63%	2.77%	2.72%	2.99%	Auto finance	1.79	2.55	2.19	1.99	1.52	MasterCard/Visa	3.68	3.49	3.48	3.14	3.06	Private label	5.50	5.48	5.67	5.77	5.94	Other unsecured	8.37	7.97	7.72	7.92	8.56	Total managed	4.25%	4.20%	4.21%	4.16%	4.43%	Owned	4.36%	4.26%	4.29%	4.25%	4.58%
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21. 07/18/2001	Household Press Release	<p data-bbox="629 674 662 1738">"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.36 percent at March 31, 2001, compared with 4.26 percent at December 31, 2000 and 4.58 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.12 percent, compared with 2.98 percent in the prior quarter and 3.53 percent in the year-ago quarter.</p> <p data-bbox="662 674 695 1738">Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.25 percent at March 31, 2001, compared with 4.20 percent at December 31, 2000 and 4.43 percent at March 31, 2000. The annualized consumer managed chargeoff ratio in the first quarter of 2001 was 3.56 percent, compared with 3.41 percent in the prior quarter and 4.00 percent in the year-ago quarter."</p> <p data-bbox="695 674 728 1738">July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of \$.93, up 16 percent from a year ago. Net income rose 14 percent, to \$439.0 million, from \$383.9 million for the second quarter of 2000." . . .</p> <p data-bbox="728 674 761 1738">"We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter."</p>																																																

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22.	07/24/2001 <i>The New York Times</i> article	<p>"Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter." <i>The New York Times</i> - July 24, 2001: "It's not tied to hearings or activism or anything else in particular" said Craig Stireem, a spokesman for Household . . . "[W]e've been working on [the announced changes] for quite some time. So, it really is a coincidence." <i>Star Tribune</i> - July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'" Household 10-Q for 6/30/01 quarter ended: Household reported net income of \$439 million for the quarter ended June 30, 2001 and EPS of \$0.94:</p>																																																												
23.	07/27/2001 <i>Star Tribune</i> article	<p>CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. Delinquency Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):</p> <table border="1" data-bbox="447 1291 579 1753"> <thead> <tr> <th></th> <th>June 30, 2001</th> <th>March 31, 2001</th> <th>December 31, 2000</th> <th>September 30, 2000</th> <th>June 30, 2000</th> </tr> </thead> <tbody> <tr> <td>Managed:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.63%</td> <td>2.61%</td> <td>2.63%</td> <td>2.77%</td> <td>2.72%</td> </tr> <tr> <td>Auto finance</td> <td>2.09</td> <td>1.79</td> <td>2.55</td> <td>2.19</td> <td>1.99</td> </tr> <tr> <td>MasterCard/Visa</td> <td>3.60</td> <td>3.68</td> <td>3.49</td> <td>3.48</td> <td>3.14</td> </tr> <tr> <td>Private label</td> <td>5.66</td> <td>5.50</td> <td>5.48</td> <td>5.67</td> <td>5.77</td> </tr> <tr> <td>Other unsecured</td> <td>8.43</td> <td>8.37</td> <td>7.97</td> <td>7.72</td> <td>7.92</td> </tr> <tr> <td>Total managed</td> <td>4.27%</td> <td>4.25%</td> <td>4.20%</td> <td>4.21%</td> <td>4.16%</td> </tr> <tr> <td>Owned</td> <td>4.48%</td> <td>4.36%</td> <td>4.26%</td> <td>4.29%</td> <td>4.25%</td> </tr> <tr> <td></td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> </tr> </tbody> </table>		June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	Managed:						Real estate secured	2.63%	2.61%	2.63%	2.77%	2.72%	Auto finance	2.09	1.79	2.55	2.19	1.99	MasterCard/Visa	3.60	3.68	3.49	3.48	3.14	Private label	5.66	5.50	5.48	5.67	5.77	Other unsecured	8.43	8.37	7.97	7.72	7.92	Total managed	4.27%	4.25%	4.20%	4.21%	4.16%	Owned	4.48%	4.36%	4.26%	4.29%	4.25%		*	*	*	*	*
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24.	08/10/2001 Household 10-Q	<p>"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and</p>																																																												

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



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27.	11/14/2001	Household 10-Q																																																						
		<p>Household 10-Q for quarter ended 9/30/01: Household reported net income of \$503.8 million for the quarter ended June 30, 2001 and EPS of \$1.09:</p>																																																						
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		<p>"Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy."</p>																																																						

