

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

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

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**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION**

**EXHIBIT A-1**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE PUBLICLY TRADED COMMON STOCK OF HOUSEHOLD, INC. (“HOUSEHOLD”) DURING THE PERIOD FROM OCTOBER 23, 1997 THROUGH OCTOBER 11, 2002, INCLUSIVE:

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU WERE REQUIRED TO SUBMIT A VALID PROOF OF CLAIM FORM POSTMARKED IN 2011.

This Notice of Proposed Settlement of Class Action (“Notice”) has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of Illinois, Eastern Division (the “Court”). The purpose of this Notice is to inform you of the proposed settlement of cases that have been consolidated by the Court as *Lawrence E. Jaffe Pension Plan v. Household Int’l, Inc., et al.*, No. 02-C-5893 (the “Litigation”) and of the hearing (the “Settlement Hearing”) to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement as set forth in the Stipulation of Settlement between Plaintiffs and Defendants, dated as of June 17, 2016 (the “Stipulation”) on file with the Court.

This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation as to any of Defendants or the merits of the claims or defenses asserted by or against Defendants. This Notice is to advise you of the proposed settlement of the Litigation and of your rights in connection therewith.

#### **I. STATEMENT OF PLAINTIFFS’ RECOVERY**

The proposed settlement will result in the creation of a cash settlement fund in the principal amount of One Billion Five Hundred Seventy-Five Million Dollars (\$1,575,000,000.00), plus any interest that may accrue thereon (the “Settlement Fund”).

The Settlement Fund, subject to deduction for, among other things, costs of class notice and administration and certain taxes and tax related expenses and for attorneys’ fees and expenses as approved by the Court, will be available for distribution to Class Members who submitted valid

Proof of Claim Forms in 2011; answered the reliance question, as required, in 2011-2013; and responded to discovery propounded by Defendants in 2014 on claimants who responded “Yes” to the reliance question. Your recovery from this fund will depend on a number of variables, including the number of shares of Household common stock you purchased or otherwise acquired during the period from March 23, 2001 through October 11, 2002, inclusive, and the timing of your purchases and any sales. The estimated average distribution per damaged share of Household common stock will be approximately \$7.25 before deduction of Court-approved fees and expenses.

## **II. STATEMENT OF POTENTIAL OUTCOME**

Plaintiffs and Defendants do not agree on the average amount of damages per share, if any, that would have been recoverable if Plaintiffs were to have prevailed on each claim alleged. Defendants deny that they are liable in any respect or that Plaintiffs or the Class suffered any injury. The issues on which the parties disagree are many, but include: (1) whether Defendants engaged in conduct that would give rise to any liability to the Class under the federal securities laws, or any other laws; (2) whether Defendants have valid defenses to any such claims of liability; (3) the appropriate economic model for determining the amount by which the price of Household common stock was allegedly artificially inflated (if at all) during the Class Period; (4) the amount by which the price of Household common stock was allegedly artificially inflated (if at all) during the Class Period; (5) the effect of various market forces on the price of Household common stock at various times during the Class Period; (6) the extent to which external factors influenced the price of Household common stock at various times during the Class Period; (7) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the prices of Household publicly traded securities at various times during the Class Period; and (8) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the price of Household common stock at various times during the Class Period.

## **III. REASONS FOR SETTLEMENT**

Plaintiffs believe that the proposed settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there

was a danger that the Class would not have prevailed on any of its claims, in which case the Class would receive nothing. Also, the amount of damages recoverable by the Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants would have asserted that any losses of Class Members were caused by non-actionable market, industry, or general economic factors. Defendants would have also asserted that throughout the Class Period the uncertainties and risks associated with the purchase of Household common stock were fully and adequately disclosed. The proposed settlement provides an immediate benefit to Class Members, and will avoid the years of delay that would likely occur in the event of a contested trial and appeals.

#### **IV. STATEMENT OF ATTORNEYS' FEES AND EXPENSES SOUGHT**

Plaintiffs' counsel have not received any payment for their services in conducting this Litigation on behalf of the Plaintiffs and the Members of the Class, nor have they been paid for their expenses. If the settlement is approved by the Court, Plaintiffs' counsel will apply to the Court for attorneys' fees of 24.68% of the Settlement Amount and expenses not to exceed \$38,000,000, plus interest on both amounts, to be paid from the Settlement Fund. If the amount requested is approved by the Court, the average cost per damaged share of Household common stock will be approximately \$1.96. In addition, each of the three Plaintiffs may seek up to \$50,000 in expenses incurred in representing the Class.

