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

LAWRENCE E. JAFFE PENSION PLAN, on Behalf of Itself and All Others Similarly Situated,	)	Case No. 02 C 5893
Plaintiff,	)	Judge Jorge L. Alonso
v.	)	
HOUSEHOLD INTERNATIONAL, INC., et al.,	)	
Defendants.	)	

DEFENDANTS' RESPONSE TO PLAINTIFFS' MOTION *IN LIMINE* NO. 1

In their Motion *in Limine* No. 1, Plaintiffs ask this Court for two things: (1) to permit Plaintiffs to introduce "much of the evidence that was introduced at the prior trial" under the guise that it is relevant to the remaining issues to be resolved in the partial retrial; and (2) to "read and give the jury" a statement about the findings and evidence from the first trial. Mot. 1, 5.

The Court should deny Plaintiffs' first request because the evidence Plaintiffs seek to introduce is irrelevant to the loss causation and damages issues that remain to be decided in this partial retrial and the introduction of such evidence would waste time and confuse and prejudice the jury. Moreover, none of the authorities on which Plaintiffs rely supports their expansive request to submit evidence from the first trial. To the contrary, the relevant authorities counsel a more restrained and streamlined approach under which the Court informs the jury of the necessary findings from the first trial.

As for Plaintiffs' second request, it is conceptually correct, but Plaintiffs' proposed "Statement of the Prior Proceedings to Be Read and Given to the Jury" is overbroad, contains supposed "facts" that the first jury never found, would impose findings that are not binding on the second jury, is unfairly prejudicial to Defendants, and is, in certain respects, simply wrong. The Court should reject Plaintiffs' proposed statement. Defendants have proposed an alternative Statement of the Prior Proceedings, which is attached as Exhibit A. The Court should read Defendants' statement to the jury and should deny Plaintiffs' Motion *in Limine* No. 1 in full.

A. The Court Should Not Permit Plaintiffs To Introduce "Evidence Of The Fraud."

Plaintiffs broadly seek to introduce evidence "about Household, the underlying fraud, . . . the reasons why defendants' statements were false or misleading," the "nature of the fraudulent conduct[,] and each defendant's role in the fraud" at the partial retrial in this case. Mot. 1. Although Plaintiffs never specify exactly what evidence they are asking this Court to preemptively declare admissible, even their general description reveals that the evidence should not be admitted in this partial retrial.

1. Plaintiffs' "Evidence Of The Fraud" Is Irrelevant.

First, as explained in Defendants' Motion *in Limine* No. 1, Dkt. 2145, evidence that is not relevant to proving or disproving the two remaining elements in this case—loss causation and inflation/damages—or to allocating responsibility between Defendants should be excluded from trial. Wide swaths of Plaintiffs' proposed exhibits and witness testimony are, at best, relevant only to proving scienter or the existence of material misstatements, elements that Plaintiffs concede are no longer at issue in this case. That evidence does not have any tendency to make more or less probable any facts of consequence to determining the limited remaining issues in the case. In particular, scienter has no relevance to loss causation and the only reason to introduce such evidence would be to inflame the jury. For the reasons explained in Defendants' Motion *in Limine* No. 1, the evidence that Plaintiffs refer to in their motion as "evidence of the fraud" should be excluded.

Second, Plaintiffs argue that the evidence is relevant because their loss causation expert's testimony "concerning whether disclosures are related to the fraud will be a core issue at the retrial." Mot. 3. But in his expert reports, Plaintiffs' loss causation expert ***does not rely*** on the vast majority of the "evidence of the fraud" that Plaintiffs seek to introduce. *See* Defendants' Motion *in Limine*, Dkt. 2145 at 3-4. Even by the terms of Plaintiffs' own argument, then, most of the evidence they apparently seek to have this Court preemptively declare admissible is not relevant to the limited questions on retrial.