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28.	12/03/2001 <i>Business Week</i> article	<p><i>Business Week</i> – December 3, 2001:</p> <p>HOUSEHOLD IS ACCUSED OF:</p> <ul style="list-style-type: none"> <li>• Rolling over late loans by adding missed payments to ends of loans, thus masking delinquencies</li> <li>• Delaying recognition of charge-offs to boost earnings</li> <li>• Moving loans from its bank subsidiary to minimize need for reserves</li> <li>• Cutting on balance sheet reserves, though its portfolio is riskier</li> </ul> <p>HOUSEHOLD REPLIES:</p> <ul style="list-style-type: none"> <li>• The practice is an industry norm, and collection rates improve after loans are "re-aged"</li> <li>• Charge-off policy follows industry standards closely</li> <li>• Applying bank regulatory rules would barely increase the amount of charge-offs</li> <li>• Total reserves are at the highest level in company history</li> </ul>
29.	12/04/2001 Goldman Sachs Presentation	<p>December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring.</p> <p>* * *</p> <p>"Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158)</p> <p>"All policies have been consistently applied and realistically report results" (PFG000158)</p> <p>"Why are Household's Credit Losses Better" - better credit skills (PFG000152)</p>
30.	01/16/2002 Household Press Release	<p>January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full-Year Net Income": Household "reported fourth quarter earnings per share of \$1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from \$1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of \$549 million. For the full year, Household reported earnings per share of \$4.08, representing a 15 percent increase from \$3.55 in 2000. Net income for 2001 totaled \$1.9 billion, also an all-time high, 13 percent above \$1.7 billion earned in 2000."</p> <p>"Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded</p>

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31. 02/06/2002	<i>Copley News Services</i> article	<p>our expectations while credit indicators weakened only modestly in a tough economic environment. . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year.”</p> <p>* * *</p> <p>“Credit Quality and Loss Reserves</p> <p>At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent.”</p> <p><i>Copley News Services</i> – February 6, 2002: “You simply cannot stay in business for 125 years by misleading your borrowers . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers.”</p> <p><i>National Mortgage News</i> – February 18, 2002:</p>																																				
32. 02/18/2002	<i>National Mortgage News</i> article	<p>“Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere.”</p>																																				
33. 03/13/2002	Household FY01 Report on Form 10-K	<p>Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002 Household reported Net Income of \$1.923 billion in 2001, and E.P.S. of \$4.13:</p> <p>Household International, Inc. and Subsidiaries  <b>CREDIT QUALITY STATISTICS – OWNED BASIS</b>  All dollar amounts are stated in millions.      2001      2000      1999      1998      1997</p> <p>At December 31, unless otherwise indicated.  Owned Two-Month-and-Over Contractual Delinquency Ratios</p> <table border="0"> <tr> <td>Real estate secured</td> <td>2.63%</td> <td>2.58%</td> <td>3.10%</td> <td>3.95%</td> <td>3.66%</td> </tr> <tr> <td>Auto finance</td> <td>2.92</td> <td>2.46</td> <td>2.02</td> <td>2.90</td> <td>1.48</td> </tr> <tr> <td>MasterCard/Visa</td> <td>5.67</td> <td>4.90</td> <td>3.59</td> <td>5.09</td> <td>3.55</td> </tr> <tr> <td>Private label</td> <td>5.99</td> <td>5.60</td> <td>6.09</td> <td>6.03</td> <td>5.60</td> </tr> <tr> <td>Personal non-credit card</td> <td>9.04</td> <td>7.99</td> <td>9.06</td> <td>8.24</td> <td>7.55</td> </tr> <tr> <td>Total consumer</td> <td>4.53%</td> <td>4.26%</td> <td>4.82%</td> <td>5.31%</td> <td>4.87%</td> </tr> </table>	Real estate secured	2.63%	2.58%	3.10%	3.95%	3.66%	Auto finance	2.92	2.46	2.02	2.90	1.48	MasterCard/Visa	5.67	4.90	3.59	5.09	3.55	Private label	5.99	5.60	6.09	6.03	5.60	Personal non-credit card	9.04	7.99	9.06	8.24	7.55	Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%
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Personal non-credit card	9.04	7.99	9.06	8.24	7.55																																	
Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%																																	