#### **V. IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES**

For further information regarding this settlement, you may contact a representative of Lead Counsel: Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, Telephone: 800/449-4900 or by e-mail to householdclaims@rgrdlaw.com.

#### **VI. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

A hearing (the "Settlement Hearing") will be held on \_\_\_\_, 2016, at \_\_\_\_ a.m., before the Honorable Jorge L. Alonso, United States District Judge, Courtroom 1219, United States District Court, Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States

Courthouse, 219 South Dearborn, Chicago, IL 60604. The purpose of the Settlement Hearing will be to determine: (1) whether the proposed settlement, as set forth in the Stipulation, consisting of One Billion Five Hundred Seventy-Five Million Dollars (\$1,575,000,000.00) in cash should be approved as fair, reasonable, and adequate to the Members of the Class; (2) whether the proposed plan to distribute the settlement proceeds (the “Plan of Allocation”) is fair, reasonable, and adequate; (3) whether the application by Plaintiffs’ counsel for an award of attorneys’ fees and expenses and the expenses of Plaintiffs should be approved; and (4) whether the Judgment, in the form attached to the Stipulation, should be entered. The Court may adjourn the Settlement Hearing from time to time and without further notice to the Class.

## **VII. DEFINITIONS USED IN THIS NOTICE**

As used in the Stipulation the following terms have the meanings specified below:

1. “Authorized Claimant” means any Class Member whose claim for recovery has not been excluded pursuant to the terms of the Stipulation and previous orders in this case.

2. “Claims Administrator” means the firm of Gilardi & Co. LLC.

3. “Class” means all Persons (other than those Persons and entities who timely and validly requested exclusion from the Class) who purchased or otherwise acquired the common stock of Household during the period between October 23, 1997 and October 11, 2002. Excluded from the Class are Defendants herein, members of Defendants’ immediate families, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any Defendant, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

4. “Class Member” or “Member of the Class” means a Person who falls within the definition of the Class as set forth above.

5. “Class Period” means the period commencing on October 23, 1997 through and including October 11, 2002.

6. “Defendants” means Household International, Inc., now known as HSBC Finance Corporation, and the Individual Defendants. A Defendant shall be deemed to have a “controlling interest” in an entity if such Defendant has a beneficial ownership interest, directly or indirectly, in

more than 50% of the total outstanding voting power of any class or classes of capital stock, or more than 50% of the partnership interests, of such entity.

7. “Effective Date,” or the date upon which this settlement becomes “effective,” means three (3) business days after the date by which all of the events and conditions specified in ¶7.1 of the Stipulation have been met and have occurred.

8. “Escrow Agent” means the law firm of Robbins Geller Rudman & Dowd LLP or its successor(s).

9. “Final” means when the last of the following with respect to the Judgment approving the Stipulation, substantially in the form of Exhibit B attached thereto, shall occur: (i) the expiration of the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the time in which to appeal the Judgment has passed without any appeal having been taken; and (iii) if a motion to alter or amend is filed or if an appeal is taken, immediately after the determination of that motion or appeal so that it is no longer subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by a court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of the Stipulation. For purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of this settlement, but shall not include any appeal which concerns only the issue of Plaintiffs’ attorneys’ fees and expenses, Plaintiffs’ reimbursement, the Plan of Allocation of the Settlement Fund, as hereinafter defined, or the procedures for determining Authorized Claimants’ recognized claims.

10. “Individual Defendants” means William F. Aldinger, David A. Schoenholz and Gary Gilmer.

11. “Judgment” means the Final Judgment and Order of Dismissal with Prejudice to be rendered by the Court, substantially in the form attached as Exhibit B to the Stipulation.

12. “Lead Counsel” means Robbins Geller Rudman & Dowd LLP, Michael J. Dowd, Spencer A. Burkholz, Daniel S. Drosman, Luke O. Brooks and Maureen E. Mueller, 655 W. Broadway, Suite 1900, San Diego, CA 92101.

13. “Lead Plaintiff” or “Plaintiffs” means Glickenhau & Co., PACE Industry Union-Management Pension Fund and International Union of Operating Engineers Local No. 132 Pension Plan.

14. “Litigation” means the consolidated actions under case number 02-C-5893.

15. “Household” means Household International, Inc., now known as HSBC Finance Corporation.

