UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN, On Behalf of Itself and All Others Similarly Situated, Plaintiff, vs. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	)))))))))))))	Lead Case No. 02-C-5893 (Consolidated) CLASS ACTION Honorable Jorge L. Alonso

DECLARATION OF DANIEL S. DROSMAN IN FURTHER SUPPORT OF PLAINTIFFS' MOTION TO PRECLUDE DEFENDANTS FROM SUBSTITUTING NEW EXPERTS

I, Daniel S. Drosman, declare as follows:

1. I am an attorney duly licensed to practice before all of the courts of the State of California and I am also admitted *pro hac vice* in this Court for this action. I am a member of the law firm of Robbins Geller Rudman & Dowd LLP, Lead Counsel of record for plaintiffs in the above-entitled action. I have personal knowledge of the matters stated herein and, if called upon, I could and would competently testify thereto.

2. Attached are true and correct copies of the following exhibits:

Exhibit 1: Excerpt from Defendants' Trial Demonstrative 799;

Exhibit 2: Excerpt from Household Int'l, Inc. trial transcript; and

Exhibit 3: Wells Fargo Executive Summary re: "Due Diligence," May 9, 2002 (Trial Ex. 1351).

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 8th day of January, 2016, at San Diego, California.

s/ Daniel S. Drosman
DANIEL S. DROSMAN

CERTIFICATE OF SERVICE

I hereby certify that on January 8, 2016, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses for counsel of record denoted on the attached Service List.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on January 8, 2016.

s/ Daniel S. Drosman
DANIEL S. DROSMAN

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& DOWD LLP
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Jaffe v. Household Int'l, Inc., No. 02-5893 (N.D. Ill.)
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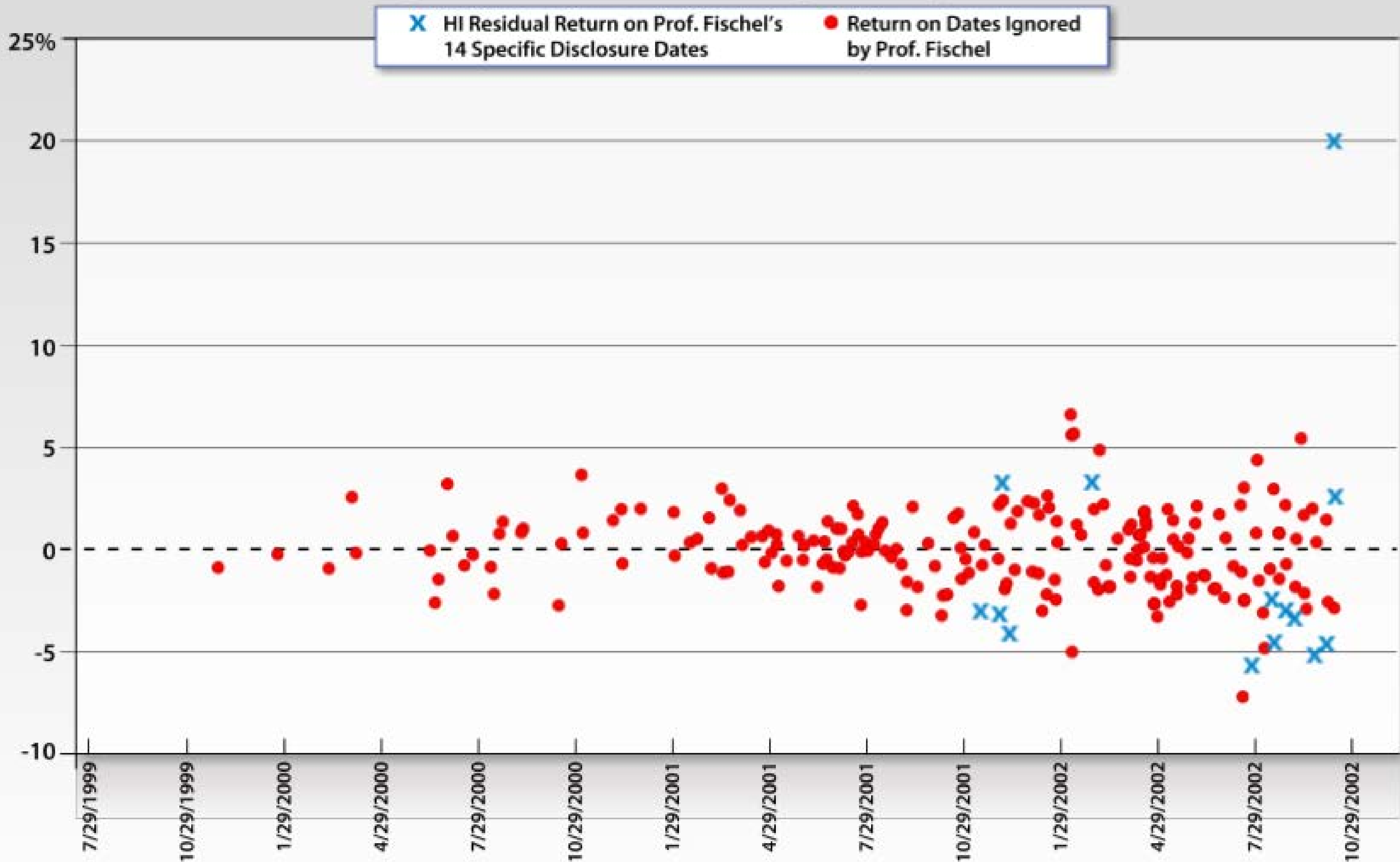
EXHIBIT 1

Prof. Fischel's Specific Disclosures Model Is Flawed



Next

EXHIBIT 2

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 7, 2009
Defendants.) 1:21 p.m.