Date	Document Title	Statement																																																												
		<p>Household International, Inc. and Subsidiaries  <b>CREDIT QUALITY STATISTICS - OWNED BASIS</b>  All dollar amounts are stated in millions.</p> <table border="1"> <thead> <tr> <th></th> <th>2001</th> <th>2000</th> <th>1999</th> <th>1998</th> <th>1997</th> </tr> </thead> <tbody> <tr> <td>At December 31, unless otherwise indicated.</td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> </tr> <tr> <td>Managed Two-Month-and-Over Contractual Delinquency Ratios</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Real estate secured</td> <td>2.68%</td> <td>2.63%</td> <td>3.27%</td> <td>3.67%</td> <td>3.69%</td> </tr> <tr> <td>Auto finance</td> <td>3.16</td> <td>2.55</td> <td>2.43</td> <td>2.29</td> <td>2.09</td> </tr> <tr> <td>MasterCard/Visa</td> <td>4.10</td> <td>3.49</td> <td>2.78</td> <td>3.75</td> <td>3.10</td> </tr> <tr> <td>Private label</td> <td>5.48</td> <td>5.48</td> <td>5.97</td> <td>6.20</td> <td>5.81</td> </tr> <tr> <td>Personal non-credit card</td> <td>8.87</td> <td>7.97</td> <td>8.81</td> <td>7.94</td> <td>7.81</td> </tr> <tr> <td>Total consumer</td> <td>4.46%</td> <td>4.20%</td> <td>4.66%</td> <td>4.90%</td> <td>4.64%</td> </tr> <tr> <td></td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> <td>*</td> </tr> </tbody> </table> <p>"Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity."</p> <p>* * * * *</p> <p>"Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. As a result, charge-off and delinquency performance has been well within our expectations."</p> <p>* * * * *</p> <p>"We believe our policies are responsive to the specific needs of the customer segment we serve. . . . <b><i>Our policies have been consistently applied and there have been no significant changes to any of</i></b></p>		2001	2000	1999	1998	1997	At December 31, unless otherwise indicated.	*	*	*	*	*	Managed Two-Month-and-Over Contractual Delinquency Ratios						Real estate secured	2.68%	2.63%	3.27%	3.67%	3.69%	Auto finance	3.16	2.55	2.43	2.29	2.09	MasterCard/Visa	4.10	3.49	2.78	3.75	3.10	Private label	5.48	5.48	5.97	6.20	5.81	Personal non-credit card	8.87	7.97	8.81	7.94	7.81	Total consumer	4.46%	4.20%	4.66%	4.90%	4.64%		*	*	*	*	*
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34. 04/09/2002	Household Financial Relations Conference	<p><i>our policies during any of the periods reported.</i> Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition. * * *</p> <p>"Our policies for consumer receivables permit reset of the contractual delinquency statute of an account to current, subject to certain limits, if a delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections." (Emphasis added.)</p> <p>April 9, 2002 Financial Relations Conference:</p> <ul style="list-style-type: none"> <li>• Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530]</li> <li>• Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management.</li> <li>• Reage Policies – Overview <ul style="list-style-type: none"> <li>• Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices</li> <li>• Not intended to defer credit loss recognition or to overstate net income</li> <li>• Policies have been consistently applied and are appropriate for each product</li> </ul> </li> <li>• Credit Policies – Personal Non-Credit Card <ul style="list-style-type: none"> <li>• Restructures <ul style="list-style-type: none"> <li>• If an account is ever 90+, lifetime limit of 4 restructures allowed</li> </ul> </li> </ul> </li> </ul> <p>Defendants issued false or misleading information regarding Household's reaged portfolio in a number of charts included in Exhibit ____ (HHS01883518) – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.</p>
35. 04/17/2002	Household Press Release	<p>April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of \$1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from \$.91 the prior year. Net income in the first quarter increased 18 percent, to a record \$511 million."</p>

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

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

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		<p style="text-align: center;">* * *</p> <p>“Credit Quality and Loss Reserves At June 30th, the <i>managed basis</i> delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized <i>managed basis</i> net charge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago.”</p> <p>“The <i>owned basis</i> delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized <i>owned basis</i> net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago.”</p>																																
44.	08/14/2002 Household Press Release	<p>August 14, 2002 Household Press Release entitled “Household International Certifies Accuracy of SEC filings in 2002”: “Household’s results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels.”</p>																																
45.	08/14/2002 Household 10-Q	<p>Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002. Household reported net income of \$507 million and E.P.S. of \$1.08</p> <p>CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):</p> <table border="1" data-bbox="447 695 660 1743"> <thead> <tr> <th></th> <th>June 30, 2002</th> <th>March 31, 2002</th> <th>June 30, 2001</th> </tr> </thead> <tbody> <tr> <td>Real estate secured</td> <td>2.78%</td> <td>2.88%</td> <td>2.59%</td> </tr> <tr> <td>Auto finance</td> <td>2.99</td> <td>2.04</td> <td>2.35</td> </tr> <tr> <td>MasterCard/Visa</td> <td>6.13</td> <td>6.54</td> <td>4.80</td> </tr> <tr> <td>Private label</td> <td>6.19</td> <td>6.33</td> <td>6.54</td> </tr> <tr> <td>Personal non-credit card</td> <td>9.12</td> <td>9.60</td> <td>8.79</td> </tr> <tr> <td>Total Owned</td> <td>4.61%</td> <td>4.77%</td> <td>4.48%</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">*</td> <td style="text-align: center;">*</td> </tr> </tbody> </table> <p>“Our credit policies for consumer loans permit the reset of the contractual delinquency status of an</p>		June 30, 2002	March 31, 2002	June 30, 2001	Real estate secured	2.78%	2.88%	2.59%	Auto finance	2.99	2.04	2.35	MasterCard/Visa	6.13	6.54	4.80	Private label	6.19	6.33	6.54	Personal non-credit card	9.12	9.60	8.79	Total Owned	4.61%	4.77%	4.48%			*	*
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		<p>account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections.”</p> <p style="text-align: center;">* * *</p> <p>Household reiterated this false disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC August 27, 2002.</p>
46.	<p><i>Origination News</i> article</p>	<p><i>Origination News</i> – August 23, 2002: “We clearly follow all state and federal laws and regulations,” Household spokeswoman Megan Hayden said.”</p>
47.	<p><i>National Mortgage News</i> article</p>	<p><i>National Mortgage News</i> – September 2, 2002: “A Household spokeswoman said she is not aware of any pending enforcement actions or settlement talks.”</p>

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# EXHIBIT B

## **Alleged Omissions**

During the Class Period, defendants concealed the true credit quality of Household's loan portfolio by failing to disclose Household's aggressive restructuring policies and practices and other credit quality concealment techniques that understated the reported delinquency and charge-off statistics and the impact of those techniques on Household's financial statements.

During the Class Period, defendants failed to disclose to the market that Household engaged in predatory lending practices and the impact of those predatory lending practices on Household's financial statements.