16. “Net Settlement Fund” means the Settlement Fund less any attorneys’ fees, costs, expenses, and interest and any award to Plaintiffs, provided for herein or approved by the Court and less Notice and Administration expenses, Taxes and Tax Expenses, and other Court-approved deductions.

17. “Person” means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

18. “Plan of Allocation” means a plan or formula of allocation of the Net Settlement Fund. Any Plan of Allocation is not part of the Stipulation and neither Defendants nor their Related Parties shall have any responsibility or liability with respect thereto.

19. “Related Parties” means each of a Defendant’s past or present directors, officers, employees, partners, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Individual Defendant’s immediate family, or any trust of which any Individual Defendant is the settlor or which is for the benefit of any Individual Defendant’s family.

20. “Released Claims” shall collectively mean any and all claims, demands, rights, liabilities, and causes of action under federal or state law (including without limitation the Securities Act of 1933 and the Securities Exchange Act of 1934), whether based upon statutory or common law, whether class or individual in nature, known or unknown, concealed or hidden, and that (i) were asserted in the Litigation; or (ii) could have been asserted in the Litigation by any Lead Plaintiff or Class Member against any Defendant arising from any losses sustained on the purchase of Household Common Stock during the Class Period. The settlement will not be conditioned upon the obtaining of or any judicial approval of any releases between or among the Defendants and/or any third parties. No such releases will be contained in the Stipulation or referred to in the Final Judgment approving the settlement. “Released Claims” includes “Unknown Claims” as defined below.

21. “Released Persons” means each and all of the Defendants and their Related Parties.

22. “Settlement Amount” means One Billion Five Hundred and Seventy-Five Million Dollars (\$1,575,000,000.00) in cash to be paid by either wire transfer or check to the Escrow Agent pursuant to ¶2.1 of the Stipulation.

23. “Settlement Fund” means the Settlement Amount plus all interest and accretions thereto.

24. “Settling Parties” means, collectively, the Defendants, Plaintiffs and the Class.

25. “Tax” or “Taxes” means any and all taxes, fees levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any governmental authority, including income tax and other taxes and charges on or regarding franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers’ compensation, unemployment compensation or net worth; taxes or other charges in the nature of excise, withholding ad valorem, stamp, transfer, value added or gains taxes; license registration and documentation fees; and customs duties, tariffs, and similar charges.

26. “Unknown Claims” means any Released Claims which Plaintiffs or Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released



Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights, and benefits of California Civil Code §1542, which provides:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

The Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Plaintiffs shall expressly settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Plaintiffs acknowledge, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

### **VIII. THE LITIGATION**

On August 19, 2002, Lawrence E. Jaffe Pension Plan initiated an action in the United States District Court for the Northern District of Illinois, Eastern Division, by complaint styled as

*Lawrence E. Jaffe Pension Plan v. Household International, Inc. et al.*, Lead Case No. 02-C-5893, alleging violations of the federal securities laws and naming as defendants Household, Chief Executive Officer William F. Aldinger, Chief Financial Officer David A. Schoenholz and outside auditor Arthur Anderson (the “Jaffe Complaint”). Dkt. No. 1. The Jaffe Complaint brought claims on behalf of all persons who purchased Household securities between October 23, 1997 and August 14, 2002. Thereafter, a number of similar, related, class action complaints were filed. In all, a total of 7 actions involving similar claims were filed. On December 9, 2002, these cases were consolidated by Court order. Dkt. No. 33. On December 18, 2002, the Court entered an order granting the Glickenhau Institutional Group’s motion for appointment as lead plaintiffs. Dkt. No. 38. Robbins Geller was appointed as lead counsel, and Miller Law as liaison counsel.

On March 13, 2003, Plaintiffs filed the Consolidated Complaint which included claims for violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and §§11, 12(a)(2) and 15 of the Securities Act of 1933 which added Defendant Gary Gilmer. The Consolidated Complaint asserted claims on behalf of all persons who purchased or otherwise acquired securities of Household during the period from October 23, 1997 to October 11, 2002. On May 13, 2003, Defendants moved to dismiss the Consolidated Complaint. On March 19, 2004, the Court entered an Order granting in part and denying in part Defendants’ motions to dismiss the Consolidated Complaint. Dkt. No. 135.

By order entered December 3, 2004, the Court certified a class (the “Class”) with the Class defined as follows: all Persons who purchased or otherwise acquired the securities of Household during the period between October 23, 1997 and October 11, 2002.