Third, the cases on which Plaintiffs rely do not suggest that the evidence they seek to introduce is relevant. Plaintiffs argue that there should be a "strong presumption" that evidence from the liability phrase of a trial may be relevant in some way to damages. Mot. 2, 6. But Plaintiffs lift that proposition from inapposite cases in which damages would be determined by evaluating things like the pain and suffering inflicted by certain conduct or the extent of the force used against an individual. *See Watts v. Laurent*, 774 F.2d 168 (7th Cir. 1985) (suit under 42 U.S.C. § 1983 alleging cruel and unusual punishment); *Wheatley v. Beetar*, 637 F.2d 863 (2d Cir. 1980) (suit under 42 U.S.C. § 1983 alleging use of excessive force); *Whitehead v. K Mart Corp.*, 173 F. Supp. 2d 553 (S.D. Miss. 2000) (suit alleging negligent failure to provide a safe premises, resulting the kidnap and rape of plaintiffs); *see also Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 168 (N.D. Ill. 2000) (denying bifurcated trial and hypothesizing that evidence relevant to the factors for proving damages under a lost profits or reasonable royalty theory might also be relevant to proving patent infringement). Those decisions have no bearing here, where the jury will determine loss causation and damages (i.e., inflation) by evaluating complex expert models and calculations regarding the effect of information on the market.

Moreover, those decisions simply stand for the commonsense proposition that, to the extent evidence is ***actually relevant*** to proving both liability and damages, it may be admissible at a damages-only retrial. Evidence that is not relevant to the issues to be decided on retrial—like evidence that is relevant only to proving scienter or the existence of material misstatements here—is not admissible and is properly excluded from a partial retrial. *See Brandon v. Anesthesia & Pain Management Assoc., Ltd.*, 62 Fed. Appx. 672, 676 (7th Cir. 2003) (court properly excluded evidence that was relevant only to determining liability, which was resolved at the first trial). The Court should deny Plaintiffs' broad request to introduce "evidence of the fraud" in the retrial because such evidence is irrelevant to the issues to be tried.

2. The Court Should Inform The Jury About Any Necessary Findings From The First Trial Rather Than Admitting "Evidence Of The Fraud."

Defendants agree with Plaintiffs that the retrial jury will need some information about the findings made by the first jury in order to carry out their tasks. To the extent that such information is necessary in the retrial, the Court can provide that information to the jury, without any need for the introduction of exhibits or witness testimony. That method is the preferred one—indeed, here it is the only legitimate one—for multiple reasons.

First, the retrial jury is not empowered to make new findings that would displace the findings of the first jury with respect to the facts of which Plaintiffs argue the jury should be aware. For example, Plaintiffs argue that the jury will need information about the "fraudulent conduct," including what constitutes the fraud, "the reasons that defendants' statements were false or misleading," "the nature of defendants' underlying fraudulent conduct," and "each defendant's role in the fraud." Mot. 3-5. The first jury's findings (which either were not appealed or were stipulated by the parties on remand) define each of those topics; those findings are binding in the retrial. The first jury's verdict shows that the fraud concerned misstatements about predatory lending, re-aging, and restatement. *See* Dkt.1611 (verdict form). It reflects which statements, concerning which topics, were misstatements, and which ones were not. *See id.* It determines the culpability of each of the Defendants, for particular statements and for acting with particular states of mind. *See id.* The retrial jury is not permitted to disagree with or second-guess these findings. It follows that the Court should *inform* the retrial jury about these findings, rather than allow the parties to present the jury with evidence about these issues and leave the jury to make its own, new, findings.

