

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

LAWRENCE E. JAFFE PENSION PLAN, On) Behalf of Itself and All Others Similarly) Situating,) Plaintiff,) vs.) HOUSEHOLD INTERNATIONAL, INC., et) al.,) Defendants.) _____))	Lead Case No. 02-C-5893 (Consolidated) <u>CLASS ACTION</u> Honorable Jorge L. Alonso
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**STIPULATION AND PROPOSED ORDER
REGARDING EVIDENTIARY ISSUES AND SCOPE OF TRIAL**

1. Defendants Household, Aldinger, and Schoenholz agree that they will be jointly and severally liable for any judgment; and Defendant Gilmer agrees that, if he is found liable, he will be severally liable for 2% of any judgment.
2. Proportionate fault and allocation will not be adjudicated at trial or presented to the jury for determination.
3. The parties have agreed on the attached "Statement of Prior Proceedings," which will be considered evidence in the trial. As such, it can be used to examine witnesses and given to the jury.
4. Plaintiffs will be permitted (and limited) to calling the following live witnesses at trial: Ghiglieri, Devor, Stroom, and Fischel. Defendants will be permitted (and limited) to calling the following live witnesses at trial: Ferrell and Cornell (consistent with and subject to the Court's rulings). Defendants may also call Stroom, if not called in Plaintiffs' case. Neither Plaintiffs nor Defendants will argue any inferences should be drawn from the absence of any parties or witnesses at trial.
 - a. The Ghiglieri testimony on direct examination will be more limited than, but also limited to, the subject matter of her testimony at the first trial. Ghiglieri's testimony and use of documents will be subject to the limitations of paragraph 6 below, except that she may testify with regard to Plaintiffs' Exhibit 516. Ghiglieri's use of documents will be further limited to documents disclosed in her expert report and admitted in the first trial through any witness.

- b. The Devor testimony will be more limited than, but also limited to, the subject matter of his testimony at the first trial, his quantification of predatory lending revenue and net income, and the April 9, 2002 Financial Relations Conference. Devor's testimony and use of documents will be subject to the limitations set forth in paragraph 6 below, except that if Defendants contest his quantification of predatory lending revenue or net income, Devor may refer to Plaintiffs' Exhibit 681 and any other documents or testimony supporting that quantification, so long as such documents or testimony were disclosed in his expert report.
5. Plaintiffs' witnesses by designation will be limited to the testimony of Cross (as presented in the first trial, with no additions) and Bajaj.¹ Plaintiffs agree that no statement of expert qualifications will be presented to the jury concerning Cross. Defendants will not present any witnesses by designation, apart from their counter-designations of Bajaj testimony. Notwithstanding the foregoing, if Plaintiffs play any portion of the "Hueman video" or it is the subject of testimony, Defendants will have the option of having the designated portions of Hueman's testimony presented to the jury when the video is played (or at some time thereafter if the video is not played but is instead the subject of testimony).
6. Plaintiffs and Defendants agree that the documents encompassed by the following categories from Defendants' Motion *in Limine* #1 shall not be used at trial for any purpose: (A) Evidence Related to Consultant Andrew Kahr, (C) Evidence Regarding the Compensation or Stock Transactions of Defendants Aldinger, Schoenholz, and Gilmer (except that Plaintiffs may use redacted documents for purposes of establishing various peer groups used for purposes of setting compensation), (E) Evidence Regarding State Civil and Regulatory Settlements and Negotiations (except that the parties may use Plaintiffs Exhibits 516, 550 and the following excerpt from Plaintiffs' Exhibit 235 (pages 1-116 (*i.e.*, Household's response to Ex. 516))), (F) Evidence Regarding the SEC Consent Decree, (G) Due Diligence and Related Documents Concerning Household's Potential Transaction With Wells Fargo, and (H) Evidence Regarding an Alleged "Purge." Defendants and Plaintiffs agree that Defendants' Exhibits 80, 116, 124, 127, 128, 135, 136, 138, 139, 148, 157, and 170 may only be used to cross-examine Fischel. Plaintiffs reserve the right to challenge the appropriateness of such cross-examination using these documents. In the event that Defendants use one or more of these exhibits, Plaintiffs may offer Aldinger's prior trial testimony regarding such securitization documents.
7. Any exhibits not set forth in paragraph 6, if admitted at the first trial, are presumptively admissible at this trial (consistent with any limiting instruction provided at the first trial). Moreover, as to such documents admitted at the first trial, Defendants will not assert authenticity, foundation, relevance, Rule 403, or hearsay objections as to those documents produced by Household (including emails), KPMG documents, the Hueman video (Plaintiffs' Exhibit 1383), and any documents generated by regulators (both federal and state).