On June 30, 2005, the Household Defendants filed a motion to dismiss pursuant to the Seventh Circuit’s decision in *Foss v. Bear, Stearns Co.*, 394 F.3d 540 (7th Cir. 2005). Dkt. No. 243. On February 28, 2006, following briefing on Defendants’ motion, the Court granted Defendants’ motion, dismissing Plaintiffs’ §10(b) claims that arose prior to July 30, 1999. Dkt. No. 434.

On August 16, 2005, the parties filed a Joint Motion and [Proposed] Order for Entry of Modification to Stipulation and Order Regarding Class Action Certification Entered December 3, 2004. Dkt. No. 277. Under the terms of the modified stipulation, the parties agreed that Defendants

would waive their right to decertify in part the Class as set forth in the stipulation. The parties also requested that the Court direct that notice be sent to the class. On August 22, 2005, the Court entered an order approving the parties' modification to the stipulation and order regarding class certification. Dkt. No. 287.

On June 16, 2005, Plaintiffs and Arthur Andersen reached a settlement, pursuant to which Arthur Andersen agreed to pay cash consideration of \$1,500,000. On January 31, 2006, a notice was sent to Class Members informing them of the Arthur Andersen settlement, of the certification of the Class, and notifying Class Members of the right to be excluded from the litigation. On March 30, 2006, Lead Plaintiffs filed a motion for final approval of the settlement with Arthur Andersen. Dkt. No. 452. On April 6, 2006, the Court approved the settlement, entering final judgment and an order of dismissal with prejudice as to Arthur Andersen. Dkt. No. 485.

A six (6) week jury trial of the Litigation commenced on March 30, 2009 against Defendants Household, Aldinger, Schoenholz and Gilmer (the "Trial Defendants") on behalf of all purchasers of Household stock from July 30, 1999 through October 11, 2002. On May 7, 2009, the jury rendered a verdict in the case. The jury found that the Trial Defendants did not violate the federal securities laws for statements made during the time period of July 30, 1999 through March 22, 2001. Plaintiffs did not appeal this determination. For Class Members who purchased Household common stock during that time frame, there is no recovery. The jury found that the Trial Defendants did violate the federal securities laws for certain public statements regarding Household made in connection with purchases of Household common stock from March 23, 2001 through October 11, 2002. The jury also awarded per share damages for each trading day during this period.

On November 22, 2010, the Court entered an Order creating the protocol for Phase II of this case. Dkt. No. 1703. On January 10, 2011, the Court approved a Notice of Verdict to be sent to all persons who purchased or otherwise acquired the common stock of Household between October 23, 1997 and October 11, 2002. In light of the Court's rulings and the jury's verdict, only persons who purchased or otherwise acquired Household common stock between March 23, 2001 and October 11, 2002 were entitled to a recovery. After the submission of claims and the claims administration process was completed, the claims administrator filed reports with the Court on December 22, 2011

identifying potentially valid claims and claims that were rejected. Thereafter, the Court allowed defendants to object to any potentially valid claims. Defendants' objections were filed on February 27, 2012, and plaintiffs responded to these objections on March 28, 2012. The Court also required all class members to answer the "reliance question," which was set forth on page five (5) of the Proof of Claim Form. Persons who failed to answer the reliance question, either in 2011 as part of the claims process or, thereafter, during a second opportunity provided by the Court in 2013, had their claims rejected.

On October 17, 2013, the Court entered a partial final judgment pursuant to Fed. R. Civ. P. 54(b) in the amount of \$1,476,490,844.21 plus prejudgment interest in the amount of \$986,408,772.00, for a total amount of \$2,462,899,616.21, along with post-judgment interest and taxable costs. Dkt. No. 1898.

Defendants filed a notice of appeal on October 17, 2013. The appeal was fully briefed on April 11, 2014. On appeal, defendants raised issues with respect to three elements: loss causation, the Court's instruction on what it means to "make" a false statement, and reliance. On May 21, 2015, the Court of Appeals reversed the judgment and remanded the case for a new trial on three issues: (1) loss causation; (2) damages; and (3) whether the three Individual Defendants "made" certain statements under the Supreme Court's decision in *Janus Capital Group, Inc. v. First Derivative Traders*, 131 S. Ct. 2296 (2011). In addition, the Court of Appeals held that the new jury would need to reapportion liability in light of the *Janus* issue described above. A new trial was scheduled to begin on June 6, 2016, before the Honorable Jorge L. Alonso.

