

**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.)	
_____)	

DECLARATION OF BJORN I. STEINHOLT, CFA

DATED JULY 25, 2013

I. BACKGROUND

1. On May 27, 2009, I submitted a declaration that included the monthly prime rates provided by the Federal Reserve System FRED® Database, and a multiplier table to determine the amount of prejudgment interest in this case. I have now been asked by plaintiffs' counsel to explain in greater detail how the prejudgment interest is calculated, and to update the multiplier table through July 2013 using both monthly and yearly compounding.

II. PREJUDGMENT INTEREST

2. It is my understanding that Courts may award prejudgment interest to compensate plaintiffs for not having access to their funds, or for defendant's use of plaintiffs' funds, from the date of injury through final judgment ("Prejudgment Period"). Including prejudgment interest in the final judgment makes economic sense. First, simply as a result of inflation, \$1 at the time of injury in 2002 was worth more (had greater buying power) than \$1 today.¹ Second, if Class members had access to their funds, they could have profited from reinvesting the funds in the stock market (or in a host of other types of securities) during the Prejudgment Period.² Third, if Class members had debt, they could have used these funds to reduce this debt, thereby benefitting from reducing their respective borrowing costs during the Prejudgment Period.³ Fourth, Class members could also have determined that the best and/or most valuable use of their

¹ From September 2002 through June 2013, the consumer price index ("CPI") increased 29%, translating into a multiplier of 1.29. In other words, the increase in the CPI implies that \$1 in September 2002 would have the same buying power as \$1.29 in June 2013.

² From September 30, 2002 through July 24, 2013, the total return on the S&P 500 (a proxy for the U.S. stock market) was 158%, translating into a multiplier of 2.58. In other words, \$1 invested on September 30, 2002 would be worth \$2.58 on July 24, 2013.

³ The individual Class members' borrowing cost would obviously vary greatly depending on the individual circumstances of the Class member. However, as a general matter, the costs would in almost all circumstances be equal to or greater than the prime rate, *i.e.*, the average short term interest rate used by large banks to charge their most creditworthy customers.

funds would be to spend the money.⁴ As a result, from an economic point of view, it is my opinion that prejudgment interest should be included to fully compensate Class members for their injury. Furthermore, not including prejudgment interest would effectively provide defendants with the use of plaintiffs' funds at zero cost, and would thereby provide them with a significant economic incentive to prolong the litigation as long as possible.⁵

3. The first step in calculating prejudgment interest is to determine the prejudgment interest rate to be used. It is my understanding that plaintiffs in this case, consistent with 7th Circuit precedent, will seek to recover prejudgment interest calculated based on the prime rate, as reported by the Federal Reserve on a monthly basis. The prime rate is the average short term interest rate used by large banks to charge their most creditworthy customers.⁶ In other words, using the prime rate means that Class members will be compensated for effectively "lending" their funds to defendants during the Prejudgment Period at the same rate that large banks would be expected to receive on short term, low-risk commercial loans. Using the prime rate to calculate the prejudgment interest based on the rationale above simplifies the analysis as the prime rate is readily available on a monthly basis, and because no further analyses of plaintiffs' or defendants' specific circumstances are necessary.

⁴ For example, older Class members may have needed the funds for their retirement. The specific harm to such Class members from not having access to their funds for more than one decade could be substantial, but difficult to quantify as it would depend on the individual circumstance of the specific Class member.

⁵ According to Bloomberg, HSBC Holdings PLC annual weighted average cost of capital averaged 5.71% from 2002 through 2012 (ranging from 3.11% to 8.79%), which was greater than the average prime rate during this same period.

⁶ It is also one of the most commonly used reference rate for commercial loans and a host of consumer loan products. It should be noted that most borrowers will pay a premium over the prime rate.

4. Second, the Prejudgment Period has to be determined. At this time, this simply involves determining when the Prejudgment Period should begin given that final judgment has not yet been entered. While the first Complaint in this matter was filed on August 19, 2002, the economic harm, per the jury verdict, continued for purchasers through September of 2002.⁷ Consequently, for my purposes, I started the calculation of the prejudgment interest on October 1, 2002 and continued the calculation through July of 2013.