¹ Defendants do not contest the admissibility of the Cross testimony. Defendants have contested the use of Bajaj's testimony, as set forth in their briefing on the motions in limine, which have been ruled upon by the Court. Defendants reserve their objections to this issue and are not stipulating to the use of Bajaj's testimony.

Notwithstanding the foregoing, Defendants reserve their right to object to Plaintiffs' Exhibit 1486. If a document was admitted in the first trial only as a result of opening the door (with the exception of Plaintiffs' Exhibit 516), Defendants may, as to those documents, object to their admission in this trial on grounds of relevance and Rule 403.

8. Plaintiffs and Defendants may use with Fischel, Ferrell, and/or Cornell documents or testimony encompassed within Category E, so long as such documents and testimony is relevant to loss causation. If used on direct or re-direct examination with a witness, the parties will be limited to documents and testimony disclosed in the expert's report. Notwithstanding the foregoing, Plaintiffs and Defendants will not be permitted to use settlement communications exchanged between Household and any regulator (both federal and state), other than Plaintiffs' Exhibits 516, 235 (pp. 1-116), and 550, as set forth in paragraph 6 above.
9. If a party opens the door on a subject area, the opposing party may use exhibits or elicit testimony concerning that subject area that would otherwise be excluded by paragraph 6.
10. Plaintiffs and Defendants reserve their rights to use prior testimony that has been relied on by their experts, or for impeachment, or for cross-examination of Fischel, Ferrell and/or Cornell with regard to evidence considered, omissions in their analysis, their dependence on the other testimony, and the reliability of the expert's testimony, so long as that prior testimony does not relate to any of the subject matter categories set forth in paragraph 6 above (except as permitted by paragraph 8 above).
11. The parties agree that the trial will take no more than 60 hours, with Plaintiffs and Defendants (combined) evenly dividing the 60 hours for examination of witnesses, opening statements and closing arguments.

DATED: May 24, 2016

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Counsel for Defendant Gary Gilmer

* * *

IT IS SO ORDERED.

DATED: _____

THE HONORABLE JORGE L. ALONSO
UNITED STATES DISTRICT JUDGE

**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.)		

STATEMENT OF THE PRIOR PROCEEDINGS

I. INTRODUCTION

This is a class action securities fraud case against defendants Household International, Inc. (“Household” or the “Company”) and three of its former executives (the “Individual Defendants”; collectively with Household, “defendants”):

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

Plaintiffs are all persons or entities who purchased Household common stock during the Class Period, that is, between March 23, 2001 and October 11, 2002, inclusive.

During the Class Period, Household was a financial institution that provided a variety of loan products to consumers, including real estate loans, auto finance loans, MasterCard and Visa credit cards, and private-label credit cards. Household generally served sub-prime consumers, that is, consumers with limited credit histories or past credit problems. As of December 31, 2001, Household had approximately 32,000 employees and over 50 million active customer accounts.