9

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

11

12 APPEARANCES:

13 For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN &
ROBBINS LLP
14 BY: MR. LAWRENCE A. ABEL
MR. SPENCER A. BURKHOLZ
15 MR. MICHAEL J. DOWD
MR. DANIEL S. DROSMAN
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20 BY: MR. DAVID CAMERON BAKER
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21 MR. JASON C. DAVIS
MS. AZRA Z. MEHDI
22 100 Pine Street
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23 San Francisco, California 94111
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25

1 Q. Is that something you started in 1999, or was that in
2 existence back when you joined Household in the early '70s?
3 A. It probably predates 1972, but I can speak to it back that
4 far. It was in existence in 1972.
03:30:39 5 Q. Not something you invented in the late '90s?
6 A. Absolutely not.
7 Q. Not part of your growth initiatives?
8 A. No.
9 Q. We talked a moment ago about the foreclosure rate being
03:30:53 10 very low at Household. Let me ask you something else about
11 foreclosures.
12 Do you know what FFIEC is?
13 A. It's a law -- yes.
14 Q. Does it apply to banks?
03:31:05 15 A. Yes, it does.
16 Q. Does it apply to Household?
17 A. No, it does not.
18 Q. Does the fact that this law does not apply to Household
19 give Household greater flexibility in some area than the
03:31:15 20 banks?
21 A. In does indeed.
22 Q. In what area does it give Household a greater flexibility?
23 A. It gives a consumer finance company broad flexibility in
24 managing its customers' accounts. That would include real
03:31:26 25 estate accounts.

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 14, 2009
Defendants.) 1:00 o'clock p.m.
9

10 TRANSCRIPT OF TRIAL PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN, AND A JURY
11

12 APPEARANCES:

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1 A. Then you would have to take another expense to make up the
2 shortfall between the 100 and the 200.
3 Q. So you'd have to add to your reserves then or take an
4 expense for the miscalculation or the missed expectation?
03:34:38 5 A. Yes, sir.
6 Q. Did that ever happen?
7 A. Never.
8 Q. Now, let me ask you, you mentioned something called FFIEC
9 in your direct-examination, and I know that we've heard some
03:35:01 10 testimony about this. You were in the back of the room
11 before.
12 Without getting into what FFIEC stands for, did it
13 apply to household?
14 A. It applied to our credit card bank, but not to the other
03:35:14 15 parts of the company.
16 Q. What percentage, if you know, of Household's total
17 receivables did FFIEC apply to?
18 A. My guess is -- I don't remember exactly, but it was
19 relatively small.
03:35:41 20 Q. Relatively small.
21 So what was the concern about FFIEC and the FFIEC
22 rules that we have heard so much testimony about as you've
23 been sitting in the back of the courtroom, what was your
24 concern about FFIEC as it might apply to Household?
03:36:09 25 A. Well, FFIEC were rules set by banking regulators to apply

1 to banks, and they set standards on things such as re-age and
2 charge-off.
3 Q. Was Household International a bank?
4 A. It was not a bank.
03:36:34 5 And the concern was if you applied these standards
6 which were meant to apply to a bank's customer base and you
7 applied them to a consumer finance customer base, you would
8 actually increase the amounts of ultimate credit losses within
9 the finance company.
03:36:58 10 Q. What would it do to your business model in terms of your
11 dealings with your customers?
12 A. It would really throw the whole model upside down. I mean
13 the reason you had a consumer finance company customer was
14 that they really didn't normally qualify to go to a bank. So
03:37:16 15 it would make no sense to take that customer and now say,
16 well, now I'm going to treat you like a bank customer.
17 Q. Mr. Dowd and I asked you about a restatement that occurred
18 in connection with certain credit card agreements.
19 Would you describe the circumstances surrounding the
03:37:49 20 restatement?
21 A. In -- I think it was in the spring of 2002, the audit
22 committee of the board decided to replace Arthur Andersen and
23 to hire KPMG. KPMG was, therefore, engaged, and they had to
24 re-audit, issue their opinion, on 1991 -- 1999, 2000 and
03:38:24 25 2001 -- the financial statements in those 10-K documents.

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 16, 2009
Defendants.) 9:18 a.m.

9
VOLUME 12
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11

12 APPEARANCES:

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1 A. I don't know that that goes to the language that I --
2 Q. That's not my question.
3 A. I mean, I understand that banks have different rules from
4 non-banks. I understand that -- requirements. To some extent
11:42:20 5 they're stricter. To some extent they're the same. But I
6 think they both have to follow GAAP. And GAAP -- you know,
7 GAAP requires reserves. And GAAP requires to report two-plus
8 delinquency statistics and -- and -- and full and adequate
9 disclosure. That goes --
11:42:41 10 MS. BUCKLEY: Move to strike, your Honor.
11 THE WITNESS: So, anyway.
12 THE COURT: I'm sorry?
13 MS. BUCKLEY: It was a motion to strike, your Honor,
14 but I think the witness finally stopped talking.
11:42:51 15 THE COURT: What part of the answer are you seeking
16 to strike?
17 MS. BUCKLEY: The last two sentences, your Honor.
18 THE COURT: They'll be stricken.
19 BY MS. BUCKLEY:
11:43:03 20 Q. All right. Mr. Devor, so what we're trying to explain or
21 trying to explore is that Wells Fargo is in -- is a bank. As
22 a bank, it has to comply with FFIEC regulations on re-aging.
23 You understand that?
24 A. Yes, I do understand that.
11:43:22 25 Q. But you don't understand what those regulations are, I --

1 correct?
2 A. When you say I don't understand, I don't know specifically
3 what the requirements are. I mean, I would understand what
4 they are, the substance of them. But I don't know exactly
11:43:38 5 what they are in terms of they require these aspects of a
6 customer before you re-age. You know, I don't know what those
7 require.
8 Q. That's fair enough. You just don't know what those
9 requirements are, right?
11:43:51 10 A. That's correct.
11 Q. And you know as to Household, they're not governed by any
12 such requirements, correct?
13 A. That's correct.
14 Q. All right.
11:44:02 15 A. I believe though this was referring though for the most
16 part to the consumer lending business, but not the banking
17 part. As I recall, these documents -- I thought they were for
18 the most part referring not to the banking business of
19 Household but to the consumer lending arm of --
11:44:25 20 Q. Mr. Devor, Household isn't the bank. Wells Fargo is the
21 bank.
22 A. No, I understand that.
23 Q. I don't understand what you just said.
24 A. What I'm saying is Wells Fargo would have known in looking
11:44:38 25 at Household that the consumer lending policies that they had