Between July 30, 1999 and August 14, 2002, defendants failed to disclose to the market that Household used improper accounting with respect to certain credit card contracts and the impact of those improper accounting practices on Household's financial statements.

# EXHIBIT B-2

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

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

Plaintiff,

- against -

HOUSEHOLD INTERNATIONAL, INC., ET AL.,

Defendants.

Lead Case No. 02-C5893  
(Consolidated)

CLASS ACTION

Judge Ronald A. Guzman

**DEFENDANTS' STATEMENT OF CONTESTED ISSUES  
OF FACT AND LAW**

CAHILL GORDON & REINDEL LLP  
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New York, New York 10005  
(212) 701-3000

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(312) 660-7600

*Attorneys for Defendants Household  
International, Inc., Household Finance  
Corporation, William F. Aldinger,  
David A. Schoenholz, and Gary Gilmer*

## TABLE OF CONTENTS

	<u>Page</u>
I. Regarding the Essential Element of Falsity as to Each of the Alleged Misstatements Listed in Exhibit B-1 .....	3
A. Contested Facts .....	3
B. Defendants' Position on Contested Legal Issues .....	3
II. Regarding the Essential Element of Falsity as to Each of the Alleged Omissions Listed in Exhibit B-1 .....	5
A. Contested Facts .....	5
B. Defendants' Position on Contested Legal Issues .....	5
III. Regarding the Essential Element of Materiality as to Each of the Alleged Misstatements and Alleged Omissions Listed in Exhibit B-1 .....	8
A. Contested Facts .....	8
B. Defendants' Position on Contested Legal Issues .....	8
IV. Regarding the Essential Element of Scienter as to Each of the Alleged Misstatements and Alleged Omissions Listed in Exhibit B-1 .....	9
A. Contested Facts .....	9
B. Defendants' Position on Contested Legal Issues .....	10
V. Regarding the Essential Element of Loss Causation With Respect to Each of the Alleged Misstatements and Alleged Omissions Listed in Exhibit B-1 .....	15
A. Relevant Facts .....	15
B. Defendants' Position on Contested Legal Issues .....	15
VI. Regarding Application of the Law of the Case Regarding the Statute of Repose .....	17
A. Relevant Facts .....	17
B. Defendants' Position on Contested Legal Issues .....	18
VII. Regarding Plaintiffs' Burden of Proof Under Section 20(a) of the Securities Exchange Act of 1934 as to Each Defendant .....	18
A. Contested Facts .....	18
B. Defendants' Position on Contested Legal Issues .....	18

**TABLE OF AUTHORITIES**

Cases	Page
<i>In re Allied Products Corp., Inc. Securities Litigation</i> , No. 99 C 3597, 2000 WL 1721042 (N.D. Ill. Nov. 15, 2000) .....	19
<i>In re Allscripts, Inc. Securities Litigation</i> , No. 00 C6 796, 2001 WL 743411 (N.D. Ill. June 29, 2001) .....	7
<i>Anderson v. Abbott Laboratories</i> , 140 F. Supp. 2d 894 (N.D. Ill. 2001) <i>aff'd sub nom. Gallagher v. Abbott Laboratories</i> , 269 F.3d 806 (7th Cir. 2001); .....	5-6, 8
<i>In re Axis Capital Holdings Ltd. Securities Litigation</i> , 456 F. Supp. 2d 576 (S.D.N.Y. 2006) .....	8
<i>In re Bally Total Fitness Securities Litigation</i> , No. 04 C 3530, 2006 WL 3714708 (N.D. Ill. July 12, 2006) .....	15
<i>Basic v. Levinson</i> , 485 U.S. 224 (1988) .....	2, 3 Fn. 2, 7
<i>Chiarella v. United States</i> , 445 U.S. 222 (1980) .....	6-7
<i>In re Citigroup, Inc. Securities Litigation</i> , 330 F. Supp. 2d 367 (S.D.N.Y. 2004) .....	8
<i>Cozzarelli v. Inspire Pharmaceuticals Inc.</i> , 549 F.3d 618 (4th Cir. 2008) .....	14
<i>In re Convergent Technologies Securities Litigation</i> , 948 F.2d 507 (9th Cir. 1991) .....	5
<i>Danis v. USN Communications, Inc.</i> , 121 F. Supp. 2d 1183 (N.D. Ill. 2000) .....	15
<i>Dura Pharmaceuticals, Inc. v. Broudo</i> , 544 U.S. 336 (2005) .....	3, 16, 17
<i>Eckstein v. Balcors Film Investors</i> , 8 F.3d 1121 (7th Cir. 1993) .....	9
<i>Eisenstadt v. Centel Corp.</i> , 113 F.3d 738 (7th Cir. 1997) .....	10
<i>Ernst &amp; Ernst v. Hochfelder</i> , 425 U.S. 185 (1976) .....	11
<i>In re Glaxo Smithkline PLC Securities Litigation</i> , No. 05 Civ. 3571, 2006 WL 2871968 (S.D.N.Y. Oct. 6, 2006) .....	5
<i>Goldberg v. Freedom Federal Savings Bank</i> , No. 88C 4787, 1989 WL 8503 (N.D. Ill. Jan. 31, 1989) .....	12