Second, this streamlined approach is favored by the Seventh Circuit in cases like this one involving a partial retrial. The Court has warned that, on a partial remand, "[i]t is critical to realize what issues have not been remanded," and "[t]o the extent it is necessary to educate the fact finder on these issues," the Court urges "that stipulations be heavily relied upon." *MCI Communications Corp. v. AT&T Corp.*, 708 F.2d 1081, 1168 (7th Cir. 1983). The cases Plaintiffs cite bear this out. In the only two cases Plaintiffs cite in which a court actually faced a challenge to presenting the jury with certain evidence and ruled in favor of permitting the evidence, the court itself was delivering the evidence to the jury by describing the prior jury's findings. *See Whitehead*, 173 F. Supp. 2d at 559 (court "submitted a list of facts to the jury showing the basis for the previous jury's finding of liability"); *Miami Valley Fair Housing Ctr. v. Connor Grp.*, No. 10-cv-83, 2015 WL 9582433, at *4 (S.D. Ohio Dec. 31, 2015) (court "intend[ed] to instruct the jury that it has already been determined that the advertisement in question discriminates on the basis of sex and familial status in violation of federal and state fair housing laws"). That is the course this Court should take here.

Third, the Court should reject Plaintiffs' request to introduce "evidence of the fraud" because it would waste time and cause substantial jury confusion and prejudice that far outweighs any value to be gained in presenting the evidence as opposed to the Court simply delivering the prior jury's findings to the retrial jury. *See* Fed. R. Evid. 403. Admitting Plaintiffs' evidence would also require that Defendants be permitted the opportunity to respond to that evidence, thereby rendering this limited re-trial nearly as long as the first trial.[1] Obviously, informing the jury of the findings that are binding on them regarding the scope of the fraud and the Defendants' roles would be much more efficient than Plaintiffs' proposal to present "much of the evidence that was introduced at the prior trial" to the retrial jury in order to

[1] Foreshadowing this, Plaintiffs indicate in the Proposed Pretrial Order that the trial will take 12-15 court days, or three weeks of court time. Tellingly, the evidence in the first trial—which covered significantly broader issues than the retrial—took 21 days.

establish these undisputed facts. Mot. 1; *see Watts*, 774 F.2d at 181 (noting that it would "expedite[]" proceedings on retrial for the parties to "stipulate to evidence or summaries of evidence"). Such an approach best serves the purpose of a limited remand by avoiding a second full-fledged presentation of the evidence, which would be an entirely unnecessary waste of the time and resources of the jury, the parties, and this Court.

Moreover, presenting the jury with evidence about the fraud would result in significant jury confusion and unfair prejudice to Defendants. As previously explained, the relevant propositions that Plaintiffs seek to establish by this evidence were already determined by the first jury. It would generate significant confusion to present the retrial jury with evidence about the fraud—as though it were in a position to make findings on that score—as opposed to instruction about the fraud. Further, Plaintiffs' only purpose in presenting evidence (as opposed to instruction from the Court) focused on the existence of misstatements, materiality, or Defendants' state of mind is to prejudice the jury against Defendants and induce the jury to decide the questions of loss causation and damages based on prejudice as opposed to evidence of a legitimate loss causation model.

Further complicating matters, much of the evidence that Plaintiffs seek to introduce is contested. A jury verdict (that remains in place after an appeal) is binding only "with respect to issues that were essential to the jury's decision." *Melendez v. Illinois Bell Tel. Co.*, 79 F.3d 661, 670 (7th Cir. 1996); *see United States v. Kashamu*, 656 F.3d 679, 688 (7th Cir. 2011) ("Only findings that are necessary to a court's decision . . . are entitled to preclusive effect."); *see also, e.g.*, *Franzen v. Ellis Corp.*, 543 F.3d 420, 428 (7th Cir. 2008) (rejecting argument that jury's finding of liability under FMLA necessarily included finding that plaintiff was entitled to reinstatement or damages and so precluded contrary finding at damages portion of trial); *Gentry* *v. Duckworth*, 65 F.3d 555, 560 (7th Cir.1995) (holding that party claiming issue preclusion must prove resolution of issue was essential to prior judgment). Yet Plaintiffs propose to introduce evidence that was not essential to the jury's liability decision, and which Defendants vigorously contested at the first trial. A fight about this evidence—which has little to no bearing on the issues that remain for the retrial jury to determine—would result in an irrelevant sideshow that confuses the jury and wastes time. The Court should exclude such evidence and instead instruct the jury about the undisputed findings that were essential to the first jury's decision and remain binding after the appeal.