On February 24, 2016, each of the Individual Defendants filed motions for partial summary judgment regarding whether they "made" certain of the statements at issue. Dkt. Nos. 2106, 2110, 2112. The parties subsequently reached a stipulation regarding which Individual Defendants "made" which statements, and the stipulation was submitted to the Court on March 16, 2016, together with a motion to withdraw the Individual Defendants' motions for partial summary judgment. Dkt. No. 2122. The Court granted that motion on March 17, 2016. Dkt. No. 2123.

The parties have engaged in mediation sessions in May 2005, May 2008, June 2011, June 2014; before this Court on August 22, 2005; and in the Seventh Circuit's mediation program in

December 2013 and January 2014. At various times during the course of the Litigation, the parties engaged the services of Judge Layn R. Phillips (Ret.), a nationally recognized mediator. The parties engaged in numerous telephonic mediation sessions with Judge Phillips during 2016 regarding a potential settlement of the Litigation. On June 5, 2016, Judge Phillips issued a mediator's proposal to settle the Litigation for \$1,575,000,000.00. The parties accepted Judge Phillips' mediator's proposal to settle the Litigation for that amount on June 6 subject to the negotiation of the terms of a Stipulation of Settlement and approval by the Court.

#### **IX. CLAIMS OF PLAINTIFFS AND BENEFITS OF SETTLEMENT**

Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, Plaintiffs and their counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. Plaintiffs and their counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Plaintiffs and their counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. Plaintiffs and their counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, Plaintiffs and their counsel have determined that the settlement set forth in the Stipulation is in the best interests of Plaintiffs and the Class.

#### **X. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

Defendants have denied and continue to deny each and all of the claims alleged by Plaintiffs in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, among other allegations, the allegations that the Plaintiffs or the Class have suffered any damage, that the price of Household common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Plaintiffs or the Class were harmed by

the conduct alleged in the Complaint. Defendants believe that the evidence developed to date supports their position that they acted properly at all times and that the Litigation is without merit.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as the Litigation. Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

#### **XI. TERMS OF THE PROPOSED SETTLEMENT**

A settlement has been reached in the Litigation between Plaintiffs and Defendants, the terms and conditions of which are set forth in the Stipulation and the Exhibits thereto. The following description of the proposed settlement is only a summary, and reference is made to the text of the Stipulation, on file with the Court or accessible at [www.gilardi.com](http://www.gilardi.com) or [www.householdfraud.com](http://www.householdfraud.com), for a full statement of its provisions.

The settlement consists of the aggregate principal amount of One Billion Five Hundred Seventy-Five Million Dollars (\$1,575,000,000.00) in cash, plus any interest earned thereon.

A portion of the settlement proceeds will be used to pay attorneys' fees and expenses, Plaintiffs' expenses, the cost of this Notice and the costs incurred in processing of claims previously submitted by Class Members and to pay Taxes and Tax Expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed, according to the Plan of Allocation described below, to Class Members who submitted valid Proof of Claim forms in 2011, answered the reliance question, as required, in 2011-2013; and responded to discovery propounded by Defendants in 2014 on claimants who responded "Yes" to the reliance question.

The effectiveness of the settlement is subject to a number of conditions and reference to the Stipulation is made for further particulars regarding these conditions.

## **XII. THE RIGHTS OF CLASS MEMBERS**

If you are a Class Member, you may receive the benefit of, and you will be bound by the terms of, the proposed settlement described in this Notice, upon approval of the proposed settlement by the Court.

If you are a Class Member, the following decisions that you have already made during the pendency of the Litigation have affected your claim:

1. You were required to submit a Proof of Claim form as described in the Notice of Verdict dated January 11, 2011. If you filed a proof of claim form at that time, your claim was either accepted or rejected, as set forth in reports filed with the Court by the claims administrator on December 22, 2011. If your claim was not rejected, you will share in the proceeds of the proposed settlement if: you are entitled to a distribution under the Plan of Allocation described below; you submitted a valid Proof of Claim form in 2011; you answered the reliance question, as required, in 2011-2013; you responded to discovery propounded by Defendants in 2014 on claimants who responded “Yes” to the reliance question; and if the proposed settlement is finally approved by the Court. You will be bound by the Judgment and release to be entered by the Court as described below.