Cases	Page
<i>Grimes v. Navigant Consulting, Inc.</i> , 185 F. Supp. 2d 906 (N.D. Ill. 2002)...	9-10
<i>Gross v. Summa Four, Inc.</i> , 93 F.3d 987 (1st Cir. 1996).....	7
<i>In re Harmonic, Inc. Securities Litigation</i> , 163 F. Supp. 2d 1079 (N.D. Cal. 2001).....	5
<i>Harrison v. Dean Witter Reynolds, Inc.</i> , 79 F.3d 609 (7th Cir. 1996).....	19, 20
<i>Higginbotham v. Baxter International, Inc.</i> , 495 F.3d 753 (7th Cir. 2007)....	<i>passim</i>
<i>Iles v. Swank</i> , No. 04 C 3757, 2006 U.S. Dist. LEXIS 45862 (N.D. Ill. June 28, 2006).....	7
<i>Indiana Electrical Workers' Pension Trust Fund IBEW v. Shaw Group, Inc.</i> , 537 F.3d 527 (5th Cir. 2008).....	7
<i>Makor Issues &amp; Rights, Ltd. v. Tellabs, Inc.</i> , 437 F.3d 588 (7th Cir. 2006)...	10
<i>In re Marsh</i> , 501 F. Supp. 2d 452 (S.D.N.Y. 2006).....	8
<i>Mathews v. Centex Telemanagement, Inc.</i> , No. C-92-1837-CAL, 1994 WL 269734 (N.D. Cal. June 8, 1994).....	14-15
<i>In re Northfield Laboratories, Inc. Securities Litigation</i> , 527 F. Supp. 2d 769 (N.D. Ill. 2007).....	17
<i>In re 2007 Novastar Financial, Inc. Securities Litigation</i> , No. 07-0139-CV, 2008 WL 2354367 (W.D. Mo. June 4, 2008).....	14
<i>Ong v. Sears, Roebuck &amp; Co.</i> , No. 03 C 4142, 2005 WL 2284285 (N.D. Ill. Sept. 14, 2005).....	15
<i>Ong v. Sears, Roebuck &amp; Co.</i> , 388 F. Supp. 2d 871 (N.D. Ill. 2004).....	7
<i>Oran v. Stafford</i> , 226 F.3d 275 (3d Cir. 2000).....	7, 9
<i>Pugh v. Tribune Co.</i> , 521 F.3d 686 (7th Cir. 2008).....	13-14, 19
<i>Premier Capital Management, LLC v. Cohen</i> , No. 02-C-5638, 2008 WL 4378300 (N.D. Ill. Mar. 28, 2008).....	20
<i>Ray v. Citigroup Global Markets, Inc.</i> , 482 F.3d 991 (7th Cir. 2007).....	17, 18
<i>Roth v. Office Max, Inc.</i> , 527 F. Supp. 2d 791 (N.D. Ill. 2007).....	15
<i>Santa Fe Industries, Inc. v. Green</i> , 430 U.S. 462 (1977).....	6



<b>Cases</b>	<b>Page</b>
<i>Searls v. Glasser</i> , 64 F.3d 1061 (7th Cir. 1995).....	12
<i>SEC v. Caserta</i> , 75 F. Supp. 2d 79 (E.D.N.Y. 1999) .....	14
<i>SEC v. Jakubowski</i> , 150 F.3d 675 (7th Cir. 1998) .....	11
<i>Stark Trading v. Falconbridge Ltd.</i> , No. 08-1327, 2009 WL 18140 (7th Cir. Jan. 5, 2009).....	7-8
<i>Stavroff v. Meyo</i> , No. 95-4118, 1997 WL 720475 (6th Cir. Nov. 12, 1997)...	14
<i>Sundstrand Corp. v. Sun Chemical Corp.</i> , 553 F.2d 1033 (7th Cir. 1977) .....	12
<i>Tellabs, Inc. v. Makor Issues &amp; Rights, Ltd.</i> , 127 S. Ct. 2499 (2007).....	11, 14
<i>In re Time Warner Inc. Securities Litigation</i> , 9 F.3d 259 (2d Cir. 1993).....	7
<i>Tricontinental Industries, Ltd. v. PricewaterhouseCoopers, LLP.</i> , 475 F.3d 824 (7th Cir. 2007).....	17
<i>Wielgos v. Commonwealth Edison Co.</i> , 892 F. 2d 509 (7th Cir. 1989).....	8-9
<b>Regulations</b>	
17 C.F.R. § 240.10b-5 (2008).....	<i>passim</i>
<b>Rules</b>	
N.D. Ill. Loc. R. 56.1(a)(3).....	16 n.4
<b>Statutes</b>	
Securities Exchange Act of 1934	
§ 10(b), 15 U.S.C. § 78j(b) (2006).....	<i>passim</i>
§ 20(a), 15 U.S.C. § 78t(a) (2006) .....	19-20

Defendants Household International, Inc. ("Household"), William F. Aldinger, David A. Schoenholz and Gary Gilmer (collectively, "Defendants") respectfully submit this Statement of Contested Issues of Fact and Law.<sup>1</sup> This Statement is directed to the common, class-wide issues that will be tried at this time, with the understanding that the Court has deferred all proceedings on issues of individual reliance and damages to a later phase, if any should be required. The Orders of this Court and Plaintiffs' admissions on the subject of bifurcation are the subject of Defendants' "Position on Bifurcation," submitted herewith as Paragraph 6(b) of the [Proposed] Final Pretrial Order and adopted by reference herein. Defendants' "Responses and Objections to Plaintiffs' Itemized Statement of Damages" is submitted herewith as Exhibit H(2) of the [Proposed] Final Pretrial Order and is also adopted by reference herein.