1 wouldn't -- of course, they would not have to follow banking
2 standards; but this doesn't say that. This -- this doesn't
3 say, hey, because of the banking requirements that we have,
4 our regulatory requirements, there's this latent bubble. It
11:45:04 5 just talks about the fact that there's this bubble of latent
6 credit losses. It doesn't attribute it to our accounting is
7 different because we're a bank and Household's different
8 because they're not. You know, that does not -- and, in fact,
9 I think it went to GAAP when it said it's hard to imagine
11:45:20 10 they're not doing this stuff -- I'm paraphrasing the document
11 we had. It's hard to imagine they're not doing this stuff for
12 reasons other than deferring losses and managing earnings,
13 something like that. I can't remember exactly what it said.
14 We looked at it this morning.
11:45:37 15 Q. But you understand that if Wells Fargo acquired Household,
16 that Household would have to comply with FFIEC because it was
17 being acquired by a bank, no?
18 A. Yes, but -- I do understand that.
19 Q. Okay. Let's see document No. 1351, which was discussed by
11:45:53 20 Mr. Devor earlier today. And let's go to Bates number 228.
21 There's a chart on the bottom that says, Ongoing
22 impact of complying with FFIEC as illustrated below.
23 Do you see that that, Mr. Devor?
24 A. Yes, I do.
11:46:20 25 Q. Do you understand what that chart means?

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 21, 2009
Defendants.) 1:22 p.m.
9
VOLUME 16
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11

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21 MR. JASON C. DAVIS
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25

1 A. Re-aging was a process that was -- was going on for
2 decades, 70 or 80 years since the beginning of the company,
3 well before I got there, and it really had two purposes. One
4 was to fulfill our customer proposition; that is, to work with
03:47:41 5 customers, keep them in their houses longer.
6 Second was to maximize cash flow, and we believed
7 that re-aging did both of those things.
8 Q. Tell us how -- address each of those things in order.
9 First start with the customers. Tell us how re-aging helps
03:47:56 10 the customers.
11 A. Well, re-aging in many cases allows the customers to stay
12 in their homes. And, again, I'm not an expert on how we
13 re-age or what the techniques are, what the best approach is;
14 but generally speaking, it allows the customers to continue to
03:48:11 15 pay their loans when they wouldn't be able to do it if we
16 applied bank rules.
17 Q. When you say bank rules, what are you referring to?
18 A. Well, bank rules, something called FFIEC, they're much
19 more strict on what you can do in terms of re-aging and how
03:48:27 20 long you can let customers go without paying.
21 Q. Did they apply to Household's Consumer Lending Unit?
22 A. They did not.
23 Q. Did they apply to Wells Fargo?
24 A. They did.
03:48:36 25 Q. And the second thing you said is re-aging helps to

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 28, 2009
Defendants.) 1:00 o'clock p.m.
9

10 TRANSCRIPT OF TRIAL PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN
11

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1 in his report, starting November 15th, 2001. On average, they
2 conclude Household stock's target price should be 35 percent
3 higher than where it was trading at the time.
4 And we know what happened on the last two dates. The
02:40:25 5 stock went up by about 33 percent.
6 The analysts did not consider, for the most part --
7 other than Montana Capital and Mr. Ryan, and a few
8 exceptions -- most analysts in the analyst community thought
9 Household was being unfairly punished in this political
02:40:48 10 environment, and its stock was being weighed down by headline
11 risk, which Household removed by settling with the Attorneys
12 General, creating a big pop in the stock price.
13 Q. Professor, in your research, aside from the 14 dates that
14 we looked at here on Plaintiffs' Demonstrative 150, all of
02:41:08 15 which turn out to be improperly counted, did you find any
16 initial dates that, in your opinion, Professor Fischel should
17 have considered?
18 A. Yes.
19 Q. How many?
02:41:17 20 A. Hundreds.
21 Q. What was your test for a date that he you should have
22 considered?
23 A. I looked for same kind of news items that Professor
24 Fischel said, after November 15th, resulted in the market
02:41:33 25 learning the truth about Household's fraud, I looked at my

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1 event study; I search for key words, such as "predatory
2 lending," and I looked at the analyst reports that either he
3 cited in his report or I cited in mine, and I gave a
4 comprehensive list of all such dates.
02:41:51 5 And, if I recall correctly, there are 166 of those
6 dates. And those dates start well before November 15, 2001,
7 which is very significant in Professor Fischel's methodology.
8 If you recall, his estimation window, when he
9 estimated his regression between 11-15-2000 and 11-15-2001 --
02:42:20 10 and we talked about this morning -- his justification for that
11 estimation window was he didn't find any corrective
12 disclosures before November 15, 2001.
13 I found over a hundred disclosures before November
14 15, 2001.
02:42:39 15 And, you know, as I said in my report, if you pick an
16 estimation window that precedes those disclosure dates,
17 according to his methodology, using his own methodology, even
18 keeping his stale dates, there will be zero inflation. You
19 cannot show a single cent of inflation.
02:42:59 20 Q. Did you prepare a demonstrative to illustrate all of the
21 dates that Professor Fischel failed to include?
22 A. Yes, I did.
23 MR. KAVALER: Can we see 799-01, please?
24 (Document tendered.)
02:43:13 25 BY MR. KAVALER:

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

3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 30, 2009
Defendants.) 1:10 p.m.

9

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

11

12 APPEARANCES:

13 For the Plaintiff: COUGHLIN STOIA GELLER RUDMAN &
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25

1 mistakes. Walt Rybak said he made a mistake. People make
2 mistakes.
3 Wells Fargo. Mr. Dowd spoke about Wells Fargo.
4 There's no question the company talked to Wells Fargo about a
02:01:04 5 possible transaction. Well, look, there's also no question
6 Wells Fargo is a bank. Household was finance company. How
7 many times have you heard this in this case? They operate
8 under different accounting rules and different government
9 regulations, all right? Although apparently Mr. Devor,
02:01:19 10 plaintiffs' accounting expert, didn't know that. But everyone
11 else knows that.
12 And Wells Fargo was constrained in its re-aging
13 activity with its customers by a practice called the FFIEC
14 regulations. Under FFIEC, the banks have to be pretty strict
02:01:35 15 with their borrowers, so you miss a couple of payments,
16 foreclosure city for you.
17 The finance companies, as you've heard over and over
18 again, are more lenient with their borrowers because they're
19 not subject to FFIEC. They don't have to foreclose. They
02:01:48 20 don't have to close out -- write off that loan on their books,
21 all right? So that's why Household can lend to people with
22 less substantial credit than Wells Fargo.
23 So if Wells Fargo had acquired Household, you'd have
24 to combine these two different accounting systems somehow.
02:02:02 25 What Wells Fargo was talking about, they were not measuring

