

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

LAWRENCE E. JAFFE PENSION PLAN, On  
Behalf of Itself and All Others Similarly  
Situated,

Plaintiff,

vs.

HOUSEHOLD INTERNATIONAL, INC., et al.,

Defendants.

Lead Case No. 02-C-5893  
(Consolidated)

CLASS ACTION

The Honorable Jorge L. Alonso

**SUPPLEMENTAL DECLARATION OF KEVIN P. McDONALD**  
**IN OPPOSITION TO MOTION FOR APPEAL BOND**

I, Kevin P. McDonald, declare as follows:

1. I am over the age of eighteen and make this declaration based on my own personal knowledge.
2. I have read the papers Plaintiffs and Lead Counsel have filed in response to my objections and in support of the settlement and attorneys' fees request, as well as the recent motion for an appellate bond.
3. I am not only a member of the larger class of claimants, but I am also a former employee of Household International. I worked for Household Credit Services, as

the technical lead in support of their bankcard (Visa and Mastercard) credit card authorization system. I joined Household, as did many, hoping for a successful career with a first class organization. Household had a great reputation, going back many years to HFC (Household Finance). I and most of my colleagues gave our all, nights days and weekends, to further the company objectives and do the best we could in our positions.

4. When I saw that management was catering more and more to sub-prime lending, through mortgages, car loans, equity loans, and credit products, I began to question the direction upper management was leading the company. Although Mr. Aldinger insisted he would only do “organic” growth of the organization, large acquisitions (such as the takeover of Beneficial Finance) left many employees angry and confused, and some lost their jobs.
5. I watched as Household issued credit cards with \$50 authorization limits to these sub-prime customers, most of whom quickly spent the \$50 and then were never heard from again. We were told through our own supervisors and managers, as well as through presentations given by three defendants (Aldinger, Gilmer, and Shoenholz), that they were leading the company in new and more profitable enterprises, when actually they were covering up the risk that had been assumed through their decision to cater to the sub-prime market. I spoke out against management for this and other actions they were taking, and in November of 2001 I was terminated for these comments.

6. By 2002, upper management seemed to know that the bubble of outstanding bad loans could not be supported with existing capital, and sought a way they could extricate themselves from the situation. In 2003, Mr. Aldinger successfully negotiated a sale of the company to HSBC. I don't know what HSBC knew of the sub-prime situation. What I do know is that the sale resulted in the loss of thousands of jobs at Household, although Mr. Aldinger successfully negotiated a "golden parachute" for himself by obtaining a position on the HSBC board of directors. When the full details of the deep losses assumed by Household with its sub-prime strategy became known in 2006, it sent a shock wave through the banking industry which resulted in the near collapse of the banking system.
7. This lawsuit alleging fraud by these three individuals in trying to cover up Household's sub-prime exposure was initiated well before the subsequent disasters took place, but these men certainly had a role in it. For fourteen years now, teams of legal and professional "experts" have been fighting. Even after a jury spent six weeks listening to testimony, deliberated two and a half days, and found these three guilty, teams of lawyers fought every step of the way to block any final reckoning. Meanwhile, those that were injured in the crime – those who lost their jobs, those who lost retirement savings, those whose careers were ruined, and some that may have even lost their lives – my supervisor committed suicide – had no choice but to move on.

8. In 2006, I was notified of a class action lawsuit against these individuals, claiming they committed fraud in knowingly making false statements concerning the financial condition of the company.
9. I submitted my claim in April of 2011. Prior to submitting my claim, I contacted Vanguard, as the stock I held during the claim period was purchased through them. I specifically asked if Vanguard was filing a claim for the Household employees who had purchased stock in the same manner I did, and I was told that Vanguard was not. For that reason, I then went through the considerable trouble of making my own claim, including trying to access and print Vanguard statements from 2001, which I would have not had to do if I had known Vanguard was submitting my claim.
10. I subsequently received correspondence indicating that my claim had been rejected. My claim was not rejected because it was incomplete or did not meet the claims threshold – I correctly indicated that I would not have purchased the stock had I known the truth – but rather because it was a duplicate of a prior claim made on my behalf. However, the letter I received from Gilardi in December 2011 only told me that my claim was rejected as a duplicate claim – it did not give me a new claim number to reference or indicate who filed the prior claim.
11. In July of 2016, I was notified by mail of the present settlement, but the settlement notice did not indicate a claim number or indicate whether I was then eligible for a portion of the settlement.

12. I immediately contacted Lead Counsel, who did not confirm or deny that I had a claim, but instead informed me that they believed that the Household employee plans filed claims on behalf of employees for shares acquired during the class period, and that if I participated in any of the plans I might be in the “overall employee claim.”
13. Thereafter, I asked my present counsel to investigate the settlement further, particularly because the settlement notice referenced a deadline for making any objection.
14. In addition to the factual and legal arguments my lawyers have made, my personal belief that the settlement provides inadequate compensation is based on my firsthand knowledge of the defendants’ culpability and the degree of financial harm to class members that their misconduct caused. I am disheartened that our legal system appears to be unequal to the task of remedying such flagrant fraud more soundly and efficiently. I understand that the original complaint in this case was for actions that Household and its managers (Messrs. Aldinger, Gilmer, and Schoenholz) took in 2002, well before the ultimate consequences of their actions were known, so the settlement only covers that period of time. It is nevertheless unfortunate that the actions of these men and others like them – which had ramifications that resulted in the near collapse of the entire banking industry – cannot be addressed effectively. From my perspective as an injured party and a layperson observer of the litigation, it seems that the culpable are permitted to

delay and evade liability, while what remains of their victims' rights are dumped in a trough for a legion of lawyers and professional experts to drain before finally turning over the remainder to those who were actually harmed.

15. My own viewpoint notwithstanding, I am cognizant that this Court has approved the settlement, and of the relatively narrow odds and significant additional delay I would face in reversing its approval and obtaining a larger amount, even if I prevail in challenging the amount of the fee award. I am also aware that the Settlement's terms provide that any appeal challenging the settlement's approval (as opposed to the attorneys' fees) will delay finality and distribution of the settlement funds.
16. For these reasons, I am willing to limit my appeal to challenging only the attorneys' fees award if it will permit the distribution to go forward without further delay.
17. I continue to believe that the attorneys' fees that Lead Counsel sought, and were awarded, are excessive, for the reasons set forth by my counsel in my objection and during final approval.
18. I do not have the financial resources necessary to post a bond covering the "administrative expenses" and "lost interest" that Plaintiffs have claimed will result from an appeal. However, if the appeal is unsuccessful, and costs of approximately \$500 are imposed, I could pay those costs, particularly because Lead Counsel have disclosed that my "stake in the recovery is estimated to be

\$1,734,” which is more than sufficient to cover the estimated costs claim. I would agree to pledge that entire amount, which would cover costs even if they exceed the \$500 that Lead Counsel estimate.

I declare under penalty of perjury pursuant to the laws of the United States of America that the foregoing is true and correct, and that this declaration was executed on January 20, 2017 in Austin, Texas.

A handwritten signature in cursive script that reads "Kevin P. McDonald". The signature is written in black ink and is positioned above a horizontal line.

Kevin P. McDonald

**CERTIFICATE OF SERVICE**

I hereby certify that on January 20, 2017, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the email addresses for counsel of record denoted on the attached Service List. I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Date: January 20, 2017

s/ John W. Davis  
\_\_\_\_\_  
John W. Davis



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|---|---|
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