B. The Court Should Reject Plaintiffs' Inaccurate And Inflammatory Proposed Statement Of The Prior Proceedings.

Plaintiffs have submitted a "Proposed Statement of the Prior Proceedings to Be Read and Given to the Jury." *See* Mot. 5 n.2. That proposal is neither appropriate nor a serious effort to present this Court with an unbiased statement of the jury's findings in the prior trial. It contains numerous disputed statements, incorrectly asserts that the prior jury made findings that were not "essential to the jury's decision," *Melendez,* 79 F.3d at 670, or were overturned on appeal, and generally paints a biased and unfair picture of events that would turn this Court into an advocate before the jury. The Court should reject Plaintiffs' proposal.

For example, Plaintiffs' proposal asserts that Defendants "hired Andrew Kahr, a predatory-lending specialist, who suggested that defendants implement certain 'initiatives' designed to deceive customers," and that Defendants followed Kahr's advice. Pls. Mot. Ex. 1 at 3. The prior jury never made such a finding, nor was it essential to their verdict; moreover, both the truth and relevance of that statement are contested. *See* Defendants' Motion *in Limine* No. 1, Dkt. 2145 at 5-6. In the same vein, Plaintiffs' proposal asserts that Defendants were "motivated to lie" because "they were trying to sell the Company to Wells Fargo," Mot. 12, another statement with no necessary basis in the prior jury's findings. *See* Defendants' Motion *in Limine* No. 1, Dkt. 2145 at 10-11. Similarly, Plaintiffs' proposal describes the post-class-period amendment of Household's 2001 Form 10-K, a fact that is entirely irrelevant to any issue in the new trial, given that it occurred after the close of the class period. Mot. at 10-11; *see* Defendants' Motion *in Limine* No. 1, Dkt. 2145 at 7-8. Even more improper, Plaintiffs' proposal actually instructs the jury to accept their expert's leakage model and its measure of inflation. Mot. 14-15. These are ***precisely*** the issues on which the Seventh Circuit reversed and that remain for this jury to decide.

Defendants have attached to this response their own proposed statement of the prior proceedings for this Court to present to the jury. *See* Ex. A. Defendants' proposal addresses all of the categories of information about which Plaintiffs claim the jury needs information. It informs the jury about the scope of the fraud, including the three different types of fraud at issue; about the reasons why Defendants' statements were false or misleading; about the background of Household and the other Defendants; about the prior jury's findings regarding which statements were or were not fraudulent; and about each Defendant's role in the fraud. Defendants' proposal would provide the jury with more than enough background information to assess loss causation (including whether information is fraud related), inflation, and allocation of responsibility. The Court should reject Plaintiffs' proposal and provide the jury with the information in Defendants' attached proposed statement of the prior proceedings.

Dated: May 6, 2016

Respectfully submitted,

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CERTIFICATE OF SERVICE

R. Ryan Stoll, an attorney, hereby certifies that on May 6, 2016, he caused true and correct copies of the foregoing Memorandum in Opposition to Plaintiffs' Motion *In Limine* No. 1 To Permit Plaintiffs To Present Evidence Of The Fraud to be served via the Court's ECF filing system on the following counsel of record in this action:

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EXHIBIT A

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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

PROPOSED STATEMENT OF THE PRIOR PROCEEDINGS TO BE READ TO THE JURY

This lawsuit is a civil action involving claims under the federal securities laws and relates to stock purchases occurring during 2001 and 2002 of a company named Household International ("Household"). During the period of this lawsuit, Household was a publicly-traded company whose common stock traded on the New York Stock Exchange. Household was the parent company of a number of operating subsidiaries involved in various types of consumer lending, including what is referred to as "subprime" lending to those consumers who may not otherwise qualify for traditional bank loans.