At a prior proceeding in this case, it was determined that Household and the Individual Defendants committed securities fraud in violation of §10(b) of the Securities

Exchange Act of 1934 by making 17 materially false and misleading statements about Household's lending and re-aging practices, the quality of its loan portfolio, and its accounting practices. It was also determined that: (1) Household and Aldinger made all 17 statements, 1 of them knowingly, that is, knowing it was false or misleading, and the other 16 recklessly, that is, with reckless disregard for a substantial risk that the statements were false or misleading; (2) Schoenholz made 15 of the statements recklessly; and (3) Gilmer made 1 of the statements recklessly.

In addition, defendants Aldinger and Schoenholz were found to have violated § 20(a) of the Securities Exchange Act of 1934 and thus were also liable for all 17 statements, as persons who controlled Household in 2001 and 2002. A chart that contains the 17 false and misleading statements and identifies the defendants who made them is attached as Exhibit 1.

II. CONDUCT UNDERLYING THE FRAUDULENT MISSTATEMENTS

During the relevant time period, Household: (1) engaged in predatory lending; (2) improperly "re-aged" delinquent loans to "current"; and (3) overstated net income by failing to record timely expenses associated with various credit card agreements, in violation of Generally Accepted Accounting Principles ("GAAP").

A. Predatory Lending

In 2002, Household entered into a settlement with a number of state Attorneys General based on the claims of those Attorneys General that Household had engaged in predatory lending practices since 1999, including the following:

1. Effective or Equivalent Rates

Household loan officers quoted "Effective" or "Equivalent Rates" to customers, which misled customers with respect to the actual interest rates on their loans. Household loan officers compared the total interest a consumer would pay making monthly payments over the term of his/her current, 30-year loan to the total interest he/she would pay making bi-weekly payments on a new Household loan, and told the consumer that the effective (or equivalent or comparable) interest rate on the Household loan was lower because the loan would be paid off sooner. Often, Household loan officers used this technique to induce borrowers to refinance from a lower-interest loan to a higher-interest loan.

2. Insurance Packing

Household engaged in insurance packing, a practice whereby it added insurance to a loan without the customer's knowledge or told the customer that insurance was required to obtain the loan. During the relevant period, Household charged consumers for single premium credit insurance when the consumer had not requested it and was unaware of it until he/she received the monthly statement. Alternatively, Household falsely represented to consumers that insurance was required as a condition of the loan.

3. Imposition of Excessive Points and Fees and Failure to Properly Disclose

Household also imposed excessive points and fees, which it improperly failed to disclose to borrowers. For example: (1) Household disclosed as “discount fees,” charges that were not actually discount fees because they were not used to “buy down” the interest rate, and Household did not tell consumers that paying a discount fee or points should result in a reduced interest rate; and (2) Household failed to adequately disclose these fees to borrowers by using an impermissibly wide dollar range for the proposed loan (*i.e.*, 0%-7% of the loan amount), while consistently charging points at the highest end of the range. Household also failed to provide consumers who received high-cost loans with certain disclosures required under state and/or federal law.

4. Loan Splitting

Household charged consumers illegal fees and interest by splitting what the consumer expected would be one loan, into two, distinct secured loans, the second of which had an interest rate of over 20%. Household misrepresented that these high-interest loans were open-end “revolving credit lines” when in fact they were closed-end loans. Household misled consumers into believing that these credit lines would be fully paid off if the minimum monthly payments were made, when in fact, a large balloon payment was required to pay off the loan at the end of the term.

5. Prepayment Penalties

Household did not adequately disclose the imposition of prepayment penalties on certain loans, and impermissibly imposed prepayment penalties on high-cost loans.

6. Loan Flipping

Household engaged in the practice of frequently refinancing – or flipping – one Household loan for another, imposing additional costs and fees with no benefit to the consumer. Additionally, Household engaged in the practice of selling a loan to a consumer with an existing loan where the new Household loan resulted in no benefit to the consumer.

7. Equity Stripping/Blocking the Back Door

In refinancing loans, Household tacked unnecessary fees, points, and insurance onto home loans, increasing costs so that any equity the borrower had in the home was reduced even as the costs of the loans went up. In addition to stripping equity, Household’s unnecessary fees, points, insurance, and the improper imposition of prepayment penalties operated to “block the back door” and effectively prevent borrowers from refinancing with other lenders at better terms.