**Preface: The Securities Fraud Elements at Issue in this Trial**

To establish a claim for relief under § 10(b) of the Exchange Act and Rule 10b-5, a plaintiff must prove all of the following elements, separately as to each Defendant, by a preponderance of admissible evidence:

- "(1) a material misrepresentation (or omission);
- (2) scienter, i.e., a wrongful state of mind;
- (3) a connection with the purchase or sale of a security;
- (4) reliance, often referred to in cases involving public securities markets (fraud-on-the-market cases) as 'transaction causation,' see *Basic v. Levinson*, 485 U.S. 224 (1988) (non-conclusively presuming that the

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<sup>1</sup> This Statement is submitted without prejudice to Defendants' pending Motion for Summary Judgment, or their *in limine* and *Daubert* motions submitted herewith.

price of a publicly traded share reflects a material misrepresentation and that plaintiffs have relied upon that misrepresentation as long as they would not have bought the share in its absence);

- (5) economic loss; and
- (6) 'loss causation,' i.e., a causal connection between the material misrepresentation and the loss."

*Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S. 336, 341-42 (2005).

Not all of these elements will be at issue in the upcoming trial. For purposes of this trial, the parties do not dispute that the alleged false statements and alleged omissions on which Plaintiffs now base their claims (all of which are listed in Exhibit B-1 of [Proposed] Final Pretrial Order ¶ 2(b)) were made (if at all) "in connection with the purchase and sale of a security." And because Plaintiffs are proceeding on the basis of a "fraud-on-the-market" theory, for purposes of this trial, they will rely on the "non-conclusive" presumption of reliance available under that theory, rather than attempting to prove actual reliance by any named Plaintiff or absent class member.<sup>2</sup>

As to the remaining elements of their Rule 10b-5 claims, Plaintiffs' burden in this trial will be to prove by a preponderance of evidence, separately for each of the alleged misrepresentations listed in Exhibit B-1 of the [Proposed] Final Pretrial Order, and separately for each Defendant, (i) that the statement can properly be attributed to that Defendant; (ii) that the statement was false or misleading; (iii) that the statement was material; (iv) that the state-

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<sup>2</sup> The presumption of reliance is subject to rebuttal on both a class-wide basis (by showing in this trial that the truth of a given statement or omission was in fact available to the market) and on an individual basis (which will be the focus of phase two discovery and trial, if needed). See *Basic v. Levinson*, 485 U.S. 224, 247-49 (1988).

ment was made with a wrongful state of mind; and (v) that the alleged fraud in the statement was the proximate cause of their losses.

With respect to the three alleged omissions listed in Exhibit B-1 of the [Proposed] Final Pretrial Order, Plaintiffs must in addition prove by a preponderance of the evidence, separately for each omission and separately for each Defendant, (i) the particular material information that was omitted; (ii) when the omission occurred; (iii) that the Defendant had a duty to speak; and (iv) that the omission rendered a particular affirmative statement misleading under the circumstances.

There should be no serious dispute as to the foregoing broad parameters, but as to each essential element of Plaintiffs' burden, the factual and legal issues shown below must be resolved prior to or during this phase one trial.<sup>3</sup>

**I. Regarding the Essential Element of Falsity as to Each of the Alleged Misstatements Listed in Exhibit B-1**

**A. Contested Facts**

1. Was the particular statement false at the time it was issued?
2. Can the statement be attributed to a particular Defendant?
3. Was the truth of the alleged statement already known to the market?

**B. Defendants' Position on Contested Legal Issues**

1. Proof of a "misleading overall impression" (sometimes called "mosaic misrepresentations" or a "gloss and spin" approach) does not suffice.

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<sup>3</sup> Although the legal principles summarized below are not really contestable, they have been placed in dispute by legal positions taken by Plaintiffs in their proposed jury instructions and/or in their opposition to Defendants' Motion for Summary Judgment.

*See, e.g., In re Convergent Technologies Securities Litigation*, 948 F.2d 507, 512 (9th Cir. 1991) (Plaintiff must prove “that a *particular statement*, when read in light of all the information then available to the market, or a failure to disclose *particular information*, conveyed a false and misleading impression.”) (emphasis added); *cf. In re Harmonic, Inc. Securities Litigation*, 163 F. Supp. 2d 1079, 1093 n.12 (N.D. Cal. 2001) (“The court has been unable to locate any cases where the pleading was governed by the PSLRA, in which a court substituted the ‘gloss and spin’ approach for the more rigorous requirements of the PSLRA.”).