The case has been brought as a class action on behalf of all investors that purchased the common stock of Household during the time period between March 23, 2001 and October 11, 2002, including corporations, other institutional investors, and individuals. The three institutional investors who represent the class of stock purchasers for this case are Glickenhaus & Company, PACE Industry Union Management Pension Fund, and The International Union of Operating Engineers Local No. 132 Pension Plan. The three representatives and the class of investors will be referred to collective as the "Plaintiffs."

In this trial there are four Defendants: Household and three of its former senior executives (the "Individual Defendants"; collectively with Household, the "Defendants"):

- William F. Aldinger, who served as Household's Chief Executive Officer and Chairman of Household's Board of Directors;
- David A. Schoenholz, who served as Household's Chief Financial Officer and Vice-Chairman of Household's Board of Directors; and
- Gary Gilmer, who served as Vice Chairman and President of Household's Consumer Lending Group and Group Executive of U.S. Consumer Finance.

In prior proceedings in this case, Plaintiffs alleged that Defendants made 40 statements or omissions of material information under the federal securities laws. Plaintiffs alleged that Defendants made misstatements or omitted material information about one or more of three issues:

(1) Whether Household engaged in "predatory lending" practices;

(2) The credit quality of Household's loans, including its "2+ Delinquency" statistics and loan "re-aging" practices; and

(3) Household's accounting for certain contracts involving its credit card bank subsidiaries.

In those prior proceedings, it was determined that 17 of the 40 statements alleged by Plaintiffs were misstatements or omissions regarding one or more of those three subjects, in violation of §10(b) of the Securities Exchange Act of 1934. Plaintiffs' allegations regarding the other 23 statements were rejected. As to the first misstatement, made on March 23, 2001, it was determined that defendants Household and Mr. Aldinger acted knowingly, and Mr. Gilmer acted recklessly. As to the remaining 16 misstatements or omissions, it was determined that Household and Mr. Aldinger and/or Mr. Schoenhold acted recklessly. (Mr. Gilmer did not make any of the other misstatements or omissions.) A chart setting forth each of the 17 misstatements, which subject or subjects the statement addresses, who made the statement, and whether the statement was made knowingly or recklessly, will be provided to you. *See* Ex. 1.

I. BACKGROUND ABOUT HOUSEHOLD

During the class period, Household was a financial institution that served over 50 million customers and had 31,000 employees in several different business units, including Consumer Lending, Mortgage Services, Retail Services, Credit Card Services and Auto Finance. Household's loan products included real estate secured loans, auto finance loans, MasterCard and Visa credit cards, private label credit cards, tax refund anticipation loans, retail installment sales finance loans and other types of unsecured loans, as well as credit and specialty insurance products. Household generally served subprime customers. Subprime customers are those who might not otherwise qualify for loans for reasons including limited credit histories or past credit problems.

II. ISSUES UNDERLYING THE MISSTATEMENTS

A. "Predatory Lending"

During the class period, Household engaged in certain lending practices that were later deemed to be "predatory" in nature. On October 11, 2002, Household announced that it had reached an agreement to pay up to $484 million to establish a fund for repayment to borrowers affected by the lending practices and settle allegations by a multi-state group of state attorneys general regarding those lending practices. During their investigation, the state attorneys general alleged that Household had engaged in the following types of predatory lending practices:

- Effective or Equivalent Rates: Suggesting to customers that by making bi-weekly payments instead of monthly payments, they would pay a lower "effective" interest rate because the loan would be paid off sooner.

- Insurance Packing: Adding insurance to, and charging consumers for, credit insurance where the consumer had not requested it and was not aware of it, or advising consumers that insurance was "required" as a condition of a loan when it was not.

- Misrepresenting and Charging Excessive Loan Fees: Disclosing as "discount fees" charges that were not used to "buy down" the interest rate and failing to inform consumers that paying a discount fee should result in a reduced interest rate; and failing to adequately disclose these fees in the Good Faith Estimate by using a wide dollar range for the proposed loan.

- Loan Splitting: Charging illegal fees and interest by splitting what the consumer expected would be one loan into two, distinct secured loans, the second of which would have a high interest rate.