In October 2002, Household settled the Attorneys General predatory-lending claims for \$484 million.

In the prior proceedings in this case, it was determined that, during the Class Period, defendants Household, Aldinger and Gilmer falsely denied that Household was engaged in predatory lending by making the March 23, 2001 statement listed in Exhibit 1. Moreover, though they had a duty to do so, defendants Household, Aldinger and Schoenholz failed to disclose to investors both that Household was engaged in predatory lending and that these predatory practices contributed to Household's rapid growth. These failures to disclose this information rendered the disclosures in Household's Forms 10-K that it filed with the SEC during the Class Period, and seven of its press releases, materially false and misleading.

B. 2+ Delinquency/Re-Aging

Defendants Household, Aldinger and Schoenholz made false statements regarding the Company's "2+" delinquency numbers (the percentage of loans that were two or more months delinquent) in six of its press releases and in each of its annual and quarterly SEC filings between March 28, 2001 and October 11, 2002. Household, Aldinger and Schoenholz also made false statements regarding the company's charge-off numbers (the percentage of loans that were deemed uncollectible and written off Household's books). Among the techniques Household used to make delinquent loans appear current, and understate reported charge-offs, were:

1. Re-Aging and Restructuring Loans

Household took loans that were either 2+ months delinquent or on the verge of falling into that 2+ category and reclassified those loans as current, non-delinquent loans, notwithstanding the fact that no payment had been received from the customer. Many restructures were done automatically, with no communication with the customer to determine whether the reason for the delinquency had been cured. Household's re-aging and restructuring practices thereby reduced the number of loans that were reported as 2+ months delinquent in certain of its press releases and financial statements. By doing so, Household misled investors into believing that Household's loan portfolio was performing better than it was.

2. Skip-a-Pays

Household implemented its "Skip-A-Pay" program, in which it unilaterally granted skip-a-pays by notifying customers who were about to fall into the 2+ months delinquent category that they could skip their scheduled monthly payment and make it up at the end of their loan. By granting these skip-a-pays, Household prevented loans from moving into the 2+ delinquent category.

3. Re-Writes

Household would take loans that were more than 2+ months delinquent, cancel the current loan, and write a new loan to the customer. The "new" or "re-written" loan would

then be shown as current, that is not 2+ months delinquent, even though it was effectively the same loan.

4. Forbearance

Household agreed to cease collection efforts on delinquent customers for a period of time in exchange for temporarily reduced payments, re-writes, or reduced payment. Household adjusted delinquent accounts that were in forbearance. As a result, Household's reported 2+ delinquency statistics were understated because accounts that were 2+ months delinquent when this forbearance was done would not show up in the company's press releases or Forms 10-Q and 10-K filed with the SEC as being 2+ delinquent.

5. Grace Periods

Household granted its customers additional time to make their loan payment, called a grace period. As delinquent accounts became over 60 days past due, the company did not report them as 2+ delinquent until the additional grace period had expired. This practice resulted in Household understating its 2+ delinquencies.

Household included information regarding Household's re-aging policies in the Company's 2001 Form 10-K, which Schoenholz and Aldinger signed and Household filed with the SEC on March 13, 2002. Household made materially false representations about Household's re-aging policies in that Form. In particular, Household falsely stated that accounts were re-aged only "if a predetermined number of consecutive payments ha[d] been received and there [was] evidence that the reason for the delinquency ha[d] been cured." In fact, Household actually re-aged some loans without any contact with the customer or after receiving fewer than two payments or no payments at all. Household's re-aging practices were not applied consistently, but were instead constantly changing to manage the number of delinquent loans and charge-offs reported to investors.