1 the difference between Household and a compliant culture. I
2 mean Mr. Dowd talked about a bubble. That's not what they're
3 measuring. They were measuring the difference between
4 Household and Wells Fargo, a bank and a finance company, and
02:02:19 5 they're saying if we acquire them and we have to convert them
6 to bank accounting, what's it going to cost? It was also very
7 hard to do. It's not that easy to put two different kinds of
8 things together, okay?
9 So that's an understandable problem, and then what
02:02:34 10 eventually happened is Mr. Aldinger and Mr. Kovacevich had a
11 meeting which Mr. May was not at -- Todd May said he never met
12 Bill, Bill said he never met Todd -- and in the meeting, one
13 of the participants of that meeting, Bill, testified. He came
14 here. He told you what happened. He said he told
02:02:52 15 Mr. Kovacevich no more. We're done. Been dragging on too
16 long, annual meeting season is coming up. I don't want this
17 hanging out there. We're done.
18 Mr. Dowd says that's not true. Based on what, ladies
19 and gentlemen? Based on Kovacevich's testimony? He wasn't
02:03:08 20 here. Based on May's testimony? He wasn't there. Two people
21 in the room, Kovacevich, Aldinger. You have Aldinger's
22 version and Mr. Dowd's disbelief.
23 The restatement claim. I was listening to Mr. Dowd
24 this morning and something struck me that hadn't struck me
02:03:31 25 before. The restatement arises out of accounting decisions

EXHIBIT 3

CONSUMER FINANCE

DEPOSITION EXHIBIT
Wells Fargo #33
Cmt 05/01/07

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1351

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WF 00219

WFF Due Diligence
Blazer Executive Summary by the Business Team
May 9, 2002

Blazer has a reputation in the industry as an efficient, high-growth and well managed company. Blazer's operating model of centralization and strong analytics is similar to the transition we are undertaking in our consumer businesses. Our due diligence solidified our belief in adopting a similar operational model. On the surface, a merger with Blazer would help accelerate our consumer restructuring and system support needs (from a lead generation, tracking and reporting perspective).

Blazer is more liberal with their underwriting guidelines compared to WFF's standards and in fact Blazer purchases some of WFF's high LTV correspondent loans. **But**, we believe that certain of Blazer's products and higher LTV real estate loans make economic sense and would be a source of profitable growth in our business.

Unfortunately, our investigation revealed some major systemic issues in Blazer's policies and procedures. To say the least, Blazer's write-off, expense deferral and re-aging policies are aggressive. These issues appear to be pervasive in the businesses we reviewed.

The impact of converting Blazer's policies to something more in line with acceptable industry standards is hard to predict with precision but is estimated as a one-time charge of $2 billion and an ongoing annual charge of $500 million (compared to historical loss rates). Their re-aging and write-off policies coupled with their rate of receivable growth (approximately 14% in 2001) mask the true run rate of Blazer's losses. Blazer's financial maneuvering over the past few years has resulted in a clear disconnect between 1) the field approach to management and 2) the policies created by the finance group which were espoused to be a solution to the issues created by the Beneficial acquisition, but it is hard to imagine that they are not also being employed to boost earnings.

Attached as Exhibit I are our observations of Blazer's consumer finance business segments. Exhibit II is a summary of the policy impacts to earnings.

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Exhibit I – Summary of Business Segments
Blazer Executive Summary by the Business Team
May 9, 2002

Retail Services ($12 billion in receivables and $255 million in earnings)

- Good management team with quality merchants
- Aggressive re-aging (automatic account re-aging if one payment is received over a six-month period and no lifetime maximum re-agings)
- Write-offs occur when accounts are 10 months contractually delinquent

Refund Anticipation Loans ($15.2 billion in funding and $88 million in earnings)

- Highly profitable
- Long relationship with H&R Block
- Long-term viability of business is in question:
  - Contract with H&R Block and patent on the process expire in 2006 and 2007, respectively
  - Product heavily criticized by consumer groups

Consumer Lending ($41 billion in receivables and $810 million in earnings)

- Good business model executed by experienced/knowledgeable management team
- Accounting policies significantly overstate earnings:
  - Aggressive re-aging
  - 10 month contractual and 6 month no payment before non real estate accounts are written off
  - Cost to maintain and sell real estate loans not recognized at the time of foreclosure (no contractual or recency write-off policy in place for real estate loans)
  - Aggressive use of FASB #91 to defer expenses (well beyond WFF policies)

– 277 million [illegible]

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Exhibit I – Summary of Business Segments
Blazer Executive Summary by the Business Team
May 9, 2002

Canadian Operations ($1.5 billion in receivables and $30 million in earnings)

- Merger of WFF with Blazer operations would result in a strong presence in Canada (with only one strong competitor)
- Weak management team
- Aggressive accounting policies

Auto ($6.2 billion in receivables and $130 million in earnings)

- Unit has struggled financially and a new management team is in the process of restructuring the business.
- Inefficient relative to size
- High charge-off rates
- Uncertain as to management's ability to turn this operation around
- 2002 plan is at risk

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Exhibit II – Earnings Impact of Policy Changes
Blazer Executive Summary by the Business Team
May 9, 2002

I. Blazer CFO agrees that:
   A. Changing consumer write-off policies and
   B. Changing re-aging policies

   Will produce two distinct impacts:
   1. A one-time write-off and
   2. An increased run rate for losses

II. Blazer CFO also agrees that the impact of (A) (write-off policy changes) would produce:
   1. One-time charge of $1.2 to $1.3 billion and
   2. A loss run-rate increase of $350 to $374 million

[These numbers reflect a minor gross-up for the impact in Canada and the UK which are not comprehended in Blazer's analysis (Blazer CFO agrees). The numbers also take into account a positive impact of REO expenses.]

III. Blazer CFO agrees:
   1. With the necessity of a one-time write-off for (B) (re-aging policies) and has suggested the following:
      A. A total or partial write-down of the 3 and 4 times re-aged accounts which have a year-end balance of $3 billion. This balance increased by $1 billion during 2001 and is projected by Blazer to increase by an additional $1 billion during 2002.
   2. There will be an on-going increase in losses due to changing (B) but has yet to arrive at a number. He believes it will be difficult/impossible to calculate.