5. Third, the compounding period has to be determined. In this case, I have been asked to calculate prejudgment interest both using monthly compounding and yearly compounding. That said, because the prime rate is used for short term borrowing, using the shorter term compounding (monthly compounding) makes more economic sense than using yearly compounding. Regardless, for my purposes, I have been asked to include a calculation using both compounding periods.

6. My calculation of prejudgment interest from October 1, 2002 through July 31, 2013 on the \$1,476,490,844 in initial claims is attached as Exhibit A, and is also summarized in the table below:

Initial Claims	\$1,476,490,844	\$1,476,490,844
Multiplier	1.67593	1.65551
Prejudgment Interest	\$998,000,783	\$967,849,095
Initial Claims plus Prejudgment Interest	\$2,474,491,627	\$2,444,339,939

⁷ The Class Period ends on October 10, 2002, but there are no damages for any purchasers during October 2002. Consequently, all of the economic harm occurred prior to October 2002.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 25th day of July, 2013, at San Diego, California.

Respectfully submitted,



BJORN I. STEINHOLT, CFA

Exhibit A

Multiplier Based on Monthly Bank Prime Loan Rate

Month	Prime Rate (1)	Monthly Compounding		Yearly Compounding	
		Interest	Multiplier	Interest	Multiplier
September-02			1.00000		1.00000
October-02	4.75%	0.00396	1.00396	0.00396	1.00396
November-02	4.35%	0.00364	1.00760	0.00363	1.00758
December-02	4.25%	0.00357	1.01117	0.00354	1.01113
January-03	4.25%	0.00358	1.01475	0.00354	1.01467
February-03	4.25%	0.00359	1.01834	0.00354	1.01821
March-03	4.25%	0.00361	1.02195	0.00354	1.02175
April-03	4.25%	0.00362	1.02557	0.00354	1.02529
May-03	4.25%	0.00363	1.02920	0.00354	1.02883
June-03	4.22%	0.00362	1.03282	0.00352	1.03235
July-03	4.00%	0.00344	1.03626	0.00333	1.03568
August-03	4.00%	0.00345	1.03972	0.00333	1.03902
September-03	4.00%	0.00347	1.04318	0.00333	1.04235
October-03	4.00%	0.00348	1.04666	0.00347	1.04582
November-03	4.00%	0.00349	1.05015	0.00347	1.04930
December-03	4.00%	0.00350	1.05365	0.00347	1.05277
January-04	4.00%	0.00351	1.05716	0.00347	1.05625
February-04	4.00%	0.00352	1.06068	0.00347	1.05972
March-04	4.00%	0.00354	1.06422	0.00347	1.06320
April-04	4.00%	0.00355	1.06777	0.00347	1.06667
May-04	4.00%	0.00356	1.07133	0.00347	1.07015
June-04	4.01%	0.00358	1.07491	0.00348	1.07363
July-04	4.25%	0.00381	1.07871	0.00369	1.07732
August-04	4.43%	0.00398	1.08270	0.00385	1.08117
September-04	4.58%	0.00413	1.08683	0.00398	1.08515
October-04	4.75%	0.00430	1.09113	0.00430	1.08944
November-04	4.93%	0.00448	1.09561	0.00446	1.09390
December-04	5.15%	0.00470	1.10031	0.00466	1.09856
January-05	5.25%	0.00481	1.10513	0.00475	1.10331
February-05	5.49%	0.00506	1.11018	0.00496	1.10827
March-05	5.58%	0.00516	1.11535	0.00505	1.11332
April-05	5.75%	0.00534	1.12069	0.00520	1.11852
May-05	5.98%	0.00558	1.12628	0.00541	1.12392
June-05	6.01%	0.00564	1.13192	0.00543	1.12936
July-05	6.25%	0.00590	1.13781	0.00565	1.13501
August-05	6.44%	0.00611	1.14392	0.00582	1.14083
September-05	6.59%	0.00628	1.15020	0.00596	1.14679
October-05	6.75%	0.00647	1.15667	0.00645	1.15324
November-05	7.00%	0.00675	1.16342	0.00669	1.15993
December-05	7.15%	0.00693	1.17035	0.00683	1.16677
January-06	7.26%	0.00708	1.17743	0.00694	1.17370
February-06	7.50%	0.00736	1.18479	0.00717	1.18087
March-06	7.53%	0.00743	1.19222	0.00720	1.18807
April-06	7.75%	0.00770	1.19992	0.00741	1.19547
May-06	7.93%	0.00793	1.20785	0.00758	1.20305
June-06	8.02%	0.00807	1.21593	0.00766	1.21072
July-06	8.25%	0.00836	1.22429	0.00788	1.21860