- Imposing Prepayment Penalties: Failing to adequately disclose the imposition of prepayment penalties, and imposing prepayment penalties on high cost loans and open-end credit.

- Equity-Based Lending or "Loan Flipping": Frequently refinancing – or flipping – one loan with another, imposing additional costs and fees.

Of the 17 misrepresentations identified in the prior proceedings, ten contained misstatements or omissions of material information because Household did not disclose that it was engaged in such practices, and in the case of the first misstatement, the Defendants stated "Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers."

B. "2+ Delinquency/Re-Aging"

During the class period, Household reported 2+ delinquency statistics in press releases and SEC filings, and information about its re-aging practices in SEC filings. The 2+ delinquency rate referred to the percentage of loans in Household's total loan portfolio that were at least 60 days past due.

Of the 17 misstatements identified in the prior proceedings, 15 contained misstatements or omissions of material information regarding Household's 2+ delinquency statistics and its re-aging practices. Those statements misrepresented Household's 2+ delinquency statistics because they omitted certain loans that had been re-aged by one or more methods, therefore making certain loans that were potentially delinquent appear current.

In addition, certain of those 15 statements misstated Household's re-aging practices because they did not accurately disclose the minimum requirements under various policies before a loan could be re-aged and made current. Specifically, Household stated that re-aging loans was performed "if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured." This was inaccurate because in some instances relating to certain types of loans, (1) Household re-aged loans automatically without first contacting the consumer to determine if the cause of the delinquency had been cured; and (2) Household re-aged loans after receiving fewer than two payments and sometimes without receiving any payment at all.

On April 9, 2002, at Household's annual Financial Relations Conference, Household provided information regarding the percentage of its loan portfolio that had been re-aged, and re-age recidivism rates within its portfolio, for the first time. Although the information accurately reflected the total percentages of the loan portfolio that had been re-aged, some of the additional figures provided were inaccurate, and had the effect of understating the percentage of Household's loan portfolio that had been re-aged multiple times for 2001, and understating the percentage of recidivist secured real estate loans that had been charged off within a year of being re-aged for 2001.

C. "Restatement"

During the class period, the revenue and expense figures that Household recorded included revenue and expenses associated with certain credit card contracts that had been entered in prior years. On August 14, 2002, after a new accounting firm re-examined the accounting for those contracts, Household announced that it would restate its earnings for the prior eight years based on a change to the accounting for those credit card contracts, reducing its reported net income for those prior years. The effect of this restatement during the class period was an overstatement by $102.1 million. Of the 17 misstatements identified in the prior proceedings, 15 contained misstatements or omissions of material information as a result of this reduction in net income based on the restatement.

EXHIBIT 1

EXHIBIT 1
LIST OF FALSE OR MISLEADING STATEMENTS OR OMISSIONS

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
14.	03/23/2001	*Origination News* article Plaintiffs' Exhibit 1307	Household Gilmer Aldinger	Knowingly (Household & Aldinger) Recklessly (Gilmer)	*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.'" [TEL 002334]	Predatory Lending
15.	03/28/2001	Household FY00 Report on Form 10-K Defendants' Exhibit 851	Household Schoenholz Aldinger	Recklessly	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 [HHT 0015623]: * * * "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." [HHT 0015608] * * * "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.". . . 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." [HHT 0015608] * * *	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

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<tr><th>False Stmt No.</th><th>Date</th><th>Document Title</th><th>Responsible Defendants</th><th>State of Mind</th><th>Statement</th><th>Reason(s) Why False</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>
CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS
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<tr><th></th><th>2000 Quarter End</th><th></th><th></th><th></th><th>1999 Quarter End</th><th></th><th></th><th></th></tr>
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<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.77%</td><td>2.72%</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>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td><td>1.74</td></tr>
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<tr><td>Private label</td><td>5.48</td><td>5.67</td><td>5.77</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>7.97</td><td>7.72</td><td>7.92</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 Managed</td><td>4.20%</td><td>4.21%</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td><td>4.81%</td></tr>
<tr><td>Total Owned</td><td>4.26%</td><td>4.29%</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td><td>5.04%</td></tr>
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[HHT 0015609]
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<tr><td>16.</td><td>04/18/2001</td><td>Household Press Release