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Exhibit II – Earnings Impact of Policy Changes
Blazer Executive Summary by the Business Team
May 9, 2002

IV. Following are the WFC teams best estimates of the impact to the above noted changes:

	One-time Charges	Increased loss run-rate
A. Write-off policies	$1.285 billion	$350 million
B. Re-aging policies	$ .7 billion	$150 million
	$1.985 billion	$500 million

The above adjustments do not include any loan allowance adjustment.

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WF 00224

Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Retail Services

Executive Summary

- 2nd Largest third party private label provider
- $11.6 Billion, 10% market share
- 2001 Net Income of $255 million with a ROMA of 2.47% and an ROE of 32.89%
- 10 million active accounts
- 70 active merchants including Best Buy, Yamaha, Mitsubishi, Rhodes Furniture and Levitz Furniture
- Top 10 merchants make up 51% of portfolio
- State of the art technology and automated credit decisions with 95% of applications returned within 5 seconds
- 45% to 50% of portfolio on promotion with 90-day to 24-month free or same as cash periods
- Business appears to be well-managed
- Major concern relates to loss accounting as detailed below

Definitive or Contractual Issues

- Existing write-off policy is 10 months contractual. Cost of moving this to 6 month contractual to bring in line with FFIEC standards is approximately $260 million.
- Currently bankrupt accounts are written off at 90 days. Moving this to 60 days is a one time expense of approximately $25 million. Blazer does not have an automatic system in place to identify bankrupt customers, and as a result we estimate a very rough estimate of 10% of bankrupt customers are not identified. This is a compliance concern as well as a financial issue that is difficult to quantify.
- Re-aging policy is a concern. Accounts are re-aged up to one time every six months upon receipt of one payment with no limit on the number of reages.

Transition Issues

- We would close WFF's Retailer operation and merge the accounts to Retail Services and Consumer Sales Finance with about 40% going to Retail Services. The majority of WFF's Retailer employees would be eliminated with cost saves detailed below.

Financial Impacts

- Total expense save of approximately $15 million as a result of moving WFF Retailer accounts.
- Additional reserve of $49.6 million required primarily due to differences in growth assumptions.
- Additional expense as a result of above write-off, bankrupt and re-age policies is estimated at $285 million.

See attached report from John Turpen for additional detail on above assumptions.

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Inter-Office Memo

Date: May 9, 2002

To: Distribution

From: John Turpen

Cc: Project Blazer Team Members

Subject: Project Blazer – Retail Services (Private Label)

Background
Retail Services (Private Label) assets at February 2002 were $11.6 Billion, up 21% year over year. Growth for 2002 is projected at 16% according Blazer's operating plan. Historical trends suggest asset growth for 2002 to be approximately 18%. The portfolio segments include furniture (32%), consumer electronics (30%), power sport vehicles (16%), home products (13%), discount retail (5%) and miscellaneous. Major partners include Best Buy, CompUSA, Costco, and Rhodes Furniture among others (60 active relationships in total).

The remainder of this document will focus primarily on loss forecasting and reserve sufficiency.

Data Requested

- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Whiskey resulted in no additional data provided.

Data Received

- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Summary / Methodology

- Whiskey recommends a reserve of $770MM, which is $49.6MM above Blazer's current reserve of $720.4MM, as illustrated by the table below.

	CCM Hard	Reserve	KPMG	Whiskey Est.	Diff. From Res.
Dollars in Millions	628.4	720.4	710.0	770.0	(49.6)
% of Avg. Rec.	6.34%	6.27%	Not Provided	6.15%	0.12%

- The $49.6MM difference is primarily attributable to differences in receivable growth assumptions.
- Losses as a percentage of receivables are within an acceptable tolerance. If Blazer's receivable growth assumptions hold true, no adjustment to the reserve is recommended. If historical growth patterns hold true, an adjustment may be necessary, but could be adjusted on a quarterly basis based on actual growth.

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- Losses on both 6 & 9 month-lagged basis do not indicate material credit deterioration as illustrated below:

6-Month Lag	6.68%
9-Month Lag	7.01%
Whiskey Est.	6.15%
Actual Reserve	6.27%

- Whiskey loss model assumptions are presented below in table format:

Roll Rates	Prior 12-Months Blazer - Actual	Forward Looking Whiskey - Modeled	Diff
30 to 60	60.93%	59.69%	1.23%
60 to 90	80.06%	78.84%	1.23%
90 to 120	87.74%	87.05%	0.69%
121 to 150	90.17%	89.98%	0.19%
151 to 180	91.83%	91.94%	-0.11%
181 to 210	93.51%	93.38%	0.13%
211 to 240	94.97%	94.69%	0.28%
241 to 270	86.49%	87.17%	-0.68%
271 to 300	3.01%	3.06%	-0.05%

Roll to Loss	Prior 12-Months Blazer - Actual	Forward Looking Whiskey - Modeled	Diff
61+%	8.24%	8.31%	-0.08%
91+%	10.33%	10.48%	-0.15%
121+%	12.89%	13.15%	-0.26%
151+%	16.30%	16.72%	-0.43%
181+%	21.29%	21.56%	-0.27%
211+%	29.64%	29.83%	-0.20%
241+%	46.60%	46.66%	-0.06%
271+%	100.45%	98.97%	1.48%

36 Month Loss Forecast

Whiskey	Net Losses	% Of Avg. Rec.
Year 1	$770.0	6.15%
Year 2	$850.0	5.81%
Year 3	$988.7	5.84%

Conversion to FFIEC

- The following assumptions / observations were made with respect to the documentation provided and attempt to quantify the impact of compliance to FFIEC:

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1. The impact of changing the re-age policy could not be reconciled with the documentation provided.

2. In absence of detailed extension reports, it was assumed non-qualifying extensions are distributed proportionally across all delinquency buckets. This is accomplished by multiplying the percentage of total delinquent dollars in each bucket by the total amount of extensions.

3. Based on the product life of most credit card like products, it was assumed that re-ages greater than two were non-compliant with FFIEC. This assumption was made in absence of detailed reports that indicated otherwise.

4. Non-written off bankruptcy distributions within delinquency stage was not provided. The non-written off BK pool was assumed to follow a similar distribution as Whiskey's revolving sales finance portfolio. This assumption was used in absence of detailed Blazer reports.