2. Publicly denying allegations of wrongdoing is not fraud. *See, e.g., Anderson v. Abbott Laboratories*, 140 F. Supp. 2d 894, 906-07 (N.D. Ill. 2001) (Moran, J.) (“[A company’s] maintenance of its innocence is not fraud. SEC rules do not create a duty to confess contested charges. . . . Where there exists a good faith dispute as to the facts of an alleged illegal violation, the [law] only requires disclosure of the dispute.”), *aff’d sub nom. Gallagher v. Abbott Laboratories*, 269 F.3d 806 (7th Cir. 2001); *In re Glaxo Smithkline PLC Securities Litigation*, No. 05 Civ. 3571, 2006 WL 2871968, at \*10 (S.D.N.Y. Oct. 6, 2006) (“To hold that a legal position taken by a publicly traded company, or an expression of confidence in a legal position, may be converted in hindsight into an actionable misrepresentation if the company later loses the lawsuit would have a chilling effect on publicly traded companies seeking to defend their interests in litigation.”).
3. Reporting accurate historical results is not actionable, even where a plaintiff alleges that revenues were derived from improper activities. *See, e.g., Higginbotham v. Baxter International, Inc.*, 495 F.3d 753 (7th Cir. 2007); *Anderson v. Abbott Laboratories*, 140 F. Supp. 2d at 909 (“Abbott reported ‘record sales and earnings for the first quarter ended

March 31, 1999,' and 'accomplished a great deal in the quarter.' Again, accurate historical results are not actionable, nor is vague puffery. These statements do not suggest anything about regulatory compliance, and could not mislead investors about that topic.").

4. Proof of negligent mismanagement does not support a claim of securities fraud. *Santa Fe Industries, Inc. v. Green*, 430 U.S. 462, 479 (1977) ("We thus adhere to the position that Congress by § 10(b) did not seek to regulate transactions which constitute no more than internal corporate mismanagement.").

## II. **Regarding the Essential Element of Falsity as to Each of the Alleged Omissions Listed in Exhibit B-1**

### A. Contested Facts

1. What was the particular information omitted?
2. When was it omitted?
3. By which Defendant(s) was the information omitted?
4. What was the basis of that person's duty to speak?
5. What statement, if any, was rendered false or misleading by the omission?
6. Was the allegedly omitted information already available to the market?

### B. Defendants' Position on Contested Legal Issues

1. The omission of a material fact when making a statement is actionable only if that omission causes the statement that is made to be materially misleading. 15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5.

2. “When an allegation of fraud is based upon non-disclosure there can be no fraud absent a duty to speak.” *Chiarella v. United States*, 445 U.S. 222, 235 (1980). *Accord Basic, Inc. v. Levinson*, 485 U.S. 224, 239 n.17 (1988) (“Silence, absent a duty to disclose, is not misleading under Rule 10b-5.”); *Oran v. Stafford*, 226 F.3d 275, 285 (3d Cir. 2000) (“Even non-disclosure of material information will not give rise to liability under Rule 10b-5 unless the defendant had an affirmative duty to disclose that information.”).
3. There is no duty to disclose all non-public material in a company’s possession. See, e.g., *Indiana Electrical Workers’ Pension Trust Fund IBEW v. Shaw Group, Inc.*, 537 F.3d 527, 541 (5th Cir. 2008); *Gross v. Summa Four, Inc.*, 93 F.3d 987, 992 (1st Cir. 1996); *In re Time Warner Inc. Securities Litigation*, 9 F.3d 259, 267 (2d Cir. 1993) (“[A] corporation is not required to disclose a fact merely because a reasonable investor would very much like to know the fact.”); *Iles v. Swank*, No. 04 C 3757, 2006 U.S. Dist. LEXIS 45862, at \*19 (N.D. Ill. June 28, 2006) (Kendall, J.) (“Merely mentioning a topic . . . does not require the company to disclose every tangentially related fact that might interest investors, only those that are sufficiently important.”); *In re Allscripts, Inc. Securities Litigation*, No. 00 C6 796, 2001 WL 743411, at \*6 (N.D. Ill. June 29, 2001) (Kocoras, J.) (holding that there is no duty to disclose picayune policy and operational details).
4. There is no duty to disclose facts of which the market is already aware through other sources. See *Higginbotham v. Baxter International, Inc.*, 495 F.3d 753, 759 (7th Cir. 2007); *Ong v. Sears, Roebuck & Co.*, 388 F. Supp. 2d 871, 900 (N.D. Ill. 2004) (Pallmeyer, J.) (assuming that market was aware of certain charge-off policies where information needed to understand them was disclosed in a securitization prospectus); see also *Stark Trading v. Falconbridge Ltd.*, No. 08-1327, 2009

WL 18140, at \*4 (7th Cir. Jan. 5, 2009) (noting that because the information was publicly available, investors would not “be able to sue for fraud . . . [t]hat is not a strategy that the courts should reward in the name of rectifying securities fraud”).