2. If you purchased or otherwise acquired Household common stock during the Class Period and you did not wish to be included in the Class, you were required to file a request for exclusion on or before March 20, 2006. If you timely and validly requested exclusion from the Class: (a) you are excluded from the Class, (b) you will not share in the proceeds of the settlement described herein, (c) you are not bound by any judgment entered in the Litigation, and (d) you are not precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

3. If you did not make a valid and timely request in writing to be excluded from the Class in 2006, you will be bound by any and all determinations or judgments in the Litigation in connection with the settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons, whether or not you submitted a valid Proof of Claim form.

4. You may not have filed a Proof of Claim Form in 2011 or a request for exclusion in 2006. If you chose this option, you will not share in the proceeds of the settlement, but you will be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons.

5. You may object to the settlement, the Plan of Allocation, the application for attorneys' fees and expenses and/or any award of expenses to Lead Plaintiffs in the manner described in Section XVIII below.

6. If you are a Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing and at your own expense, provided that such counsel must file an appearance on your behalf on or before \_\_\_\_\_, 2016, and must serve copies of such appearance on the attorneys listed in Section XVIII below. If you do not enter an appearance through counsel of your own choosing, you will be represented by Plaintiffs' Lead Counsel: Robbins Geller Rudman & Dowd LLP, Michael J. Dowd, Spencer A. Burkholz, Daniel S. Drosman, Luke O. Brooks and Maureen E. Mueller, 655 West Broadway, Suite 1900, San Diego, CA 92101.

7. A list of valid claims, by claim number, is contained in both (1) a website maintained by Lead Counsel at [www.householdfraud.com](http://www.householdfraud.com) and (2) a website maintained at [www.gilardi.com](http://www.gilardi.com). These websites also contain lists, by claim number, of claims that have been rejected. You may



obtain your claim number by e-mailing the claims administrator at [classact@gilardi.com](mailto:classact@gilardi.com). You may also contact Lead Counsel with questions by e-mail at [HouseholdClaims@rgrdlaw.com](mailto:HouseholdClaims@rgrdlaw.com).

### **XIII. PLAN OF ALLOCATION**

Class Members who filed valid claims are entitled to recover pursuant to the following Recognized Loss calculation which is based on the 2009 Jury Verdict:

1. For Household common stock that was purchased or acquired from March 23, 2001 through October 10, 2002, and:

(a) sold prior to November 15, 2001, the Recognized Loss is zero;

(b) sold from November 15, 2001 through October 10, 2002, the Recognized Loss per share is the difference between: (i) the inflation on the date of purchase as shown on Exhibit A less (ii) the inflation on the date of sale as shown on Exhibit A; and

(c) retained at the close of trading on October 10, 2002, the Recognized Loss per share is the inflation on the date of purchase as shown on Exhibit A.

2. For the purpose of calculating Recognized Loss using the formula above, the minimum inflation will be zero and not a negative number.

3. Any investor's aggregate Recoverable Loss shall be offset by any gains, or avoidance of loss, resulting from sales of Household shares from March 23, 2001 through October 10, 2002 at artificially inflated prices. These gains (if any) will be calculated as the difference between the inflation per share at the time of sale less the inflation per share at the time of purchase. Shares purchased prior to March 23, 2001 will have an inflation of zero at the time of purchase.

4. Recognized Loss will be limited by the so-called 90-Day "Bounce Back Rule" as required by the Private Securities Litigation Reform Act of 1995, as follows:

(a) For Household shares sold prior to October 11, 2002 there will be no limitation of Recognized Loss by reason of the Bounce Back Rule;

(b) For Household shares sold on or from October 11, 2002 through and including January 8, 2003 (*i.e.*, sold during the 90-Day Bounce Back Period), Recognized Loss shall be limited

to a maximum of the purchase price per share less the average closing price of Household stock from October 11, 2002 through the date of sale; and

(c) For Household shares retained at the close of trading on January 8, 2003 (*i.e.*, retained at the end of the 90-Day Bounce Back Period) Recognized Loss shall be limited to a maximum of the purchase price per share less the 90-Day average closing price from October 11, 2002 through January 8, 2003 of \$27.05.

5. For purposes of calculating Recognized Loss, the Court has adopted the First-In, First-Out (“FIFO”) method.

Class Members do not have to perform any of the calculations described above. All of these calculations have been performed by the Claims Administrator based on the purchase and sale transaction information provided by Class Members on the Proof of Claim Forms in 2011.