In March 2003, Household filed an amended 2001 Form 10-K with the SEC, correcting the disclosures it made about the Company's re-aging and restructuring practices:

ORIGINAL 10-K	AMENDED 10-K/A
“Our policies . . . 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.”	<p>“We are amending our disclosures of our restructure policies to include the following disclosures:</p> <p>In numerous instances Household accepts one or zero payments prior to resetting the delinquency status.”</p>
“... and there is evidence that the reason for the delinquency has been cured.”	“In the case of automatic restructures, no prior contact is required with the customer to determine if the cause of the delinquency has been cured.”
No mention of any other variations of loan quality concealment techniques.	<p>“The account management policies include: Re-aging of accounts Forbearance agreements Extended payment plans Modification of arrangements Consumer credit counseling accommodations Loan rewrites Deferments”</p>

Defendants Household and Aldinger also made materially false statements about their loan portfolio and re-aging policies in December 2001 at a Goldman Sachs conference. Defendants Household and Schoenholz likewise made materially false statements about their loan portfolio and re-aging policies in April 2002 at Household’s annual Financial Relations Conference for Wall Street analysts. At the April 9, 2002 Financial Relations Conference, Household made materially false statements regarding both its re-aging statistics and its recidivism rates for re-aged loans.

C. The Credit Card Restatement

Defendants Household, Aldinger and Schoenholz also made materially false statements about Household’s income and expenses in connection with four credit-card partnership agreements. On August 14, 2002, Household conceded that its accounting for these transactions failed to comply with GAAP and restated its previously issued financial statements, which overstated by \$386 million its net income, including by \$172 million during 2000, 2001 and the first and second quarters of 2002.

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
1.	03/23/2001	<i>Origination News</i> article Plaintiffs' Exhibit 1307	Household Gilmer Aldinger	Knowingly (Household & Aldinger) Recklessly (Gilmer)	<i>Origination News</i> – 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
2.	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]: <p style="text-align: center;">* * *</p> “Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses.” [HHT 0015608] <p style="text-align: center;">* * *</p> “Delinquency and Chargeoffs: Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions.”. . . 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] <p style="text-align: center;">* * *</p>	Predatory Lending 2+ Delinquency/ Re-Aging Restatement

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False																																																																																										
					<div>CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS</div> <table><thead><tr><th></th><th colspan="4">2000 Quarter End</th><th colspan="4">1999 Quarter End</th></tr><tr><th></th><th>4</th><th>3</th><th>2</th><th>1</th><th>4</th><th>3</th><th>2</th><th>1</th></tr></thead><tbody><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><tr><td>MasterCard/Visa</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td><td>3.61</td></tr><tr><td>Private label</td><td>5.48</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></tbody></table> <div>[HHT 0015609]</div>		2000 Quarter End				1999 Quarter End					4	3	2	1	4	3	2	1	Managed:									Real estate secured	2.63%	2.77%	2.72%	2.99%	3.27%	3.46%	3.29%	3.54%	Auto finance	2.55	2.19	1.99	1.52	2.43	2.26	1.87	1.74	MasterCard/Visa	3.49	3.48	3.14	3.06	2.78	3.10	3.11	3.61	Private label	5.48	5.67	5.77	5.94	5.97	6.66	6.62	6.37	Other unsecured	7.97	7.72	7.92	8.56	8.81	8.57	8.17	7.84	Total Managed	4.20%	4.21%	4.16%	4.43%	4.66%	4.89%	4.72%	4.81%	Total Owned	4.26%	4.29%	4.25%	4.58%	4.81%	5.24%	4.96%	5.04%	
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3.	04/18/2001	Household Press Release Plaintiffs' Exhibit 504	Household Schoenholz Aldinger	Recklessly	<div>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]</div> <div>* * *</div> <div>“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]</div>	<div>Predatory Lending</div> <div>2+ Delinquency/ Re-Aging</div> <div>Restatement</div>																																																																																										