Plaintiffs' Exhibit 504</td><td>Household

Schoenholz

Aldinger</td><td>Recklessly</td><td>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." [HHS 02914121]
* * *
"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." [HHS 02914123]</td><td>Predatory Lending

2+ Delinquency/ Re-Aging

Restatement</td></tr>
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<tr><th>False Stmt No.</th><th>Date</th><th>Document Title</th><th>Responsible Defendants</th><th>State of Mind</th><th>Statement</th><th>Reason(s) Why False</th></tr>
<tr><td>17.</td><td>05/09/2001</td><td>Household 10-Q

Plaintiffs' Exhibit 733</td><td>Household

Schoenholz

Aldinger</td><td>Recklessly</td><td>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 [HHS 03137911]:

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 Delinquency (as a percent of consumer receivables):
<table>
<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>
<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>
</table>
[HHS 03137930]
* * *
"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.

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." [HHS 03137924]</td><td>2+ Delinquency/ Re-Aging

Restatement</td></tr>
</table>

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
18.	07/18/2001	Household Press Release Plaintiffs' Exhibit 503	Household Schoenholz Aldinger	Recklessly	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." . . . "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." [HHS 02914097] "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." [HHS 02914098]	Predatory Lending 2+ Delinquency/ Re-Aging Restatement
20.	08/10/2001	Household 10-Q Plaintiffs' Exhibit 6	Household Schoenholz Aldinger	Recklessly	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 [AA 062721]: 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. [AA 062738]	2+ Delinquency/ Re-Aging Restatement

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<table>
<tr><th>False Stmt No.</th><th>Date</th><th>Document Title</th><th>Responsible Defendants</th><th>State of Mind</th><th>Statement</th><th>Reason(s) Why False</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Delinquency
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<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>
<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>
</table>
[AA 062739]
* * *

”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 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.

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.” [AA 062733]</td><td></td></tr>
<tr><td>21.</td><td>10/17/2001</td><td>Household Press Release

Plaintiffs’ Exhibit 978</td><td>Household

Schoenholz

Aldinger</td><td>Recklessly</td><td>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.” [HHS 03453676]</td><td>Predatory Lending

2+ Delinquency/ Re-Aging

Restatement</td></tr>
</table>

<table>
<tr><th>False Stmt No.</th><th>Date</th><th>Document Title</th><th>Responsible Defendants</th><th>State of Mind</th><th>Statement</th><th>Reason(s) Why False</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>“Credit Quality and Loss Reserves
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.” [HHS 03453677]</td><td></td></tr>
<tr><td>22.</td><td>11/14/2001</td><td>Household 10-Q

Plaintiffs’ Exhibit 707</td><td>Household

Schoenholz

Aldinger</td><td>Recklessly</td><td>Household 10-Q for quarter ended 9/30/01: Household reported net income of $503.8 million for the quarter ended September 30, 2001 and EPS of $1.09 [HHS 03111409]:

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.
[HHS 03111425]
Delinquency
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<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>
<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>
</table>
[HHS 03111426]
* * *

“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.</td><td>2+ Delinquency/ Re-Aging