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		Interest	Multiplier	Interest	Multiplier
August-06	8.25%	0.00842	1.23270	0.00788	1.22649
September-06	8.25%	0.00847	1.24118	0.00788	1.23437
October-06	8.25%	0.00853	1.24971	0.00849	1.24286
November-06	8.25%	0.00859	1.25830	0.00849	1.25134
December-06	8.25%	0.00865	1.26695	0.00849	1.25983
January-07	8.25%	0.00871	1.27566	0.00849	1.26831
February-07	8.25%	0.00877	1.28443	0.00849	1.27680
March-07	8.25%	0.00883	1.29326	0.00849	1.28529
April-07	8.25%	0.00889	1.30215	0.00849	1.29377
May-07	8.25%	0.00895	1.31111	0.00849	1.30226
June-07	8.25%	0.00901	1.32012	0.00849	1.31075
July-07	8.25%	0.00908	1.32920	0.00849	1.31923
August-07	8.25%	0.00914	1.33833	0.00849	1.32772
September-07	8.03%	0.00896	1.34729	0.00826	1.33598
October-07	7.74%	0.00869	1.35598	0.00862	1.34460
November-07	7.50%	0.00847	1.36446	0.00835	1.35295
December-07	7.33%	0.00833	1.37279	0.00816	1.36111
January-08	6.98%	0.00799	1.38078	0.00777	1.36888
February-08	6.00%	0.00690	1.38768	0.00668	1.37556
March-08	5.66%	0.00655	1.39422	0.00630	1.38186
April-08	5.24%	0.00609	1.40031	0.00583	1.38769
May-08	5.00%	0.00583	1.40615	0.00557	1.39326
June-08	5.00%	0.00586	1.41201	0.00557	1.39883
July-08	5.00%	0.00588	1.41789	0.00557	1.40439
August-08	5.00%	0.00591	1.42380	0.00557	1.40996
September-08	5.00%	0.00593	1.42973	0.00557	1.41552
October-08	4.56%	0.00543	1.43516	0.00538	1.42090
November-08	4.00%	0.00478	1.43995	0.00472	1.42562
December-08	3.61%	0.00433	1.44428	0.00426	1.42988
January-09	3.25%	0.00391	1.44819	0.00383	1.43371
February-09	3.25%	0.00392	1.45211	0.00383	1.43755
March-09	3.25%	0.00393	1.45604	0.00383	1.44138
April-09	3.25%	0.00394	1.45999	0.00383	1.44522
May-09	3.25%	0.00395	1.46394	0.00383	1.44905
June-09	3.25%	0.00396	1.46791	0.00383	1.45288
July-09	3.25%	0.00398	1.47188	0.00383	1.45672
August-09	3.25%	0.00399	1.47587	0.00383	1.46055
September-09	3.25%	0.00400	1.47987	0.00383	1.46438
October-09	3.25%	0.00401	1.48387	0.00397	1.46835
November-09	3.25%	0.00402	1.48789	0.00397	1.47232
December-09	3.25%	0.00403	1.49192	0.00397	1.47628
January-10	3.25%	0.00404	1.49596	0.00397	1.48025
February-10	3.25%	0.00405	1.50002	0.00397	1.48421
March-10	3.25%	0.00406	1.50408	0.00397	1.48818
April-10	3.25%	0.00407	1.50815	0.00397	1.49215
May-10	3.25%	0.00408	1.51224	0.00397	1.49611
June-10	3.25%	0.00410	1.51633	0.00397	1.50008