5. Roll rate assumptions after such a policy change were based on simulating Whiskey's consumer loan roll rates in comparison to Blazer's. This comparison is made possible as a result of Whisky's recency rules, which provide some asset flows into delinquency buckets greater than 180 days.

- The following table illustrates the initial impact to comply with FFIEC:

Initial Impact	
181+ Day Write Off	$248.1
> 60 BK Write Off	$30.0
Total Impact	$278.1

- Ongoing impact of complying with FFIEC is illustrated below:

Whiskey	No Policy Changes	FFIEC	Diff
Year 1	$770.0	$806.5	($36.5)
Year 2	$850.0	$965.6	($115.6)
Year 3	$988.7	$1,120.2	($131.5)

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Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Consumer Lending

Overview
The Consumer business has 1,400 branches with $41 billion in outstandings and 13,000 employees. There are 3.5 million accounts and managed across several regional processing centers. Centralized operations focus on gaining efficiencies in credit underwriting, customer service, collections, payment processing, documentation preparation, and appraisal and title ordering. The branch employees focus on outbound sales and loan closure and are compensated on a commission basis.

All credit approval is controlled centrally, and strongly influenced by custom scoring across each product. Their exclusive use of custom scoring versus Whiskey's generic FICO score experience makes general FICO distribution comparisons difficult to interpret; swapsets exist at every interval.

Blazer's centralized philosophy drives an operating efficiency ratio of around 28% versus Whiskey's decentralized ratio of around 55%. Blazer's merger experience suggests a year 1 reduction in the efficiency ratio to the range of 40 to 45%.

Product categories are similar to Whiskey's except for the high ltv PHL product. The mix of Blazer originations is more heavily skewed to real estate secured products as a percent of total receivables:

	Blazer	Whiskey
RE Secured:	65%	56%
PHL (high LTV*)	10%	0%
Personal Non RE	24%	26%
Sales	1%	18%

* 25K max loan, stated value, max 115% ltv, underwritten as unsecured.

Credit Cycle Management
Overall management team is experienced and knowledgeable. Gary Gilmer is a strong dynamic leader. Walt Rybak, the senior credit risk manager is very analytical. The team manages the business by the numbers, however pushes the envelope in terms of charge-offs, re-writes, extensions etc. The managers verbally acknowledge a strong commitment to responsible lending practices, however they also acknowledge they have not tested adherence to policy.

The components of originations (who, price and amount) are determined by Risk Management, and center around custom scoring for each product. From a infrastructure standpoint, Blazer

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has an established champion/challenger process to test front-end origination strategies, which is consistent with Whiskey's infrastructure development efforts.

Collections policy and strategies are centrally developed and managed by a Risk Management team that reports to the senior credit risk manager, but apparently resides inside the collection operation. Risk Management and Collections Management are aligned in the strategic direction for collections. Collection management focuses on managing the shop statistics (ie. roll rates, right party contact, promises to pay, etc.), training, and staffing. The strategies are executed via a superior systems infrastructure that integrates custom modeling, right time to call software and TRIAD champion/challenger capabilities.

Integration Opportunities

- Blazer's collection productivity management system drives an incentive program that is superior to Whiskey's salary based system, and should be adopted as a best practice.
- All recent developments of custom scoring for each Whiskey product should allow for quick and compatible integration into Blazer's infrastructure.
- Blazer's proprietary platforms are perceived as superior to all Whiskey operating platforms in credit origination, collections, customer service and portfolio management.
- Whiskey would convert all underwriting functions to Blazer's centralized model.
- Whiskey would convert all collection functions to Blazer's centralized cradle to grave model.
- Whiskey would convert all branch operations to sales offices with their commission structure.
- Introduce Blazer's high ltv product (PHL) to Whiskey's branch offering once the appropriate infrastructure is in place. In addition to considering the risk/reward trade-off for expanding real estate policy into lower scores and higher ltv's using Blazer's experiences.
- Credit scorecard development and management was not evaluated, but is assumed to be well managed given the resource allocation.
- Conversion to Blazer's platforms, business model and product set should increase productivity significantly.

Financial Impact

Financial savings result from eliminating 310 stores.

- FTE's reduced by 760 -- $53 MM annually
- Other expenses -- $19 MM annually

Reduction in home office costs are estimated to be between $40 MM and $60 MM (use $50MM).

According to the CFO of Consumer Lending, costs deferred under FASB 91 are $360 MM in the 2002 plan, while FASB 91 cost amortization is $192 MM; a net increase in pre-tax income of $168 MM. A more appropriate net improvement in pre-tax income should be $30 MM. Therefore, base pre-tax income should be reduced by $138 MM.

Refer to Portfolio Management and Reporting's report for loss reserve and policy impacts.

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WF 00230

Inter-Office Memo

Date: May 7, 2002

To: Project Blazer Team Members

From: Stephen Peletz

Subject: Project Blazer – Non Real Estate

Background

Non Real Estate portfolio consists of three different business lines, consumer loans, Personal Homeowner Loans (PHL), and Direct Marketing. For tracking purposes, the Consumer Loans & Direct Marketing roll into the "Non-Real Estate" portfolio. The Non-Real estate portfolio has assets of $9.09 billion and the PHL has assets of $4.80 billion. Receivable growth has been flat in the Non-RE portfolio while the PHL portfolio is growing at a 15% annualized rate. HFC forecasts growth in both portfolios to remain flat during the next 12 months.

Data Requested

- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Risk Management resulted in no additional data provided.

Data Received

- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Methodology

Using historical data provided by Blazer, losses & delinquency were forecasted using historical roll rates for delinquency and losses. Adjustments to roll rates were made to account for special one-time charge off events in the portfolio that distorted forecast.

Losses were forecasted for each individual business line, Non-RE, PHL, and Direct Mail, and then aggregated to produce total net loss dollars for the next 12 months. Table below outlines each portfolio and total loss rates.

Non Real Estate Loans - 3 Year Forecast		No Policy Changes					
		Blazer Forecast			Whiskey Forecast		
Non Real Estate	Avg Net	Loss Reserve	Hard Landing	%	Avg Net	Net Losses	%
Year1	13,859.0	1155.9	1325.3	9.56%	15,319.2	1,433.3	9.36%
Year2	14,081.0	N/A	1201.1	8.53%	15,810.3	1,441.1	9.11%
Year3	14,698.0	N/A	1330.7	9.05%	16,470.5	1,484.2	9.01%

Difference in average net OS is result of Operational reporting versus financial reporting. Balances include interest accrual & fees and other small miscellaneous portfolios. Per Gary Harman, difference in receivables will amount to an additional $50 million in losses over loss reserve figures.