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4.	05/09/2001	Household 10-Q Plaintiffs' Exhibit 733	Household Schoenholz Aldinger	Recklessly	<p>Household 10-Q for 3/31/01 quarter ended: Household reported net income of \$431.8 million for the quarter ended March 31, 2001 and EPS of \$0.92 [HHS 03137911]:</p> <p>CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.</p> <p>Delinquency Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):</p> <table><tr><td></td><td>March 31, 2001</td><td>December 31, 2000</td><td>September 30, 2000</td><td>June 30, 2000</td><td>March 31, 2000</td></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> <p>[HHS 03137930] * * *</p> <p>“Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.36 percent at March 31, 2001, compared with 4.26 percent at December 31, 2000 and 4.58 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.12 percent, compared with 2.98 percent in the prior quarter and 3.53 percent in the year-ago quarter.</p> <p>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]</p>		March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000	Managed:						Real estate secured	2.61%	2.63%	2.77%	2.72%	2.99%	Auto finance	1.79	2.55	2.19	1.99	1.52	MasterCard/Visa	3.68	3.49	3.48	3.14	3.06	Private label	5.50	5.48	5.67	5.77	5.94	Other unsecured	8.37	7.97	7.72	7.92	8.56	Total managed	4.25%	4.20%	4.21%	4.16%	4.43%	Owned	4.36%	4.26%	4.29%	4.25%	4.58%	2+ Delinquency/ Re-Aging Restatement
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5.	07/18/2001	Household Press Release Plaintiffs' Exhibit 503	Household Schoenholz Aldinger	Recklessly	<p>July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of \$.93, up 16 percent from a year ago. Net income rose 14 percent, to \$439.0 million, from \$383.9 million for the second quarter of 2000." . . .</p> <p>"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]</p> <p>"Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter." [HHS 02914098]</p>	<p>Predatory Lending</p> <p>2+ Delinquency/ Re-Aging</p> <p>Restatement</p>
6.	08/10/2001	Household 10-Q Plaintiffs' Exhibit 6	Household Schoenholz Aldinger	Recklessly	<p>Household 10-Q for 6/30/01 quarter ended: Household reported net income of \$439 million for the quarter ended June 30, 2001 and EPS of \$0.94 [AA 062721]:</p> <p>CREDIT QUALITY We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio. [AA 062738]</p>	<p>2+ Delinquency/ Re-Aging</p> <p>Restatement</p>

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					<div>Delinquency</div> <div>Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):</div> <table><tr><td></td><td>June 30, 2001</td><td>March 31, 2001</td><td>December 31, 2000</td><td>September 30, 2000</td><td>June 30, 2000</td></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> <div>[AA 062739]</div> <div>* * *</div> <div>”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.</div> <div>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]</div>		June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	Managed:						Real estate secured	2.63%	2.61%	2.63%	2.77%	2.72%	Auto finance	2.09	1.79	2.55	2.19	1.99	MasterCard/Visa	3.60	3.68	3.49	3.48	3.14	Private label	5.66	5.50	5.48	5.67	5.77	Other unsecured	8.43	8.37	7.97	7.72	7.92	Total managed	4.27%	4.25%	4.20%	4.21%	4.16%	Owned	4.48%	4.36%	4.26%	4.29%	4.25%	
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7.	10/17/2001	Household Press Release Plaintiffs’ Exhibit 978	Household Schoenholz Aldinger	Recklessly	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]	Predatory Lending 2+ Delinquency/ Re-Aging Restatement																																																						