Multiplier Based on Monthly Bank Prime Loan Rate

Month	Prime Rate (1)	Monthly Compounding		Yearly Compounding	
		Interest	Multiplier	Interest	Multiplier
July-10	3.25%	0.00411	1.52044	0.00397	1.50404
August-10	3.25%	0.00412	1.52456	0.00397	1.50801
September-10	3.25%	0.00413	1.52868	0.00397	1.51198
October-10	3.25%	0.00414	1.53283	0.00409	1.51607
November-10	3.25%	0.00415	1.53698	0.00409	1.52017
December-10	3.25%	0.00416	1.54114	0.00409	1.52426
January-11	3.25%	0.00417	1.54531	0.00409	1.52836
February-11	3.25%	0.00419	1.54950	0.00409	1.53245
March-11	3.25%	0.00420	1.55369	0.00409	1.53655
April-11	3.25%	0.00421	1.55790	0.00409	1.54064
May-11	3.25%	0.00422	1.56212	0.00409	1.54474
June-11	3.25%	0.00423	1.56635	0.00409	1.54883
July-11	3.25%	0.00424	1.57060	0.00409	1.55293
August-11	3.25%	0.00425	1.57485	0.00409	1.55702
September-11	3.25%	0.00427	1.57911	0.00409	1.56112
October-11	3.25%	0.00428	1.58339	0.00423	1.56534
November-11	3.25%	0.00429	1.58768	0.00423	1.56957
December-11	3.25%	0.00430	1.59198	0.00423	1.57380
January-12	3.25%	0.00431	1.59629	0.00423	1.57803
February-12	3.25%	0.00432	1.60061	0.00423	1.58226
March-12	3.25%	0.00433	1.60495	0.00423	1.58648
April-12	3.25%	0.00435	1.60930	0.00423	1.59071
May-12	3.25%	0.00436	1.61365	0.00423	1.59494
June-12	3.25%	0.00437	1.61802	0.00423	1.59917
July-12	3.25%	0.00438	1.62241	0.00423	1.60340
August-12	3.25%	0.00439	1.62680	0.00423	1.60762
September-12	3.25%	0.00441	1.63121	0.00423	1.61185
October-12	3.25%	0.00442	1.63562	0.00437	1.61622
November-12	3.25%	0.00443	1.64005	0.00437	1.62058
December-12	3.25%	0.00444	1.64450	0.00437	1.62495
January-13	3.25%	0.00445	1.64895	0.00437	1.62931
February-13	3.25%	0.00447	1.65342	0.00437	1.63368
March-13	3.25%	0.00448	1.65789	0.00437	1.63804
April-13	3.25%	0.00449	1.66238	0.00437	1.64241
May-13	3.25%	0.00450	1.66689	0.00437	1.64678
June-13	3.25%	0.00451	1.67140	0.00437	1.65114
July-13	3.25%	0.00453	1.67593	0.00437	1.65551

Initial Claims	\$1,476,490,844	\$1,476,490,844
Multiplier	1.67593	1.65551
Prejudgment Interest	\$998,000,783	\$967,849,095
Initial Claims plus Prejudgment Interest	\$2,474,491,627	\$2,444,339,939

(1) Source: Federal Reserve System FRED® Database. July 2013 Prime Rate based on average daily Prime Rate through July 23, 2013.

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and employed in the City and County of San Diego, State of California, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 655 W. Broadway, Suite 1900, San Diego, California 92101.

2. That on July 30, 2013, declarant served by electronic mail and by U.S. Mail to the parties the following documents:

DECLARATION OF BJORN I. STEINHOLT, CFA DATED JULY 25, 2013

The parties' e-mail addresses are as follows:

TKavaler@cahill.com	Mrakoczy@skadden.com
PSloane@cahill.com	Rstoll@skadden.com
PFarren@cahill.com	Ldegrand@degrandwolfe.com
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and by U.S. Mail to:

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

I declare under penalty of perjury that the foregoing is true and correct. Executed this 30th day of July, 2013, at San Diego, California.



DEBORAH S. GRANGER