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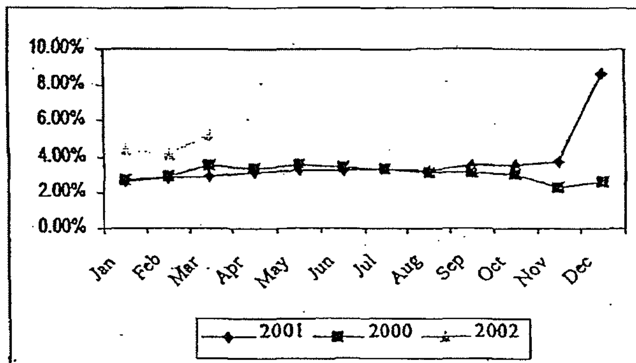
Loss Forecast Summary

Losses were forecasted based on existing Blazer credit policies and assume no change to charge off policy.

- Blazer Loss Reserve document shows a total loss of $1.155B for 2002. Blazer CCM hard landing scenario estimates losses of $1.325B for 2002. Difference between loss reserve and CCM Hard Landing is $170 million dollars and needs to be clarified.
- Whiskey forecasted losses are $108M above Blazer Hard Landing forecast & $277.4 million above Blazer loss reserve. For Year1. Year 2 & Year3 loss reserves were not available.
- Whiskey forecast Net Losses in Year2 decline slightly from Year1 but remain $240 million above the Blazer CCM forecasted losses. Both Whiskey & Blazer losses numbers decline in Year2.
- Whiskey forecast Net Losses in Year3 decline slightly from Year2 (9.01% vs. 9.11% of average net OS) and remain $150 million above the Blazer CCM forecasted losses. The Blazer CCM forecast shows an increase of almost 50 bps over Year 2. No explanation was provided as to the sharp increase in forecasted numbers.
- PHL portfolio losses are forecasted to be $239 million. $50 million more than the Blazer loss reserves. Portfolio has experienced a significant increase in losses over the 5 months which impacts the Whiskey loss forecast going forward. In addition, it appears Blazer took a "special charge off" in Dec01 on this portfolio.



Potential write-off policy changes

- Current charge off policy is 270 days contractual *and* 180 days recency delinquent.
- Moving to a straight 180-day contractual charge off policy would result in a one-time charge of $500 million dollars.
- Charging off Bankrupts at 60 days - $350 million initial impact. Estimated that $50 million in BK's will be accounted for in change to 180 CD charge off policy.

Impact of Blazer's Re-Aging Policies on Loss Recognition

As noted, Blazer has a very liberal re-aging policy with respect to the Non Real Estate portfolio. We have tried to understand the impact of this policy on roll rates, and recognition of losses.

The Re-Age Analysis of April 26, 2002 shows that 21.3% of account balances are re-aged on an annual basis, or 1.8% of outstandings each month. Adjusting the roll rates for the impact of *not* performing re-ages increases net loss rates significantly in Years1-3; Forecast assumes there would be no change in current charge off policy of 270 days contractually delinquent.

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Table illustrates the impact to forecasted losses on Non Real Estate Portfolio.

Re-Age Policy Change

	Whiskey Forecast			Whiskey Forecast				
Non Real Estate	Avg Net	Net Losses	%	Avg Net	Net Losses	%	% Inc	Dollar Impact
Year1	15,319.2	1,433.3	9.36%	15,060.8	1,645.0	10.92%	14.77%	211.70
Year2	15,810.3	1,441.1	9.11%	14,724.0	1,804.2	12.25%	25.20%	363.10
Year3	16,470.5	1,484.2	9.01%	14,366.5	1,778.2	12.38%	19.81%	294.00
								868.80

- Average net receivables are forecasted to decrease due to the elimination of re-writes/re-aging of accounts and subsequent charge off of these loans. Average receivables decline by 12.77% over the 36-month forecast.
- Impact on net losses is substantial. Year 1 increase is $211M, Year2 increase is $363M and Year3 increase is $294M over original forecast. Total impact is $868M for the next 3 years.

Conversion to FFIEC Policies

It is difficult to quantify the impact of re-aging policy and conversion to FFIEC policies due to 1) limited data received concerning re-aged accounts 2) delinquency status and 3) number of times re-aged of those accounts.

- Converting to a straight 180-day contractual delinquency will result in a one-time change of approximately $500 million dollars.
- Assuming a normal distribution of accounts re-aged 3x&4x, $80M in re-aged accounts are 181+ CD and would be included in the initial one-time $500 million dollar charge off.

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WF 00233

Inter-Office Memo

Date: May 7, 2002

To: Project Blazer Team Members

From: Stephen Peletz

Subject: Project Blazer – Consumer Real Estate

Background

Branch Real Estate portfolio assets were $27.14B as of Mar-02. Receivables have been growing at close to a 20% annualized rate over the last 12 months. Forecasted growth is expected to be 17% in Year 1, slightly lower than the historical rate. For Year 2 & Year 3, growth rate is expected to slow to around 13% per year. These forecasted growth is in line with Blazers forecast for the next 3 years.

Loss Forecast Methodology

Using historical data provided by Blazer, losses & delinquency were forecasted using historical roll rates for delinquency and losses. In addition, a 12-month regression was performed to validate roll rate forecast.

Losses were forecasted for a 3 years assuming no changes to current policy. Table below outlines the Branch Real Estate portfolio loss rates and provides comparison to Blazers 12 month loss reserve & Blazers CCM loss forecast.

	Blazer Forecast				Whiskey Forecast		
Branch Real Estate	Avg Net	Loss Reserve	Hard Landing	%	Avg Net	Net Losses	%
Year1	28,075.0	184.4	205.2	0.73%	29,813.8	244.2	0.82%
Year2	32,566.0	N/A	232.7	0.71%	34,371.5	302.0	0.88%
Year3	37,080.0	N/A	277.8	0.75%	39,202.5	360.7	0.92%

Loss Forecast Summary

- Blazer loan losses have begun to increase over the past 12 months. On a 12 month lagged basis, losses have increased from 0.65% in Apr-01 to 1.05% in Mar-02. (Chart)
- Whiskey forecasted losses are $39M (19%) above the Blazer Hard Landing forecast & $60M above Blazer loss reserve in Year 1, $70M above hard landing for Year 2, and $82M over hard landing scenario in Year 3. Tom Hassinger of Whiskey Mortgage, who approached his estimate from a different perspective, validated our loss estimates.
- Late stage delinquency buckets have begun to increase, contributing to the expected increase in loss dollars going forward.