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					“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]																																																							
8.	11/14/2001	Household 10-Q Plaintiffs’ Exhibit 707	Household Schoenholz Aldinger	Recklessly	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><td></td><td>September 30, 2001</td><td>June 30, 2001</td><td>March 31, 2001</td><td>December 30, 2000</td><td>September 30, 2000</td></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.		September 30, 2001	June 30, 2001	March 31, 2001	December 30, 2000	September 30, 2000	Managed:						Real estate secured	2.74%	2.63%	2.61%	2.63%	2.77%	Auto finance	2.54	2.09	1.79	2.55	2.19	MasterCard/Visa	3.91	3.60	3.68	3.49	3.48	Private label	5.88	5.66	5.50	5.48	5.67	Other unsecured	8.51	8.43	8.37	7.97	7.72	Total managed	4.43%	4.27%	4.25%	4.20%	4.21%	Owned	4.58%	4.48%	4.36%	4.26%	4.29%	2+ Delinquency/ Re-Aging Restatement
	September 30, 2001	June 30, 2001	March 31, 2001	December 30, 2000	September 30, 2000																																																							
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					<p>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]</p> <p style="text-align: center;">* * *</p> <p>“Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy.” [HHS 03111426]</p>	
9.	12/04/2001	Goldman Sachs Presentation Plaintiffs’ Exhibit 1248	Household Aldinger	Recklessly	<p>December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household’s accounting practices, including reaging and restructuring.</p> <p style="text-align: center;">* * *</p> <p>“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)</p>	2+ Delinquency/ Re-Aging
10.	01/16/2002	Household Press Release Plaintiffs’ Exhibit 706	Household Schoenholz Aldinger	Recklessly	<p>January 16, 2002 Household Press Release entitled “Household Reports Record Quarterly and Full-Year Net Income”: Household “reported fourth quarter earnings per share of \$1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from \$1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of \$549 million. For the full year, Household reported earnings per share of \$4.08, representing a 15 percent increase from \$3.55 in 2000. Net income for 2001 totaled \$1.9 billion, also an all-time high, 13 percent above \$1.7 billion earned in 2000.”</p> <p>“Household’s fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic</p>	<p>Predatory Lending</p> <p>2+ Delinquency/ Re-Aging</p> <p>Restatement</p>

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					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] <div>* * *</div> “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]																																					
11.	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. <div>20012000199919981997</div> At December 31, unless otherwise indicated. Owned Two-Month-and-Over Contractual Delinquency Ratios <table><tr><td>Real estate secured</td><td>2.63%</td><td>2.58%</td><td>3.10%</td><td>3.95%</td><td>3.66%</td></tr><tr><td>Auto finance</td><td>2.92</td><td>2.46</td><td>2.02</td><td>2.90</td><td>1.48</td></tr><tr><td>MasterCard/Visa</td><td>5.67</td><td>4.90</td><td>3.59</td><td>5.09</td><td>3.55</td></tr><tr><td>Private label</td><td>5.99</td><td>5.60</td><td>6.09</td><td>6.03</td><td>5.60</td></tr><tr><td>Personal non-credit card</td><td>9.04</td><td>7.99</td><td>9.06</td><td>8.24</td><td>7.55</td></tr><tr><td>Total consumer</td><td>4.53%</td><td>4.26%</td><td>4.82%</td><td>5.31%</td><td>4.87%</td></tr></table> [HHT 0015809] <div>* * *</div>	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%	Predatory Lending 2+ Delinquency/ Re-Aging Restatement
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					<div>Household International, Inc. and Subsidiaries</div> <div>CREDIT QUALITY STATISTICS – MANAGED BASIS</div> <div>All dollar amounts are stated in millions.</div> <div>20012000199919981997</div> <div>At December 31, unless otherwise indicated.</div> <div>Managed Two-Month-and-Over Contractual Delinquency Ratios</div> <div>Real estate secured2.68%2.63%3.27%3.67%3.69%</div> <div>Auto finance3.162.552.432.292.09</div> <div>MasterCard/Visa4.103.492.783.753.10</div> <div>Private label5.485.485.976.205.81</div> <div>Personal non-credit card8.877.978.817.947.81</div> <div>Total consumer4.46%4.20%4.66%4.90%4.64%</div> <div>[HHT 0015810]</div> <div>* * *</div> <div>“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]</div> <div>* * *</div> <div>“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]</div> <div>* * *</div>	