Restatement</td></tr>
</table>

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
					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." [HHS 03111420] * * * "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." [HHS 03111426]	
23.	12/04/2001	Goldman Sachs Presentation Plaintiffs' Exhibit 1248	Household Aldinger	Recklessly	December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring. * * * "Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158) "All policies have been consistently applied and realistically report results" (PFG000158) "Why are Household's Credit Losses Better" - better credit skills (PFG000152)	2+ Delinquency/ Re-Aging
24.	01/16/2002	Household Press Release Plaintiffs' Exhibit 706	Household Schoenholz Aldinger	Recklessly	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." "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
					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." [HHS 03110403 – HHS 03110404] * * * "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." [HHS 03110405]	
27.	03/13/2002	Household FY01 Report on Form 10-K Defendants' Exhibit 852	Household Schoenholz Aldinger	Recklessly	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 [HHT 0015815 – HHT 0015816]: Household International, Inc. and Subsidiaries CREDIT QUALITY STATISTICS – OWNED BASIS All dollar amounts are stated in millions. — 2001 / 2000 / 1999 / 1998 / 1997 At December 31, unless otherwise indicated. Owned Two-Month-and-Over Contractual Delinquency Ratios 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% [HHT 0015809] * * *	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

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False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – MANAGED BASIS

All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
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%

[HHT 0015810]

* * *

"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." [HHT 0015848]

* * *

"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." [HHT 0015797]

* * *

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
					"We believe our policies are responsive to the specific needs of the customer segment we serve. . . . *Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported*. 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." [HHT 0015798] * * * "Our policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections." [HHT 0015798]	

28.	04/09/2002	Household Financial Relations Conference
		
		Plaintiffs' Exhibit 135
			Household
			
			Schoenholz
				Recklessly	April 9, 2002 Financial Relations Conference:
					• Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530]
					• Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management. [HHS 01883554]
					• Reage Policies – Overview
					    • Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices
					    • Not intended to defer credit loss recognition or to overstate net income
					    • Policies have been consistently applied and are appropriate for each product [HHS 01883557]
					• Credit Policies – Personal Non-Credit Card
					    • Restructures
					        • If an account is ever 90+, lifetime limit of 4 restructures allowed [HHS 01883579]
					Defendants included information regarding Household's reage portfolio in a number of charts included in Plaintiffs' Exhibit 135 – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.
						2+ Delinquency/ Re-Aging

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
29.	04/17/2002	Household Press Release Plaintiffs' Exhibit 635	Household Schoenholz Aldinger	Recklessly	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." "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." "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." [HHS 02980361] * * * "Credit Quality and Loss Reserves At March 31st, the *managed basis* 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 *managed basis* 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. . . ." "The *owned basis* 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 *owned basis* 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." [HHS 02980363]	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

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False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
32.	05/10/2002	Household 10-Q Plaintiffs' Exhibit 232	Household Schoenholz Aldinger	Recklessly	Household 10-Q for quarter ended 3/31/2002. Household reported net income of $511 million, and E.P.S of $1.09 [HHS 02135167] CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables): |	March 31, 2002	December 31, 2001	March, 31 2001 | Real estate secured	2.88%	2.63%	2.55% Auto finance	2.04	2.92	1.74 MasterCard/Visa	6.54	5.67	5.02 Private label	6.33	5.99	5.62 Personal non-credit card	9.60	9.04	8.79 Total Owned	4.77%	4.53%	4.36% [HHS 02135187]	2+ Delinquency/ Re-Aging Restatement
36.	07/17/2002	Household Press Release Plaintiffs' Exhibit 788	Household Schoenholz Aldinger	Recklessly	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. . . ." [HHS 03195884] * * * "Credit Quality and Loss Reserves At June 30th, the *managed basis* 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	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
					managed basis netcharge-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." "The *owned basis* 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 *owned basis* 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." [HHS 03195886]	
37.	08/14/2002	Household Press Release Plaintiffs' Exhibit 227	Household Schoenholz Aldinger	Recklessly	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." [HHS 02133695]	Predatory Lending
38.	08/14/2002	Household 10-Q Defendants' Exhibit 874	Household Schoenholz Aldinger	Recklessly	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 [HHT 0017112] CREDIT QUALITY Delinquency – Owned Basis Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables): 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% [HHT 0017131] * * *	2+ Delinquency/ Re-Aging Restatement

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False
					"Our credit policies for consumer loans permit the reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and ensure maximum collections." [HHT 0017132] * * * Household reiterated this disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC on August 27, 2002.	