5. There is no duty to accuse oneself of illegal conduct. *Anderson v. Abbott Laboratories*, 140 F. Supp. 2d 894, 906-07 (N.D. Ill. 2001) (Moran, J.) (“SEC rules do not create a duty to confess contested charges. . . . Where there exists a good faith dispute as to facts or an alleged legal violation, the [law] only requires disclosure of the dispute.”), *aff’d sub nom. Gallagher v. Abbott Laboratories*, 269 F.3d 806 (7th Cir. 2001).
6. There is no duty to disclose that a company’s revenues or rate of growth are not “sustainable” due to the possibility of future regulatory changes or monetary concessions. *See In re Axis Capital Holdings Ltd. Securities Litigation*, 456 F. Supp. 2d 576, 586 (S.D.N.Y. 2006) (Defendants were under no duty to disclose the risk that their allegedly illegal practices might have to be discontinued); *In re Marsh*, 501 F. Supp. 2d 452, 471 (S.D.N.Y. 2006) (“Defendants can not be held liable for failing to make . . . speculative disclosures regarding the possibility that its contingent commission revenues may some day be discontinued.”).
7. There is no duty to disclose the risk of potential litigation or regulatory action that are not substantially certain to occur. *See In re Citigroup, Inc. Securities Litigation*, 330 F. Supp. 2d 367, 377-78 (S.D.N.Y. 2004) (“Despite Plaintiff’s characterizations of Citigroup’s transactions as unduly risky or non-compliant with regulatory requirements . . . Defendants’ failure to disclose all possible future litigation is not actionable under section 10(b)”).



8. There is no duty to disclose internal cost estimates relating to potential regulatory or litigation settlements. See *Wielgos v. Commonwealth Edison Co.*, 892 F. 2d 509, 516 (7th Cir. 1989) (holding that corporations need not disclose internal estimates, even where they conflict with published estimates, unless the internal estimates are so certain as to render published data materially misleading).
9. Federal securities laws create a system of periodic rather than continual disclosures. There is no rule of law that requires 10-Q reports to be updated on any cycle other than quarterly. *Higginbotham*, 495 F.3d at 760.

**III. Regarding the Essential Element of Materiality as to Each of the Alleged Misstatements and Alleged Omissions Listed in Exhibit B-1**

**A. Contested Facts**

1. Was the particular alleged misstatement, or the particular omitted information material, in the sense that a reasonable investor would view the fact as significantly altering the mix of information available?
2. Did the issuance of the particular alleged misstatement or the omission of the particular information alter the price of Household's stock?

**B. Defendants' Position on Contested Legal Issues**

1. "[I]n an efficient market 'the concept of materiality translates into information that alters the price of the firm's stock.'" *Oran v. Stafford*, 226 F.3d 275, 282 (3d Cir. 2000) (quoting *In re Burlington Coat Factory Securities Litigation*, 114 F.3d 1410, 1425 (3d Cir. 1997) (Alito, J.)). Thus, "if a company's disclosure of information has no effect on stock prices, 'it follows that the information disclosed . . . was immaterial as a matter of law.'" *Oran*, 226 F.3d at 282 (quoting *Burlington*, 114 F.3d at 1425); see also *Eckstein v. Balcor Film Investors*, 8 F.3d

1121, 1130 (7th Cir. 1993) (holding that the failure of a company's stock price to decline following revelation of the truth demonstrates either that the information is not material "or that investors had fully taken this fact into account"); *Grimes v. Navigant Consulting, Inc.*, 185 F. Supp. 2d 906, 912 (N.D. Ill. 2002) (Bucklo, J.) ("[Defendant] refers me to Third Circuit law, under which a disclosure that does not move the market is not material as a matter of law. I conclude that this argument is correct.") (emphasis added).

2. An alleged omission is not material if the information had already been made available to investors through other sources. *Higginbotham*, 495 F.3d at 759.
3. A statement is not material if it is vague, loosely optimistic boasting, or is merely a promotional phrase that is devoid of substantive information. See *Makor Issues & Rights, Ltd. v. Tellabs, Inc.*, 437 F.3d 588, 596 (7th Cir. 2006) ("If the statement amounts to vague aspiration or unspecific puffery, it is not material."), *vacated and remanded on other grounds*, 127 S. Ct. 2499 (2007); *Eisenstadt v. Centel Corp.*, 113 F.3d 738, 746 (7th Cir. 1997) ("Mere sales puffery is not actionable under Rule 10-5.").

**IV. Regarding the Essential Element of Scienter as to Each of the Alleged Misstatements and Alleged Omissions Listed in Exhibit B-1**

**A. Contested Facts**

1. Did the Defendant in question act with a mental state embracing intent to deceive, manipulate, or defraud?
2. Did the Defendant in question have knowledge of the subject statement's falsity or of the falsity occasioned by the subject omissions?

3. If not, did the Defendant act in reckless disregard of a substantial risk that the statement was false or that the omission would render a statement false?
3. If so, was such recklessness so severe as to be the functional equivalent of intent?
4. Did the Defendant in question act in such a way as to preclude a finding of scienter?
5. Did the Defendant in question investigate allegations of wrongdoing, thus demonstrating a pursuit of truth rather than reckless indifference to the truth?
6. Did the Defendant in question candidly disclose the truth with respect to the subject-matter of the alleged fraud?
7. Did the Defendant in question rely on the advice of independent outside auditors?
8. Was there a good faith disagreement between independent auditors with respect to accounting for the credit card servicing contracts relevant to Plaintiffs' claims of fraud arising from Household's restatement?
9. It is indisputable that all of the Defendants steadily increased their net holdings of Household securities during the Class Period.

B. Defendants' Position on Contested Legal Issues

1. "[T]he term 'scienter' refers to a mental state embracing intent to deceive, manipulate, or defraud." *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976); see also *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 127 S. Ct. 2499, 2504 (2007); *SEC v. Jakubowski*, 150 F.3d 675,