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					<p>“We believe our policies are responsive to the specific needs of the customer segment we serve. . . . <i>Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported.</i> Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition.” [HHT 0015798]</p> <p style="text-align: center;">* * *</p> <p>“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]</p>	
12.	04/09/2002	Household Financial Relations Conference Plaintiffs’ Exhibit 135	Household Schoenholz	Recklessly	<p>April 9, 2002 Financial Relations Conference:</p> <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Restructures <ul style="list-style-type: none"> • If an account is ever 90+, lifetime limit of 4 restructures allowed [HHS 01883579] <p>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.</p>	2+ Delinquency/ Re-Aging

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13.	04/17/2002	Household Press Release Plaintiffs' Exhibit 635	Household Schoenholz Aldinger	Recklessly	<p>April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of \$1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from \$.91 the prior year. Net income in the first quarter increased 18 percent, to a record \$511 million."</p> <p>"Household turned in a very strong first quarter. . . . In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility."</p> <p>"Our credit quality performance was well within our expectations in light of the continued weakness in the economy. . . . We anticipate a very manageable credit environment for the remainder of the year." [HHS 02980361]</p> <p style="text-align: center;">* * *</p> <p>"Credit Quality and Loss Reserves At March 31st, the <i>managed basis</i> delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized <i>managed basis</i> net charge-off ratio for the first quarter of 4.09 percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. . . ."</p> <p>"The <i>owned basis</i> delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized <i>owned basis</i> charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago." [HHS 02980363]</p>	<p>Predatory Lending</p> <p>2+ Delinquency/ Re-Aging</p> <p>Restatement</p>

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False																												
14.	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): <table><tr><td></td><td>March 31, 2002</td><td>December 31, 2001</td><td>March, 31 2001</td></tr><tr><td>Real estate secured</td><td>2.88%</td><td>2.63%</td><td>2.55%</td></tr><tr><td>Auto finance</td><td>2.04</td><td>2.92</td><td>1.74</td></tr><tr><td>MasterCard/Visa</td><td>6.54</td><td>5.67</td><td>5.02</td></tr><tr><td>Private label</td><td>6.33</td><td>5.99</td><td>5.62</td></tr><tr><td>Personal non-credit card</td><td>9.60</td><td>9.04</td><td>8.79</td></tr><tr><td>Total Owned</td><td>4.77%</td><td>4.53%</td><td>4.36%</td></tr></table> [HHS 02135187]		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%	2+ Delinquency/ Re-Aging Restatement
	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																															
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Personal non-credit card	9.60	9.04	8.79																															
Total Owned	4.77%	4.53%	4.36%																															
15.	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 <i>managed basis</i> delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized	Predatory Lending 2+ Delinquency/ Re-Aging Restatement																												

False Stmt No.	Date	Document Title	Responsible Defendants	State of Mind	Statement	Reason(s) Why False																												
					<i>managed basis</i> 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 <i>owned basis</i> delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized <i>owned basis</i> net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago.” [HHS 03195886]																													
16.	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																												
17.	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): <table><tr><td></td><td>June 30, 2002</td><td>March 31, 2002</td><td>June 30, 2001</td></tr><tr><td>Real estate secured</td><td>2.78%</td><td>2.88%</td><td>2.59%</td></tr><tr><td>Auto finance</td><td>2.99</td><td>2.04</td><td>2.35</td></tr><tr><td>MasterCard/Visa</td><td>6.13</td><td>6.54</td><td>4.80</td></tr><tr><td>Private label</td><td>6.19</td><td>6.33</td><td>6.54</td></tr><tr><td>Personal non-credit card</td><td>9.12</td><td>9.60</td><td>8.79</td></tr><tr><td>Total Owned</td><td>4.61%</td><td>4.77%</td><td>4.48%</td></tr></table> [HHT 0017131] * * *		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%	2+ Delinquency/ Re-Aging Restatement
	June 30, 2002	March 31, 2002	June 30, 2001																															
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					<p>“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]</p> <p style="text-align: center;">* * *</p> <p>Household reiterated this disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC on August 27, 2002.</p>	