Re-aging

Current Blazer policy allows for only 1 re-age/restructure per year: Re-aging activity increased from 13.0% to 14.4% from 2000 to 2001. The largest increase coming in accounts with more than 1 re-age. Portfolio now has 14.8% of units that have been re-aged 3x or more. Blazer estimates write-offs on these accounts will total $340+ million dollars assuming a 20% loss severity. Assuming a 30% loss severity, which is more likely given the higher LTV's on the portfolio, estimated one-time charge off impact to be $510 million dollars. As policy is changed, a future impact of higher than historically losses will occur.

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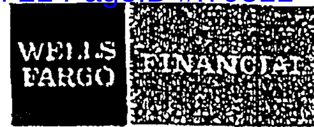

Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Canadian Operations

Overview

The unit has 3 core businesses. First, there is a 112 consumer branch network with outandings of 1.5 billion, which supports the typical finance company array of products, Home Equity loans, Personal Home loans (secured by household goods), Unsecured personal loans, Insurance products and sales finance contracts. Whiskey has 162 similar type branches with similar products (except for 7% or about $200MM in high ltv products).

The second core business is Private Label, which has $736 MM in outandings and is marginal in terms of profitability. Their largest merchant here is the Brick, who we also service. Salesmen are strategically placed throughout Canada to support the merchants and collections and customer service are centralized in Montreal.

The third core business is an Indirect channel where they will take turndown referrals (mostly real estate or home equity) from Bank of Montreal, CIBC, RBC and MBNA. The volumes generated are reflected in the consumer totals above.

Credit Cycle Management

In the branch network most decisions utilize automated decisioning centrally except real estate loans. Consumer loans are entered into their Vision system and decision tree matrices lead to a system recommendation. Very few exceptions allowed. 70 % of all consumer loans are decisioned via the system.

Blazer maintains a strong risk management culture. Both custom and generic credit scoring is used extensively throughout the credit cycle to support manual and auto decision strategies. There is extensive use of TRIAD adaptive control software to support portfolio management.

Collections are done in the branches for the first 60 days and then centrally in Montreal. Collection analytics drive account treatment via TRIAD strategies. Charge-off occurs in consumer and retailer at 10 months contractual and 7 months recency. Real estate is 6 months contractual.

Transition/Integration Oportunities

- There is 162 Whiskey branches and 112 Blazer branches. Recommendation would be to look to close 70 branches.
- Whiskey branches would benefit from Blazer's strong Real Estate product culture and Blazer would benefit from Whiskey's strong consumer focus.

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- Neither Retailer business is doing well financially. Strong recommendation to combine Retailer businesses into a much larger unit.
- Blazer's management team appeared to be weak. The combination of entities will make it the dominant consumer finance company in Canada.

Financial Impact

Financial savings result from eliminating 70 stores and certain centralized service and home office staff.

- Reduce FTE's by 290 -- $8.2 MM ($US)
- Other savings from store closing -- $3 MM ($US)

Refer to Portfolio Management and Reporting's report for loss reserve and policy impacts.

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Inter-Office Memo

Date: May 9, 2002

To: Distribution

From: John Turpen

Cc: Project Blazer Team Members

Subject: Project Blazer – Canada

Background

The Canadian operation assets at February 2002 were $1.3 Billion, up 11% year over year. Growth for 2002 is projected at 10.7% according Blazer's operating plan. Historical trends and Whiskey's forecast validate Blazer's asset growth assumptions. The portfolio segments include real estate (36%), unsecured loans (33%), and private label credit cards (31%). Blazer's target market is middle to low income families in both urban and rural areas.

The remainder of this document will focus primarily on loss forecasting and reserve sufficiency.

Data Requested

- Corporate credit requested detailed management reports to be used for loss estimates and assessment of credit quality. Refer to "Project Blazer – Executive Review meeting at the Mandarin Hotel".
- Supplemental requests by Whiskey resulted in no additional data provided.

Data Received

- Miscellaneous operating plans, revised plans, summary PowerPoint's, and historical net flows were provided.
- The data provided did not allow for any vintage analysis or assessment of credit quality beyond net flow analysis.

Loss Forecast Summary / Methodology

- Whiskey recommends a reserve of $50.8MM, which is within $3.1MM above Blazer's current reserve of $47.7MM, as illustrated by the table below.

	CCM Hard	Actual Reserve	KPMG	Whisky Est.	Diff. From Res.
Dollars in Millions	56.1	47.7	50.9	50.8	(3.1)

36 Month Loss Forecast

Whiskey	Net Losses
Year 1	$50.8
Year 2	$51.3
Year 3	$57.1

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Inter-Office Memo

To: Distribution
From: WFF Due Diligence Team
RE: Project Blazer

Refund Anticipation Loans

Executive Summary

- $88 million Net Income in 2001 and $100 million plan for 2002.
- Refund Anticipation Loans to individuals expected to receive tax returns.
- Blazer is able to obtain data from IRS to "clear" refunds before issued against potential child support and student loan liability and losses are controlled to less than 1%.
- Fee based business with fees of $24.95 to $89.95 based on size of loan.
- 7.4 million customers and $15.2 billion volume in 2002.
- 95 full time employees, 800 seasonal employees.
- 10-year contract with H&R Block expires in 2006.
- H&R Block participates in program and receives 49% of profit. Highly regulated business and 49% is maximum law allows H&R Block to receive.
- Blazer owns patent on the process which expires in 2007.

Definitive or Contractual Issues

- Potential downside risk is loss of total business at expiration of contract in 2006. This is unlikely since Blazer has dealt with H&R Block since 1983 although the patent expires ikn 2007.
- Additional downside risk of loss of business to on-line services and regulatory pressure. The product is constantly criticized by consumer activist groups. Blazer expects this business to eventually go away.

Transition Issues

- Do not appear to be any immediate issues. Business would continue to operate status quo.

Financial Impacts

- No cost saves. No risk to 2002 Net Income. Potential risk to income in future years.

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