The amount of the Class’s total recovery will be reduced by such amounts as may be awarded by the Court to Plaintiffs’ Counsel for attorneys’ fees and the expenses of bringing and prosecuting the Litigation and to Lead Plaintiffs for the reimbursement of certain of their expenses.

The Court shall retain continuing, exclusive jurisdiction to, among other things, allow, disallow, or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against the Plaintiffs, Plaintiffs’ counsel, any claims administrator, or other Person designated by Plaintiffs’ counsel, or Defendants or Defendants’ counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. Class Members who did not purchase or otherwise acquire Household common stock between March 23, 2001 and October 11, 2002 inclusive, will not share in the recovery. Class Members who failed to submit a valid Proof of Claim form in 2011; failed to answer the reliance question, as required, in 2011-2013; or failed to respond to discovery propounded by Defendants in 2014 on claimants who responded “Yes” to the reliance question, will not share in the recovery. Class Members who withdrew their claims will also not share in the recovery. However, all such Class Members shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

Lists, by claim number, of (1) all claims entitled to share in the recovery and (2) all rejected claims will be maintained at [www.gilardi.com](http://www.gilardi.com) and [www.householdfraud.com](http://www.householdfraud.com).

#### **XIV. PARTICIPATION IN THE SETTLEMENT**

**TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST HAVE COMPLETED AND RETURNED THE PROOF OF CLAIM FORM THAT ACCOMPANIED THE NOTICE OF VERDICT IN 2011.** If you (1) did not submit a valid Proof of Claim form in 2011; (2) did not answer the reliance question, as required, in 2011-2013; (3) did not respond to discovery propounded by Defendants in 2014 on claimants who responded “Yes” to the reliance question, or (4) withdrew your claim, you will be bound by the provisions of the Stipulation and the Judgment, and will be barred from receiving any payments from the Net Settlement Fund, except as otherwise ordered by the Court with respect to Net Settlement Fund allocations.

#### **XV. DISMISSAL AND RELEASES**

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the “Judgment”). In addition, upon the Effective Date, Plaintiffs and each of the Class Members, for themselves and for each of their respective officers, directors, shareholders, employees, agents, spouses, subsidiaries, heirs at law, successors and assigns, and any other Person claiming (now or in the future) through or on behalf of them, and regardless of whether any such Plaintiff or Class Member ever seeks or obtains by any means, including, without limitation, by submitting a Proof of Claim form in 2011, any distribution from the Settlement Fund, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims against the Released Persons, shall have covenanted not to sue the Released Persons with respect to all such Released Claims, and shall be permanently barred and enjoined from instituting, commencing, or prosecuting any such Released Claim against the Released Persons except to enforce the releases and other terms and conditions contained in the Stipulation or the Judgment entered pursuant thereto.

## **XVI. APPLICATION FOR FEES AND EXPENSES**

At the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees of 24.68% of the Settlement Amount, plus expenses not to exceed \$38,000,000, plus interest on both amounts. In addition, each of the Lead Plaintiffs may seek up to \$50,000 in expenses (including lost wages) it incurred in representing the Class. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

To date, Plaintiffs' counsel have not received any payment for their services in conducting this Litigation on behalf of the Plaintiffs and the Class, nor have counsel been paid their expenses. The fee requested by Lead Counsel will compensate counsel for their efforts in achieving the Settlement Amount for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. Lead Counsel believe that the fee requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type. The fee to be requested has been approved by each of the Plaintiffs.

## **XVII. CONDITIONS FOR SETTLEMENT**

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from the Judgment or to move to alter or amend the Judgment, or the determination of any such appeal or motion in a manner to permit the consummation of the settlement substantially as provided for in the Stipulation. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of June 5, 2016. In that event, the settlement will not proceed and no payments will be made to Class Members.

## **XVIII. THE RIGHT TO BE HEARD AT THE HEARING**

Any Class Member who objects to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees and expenses, and the reimbursement of certain expenses to Lead

Plaintiffs, may appear and be heard at the Settlement Hearing. Any such Person must submit a written notice of objection, such that it is *received* on or before \_\_\_\_\_, 2016, by each of the following:

*To the Court:*

CLERK OF THE COURT  
UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION  
EVERETT MCKINLEY DIRKSEN UNITED STATES COURTHOUSE  
219 South Dearborn Street  
Chicago, IL 60604

*To Lead Counsel for Plaintiffs:*

ROBBINS GELLER RUDMAN  
& DOWD LLP  
MICHAEL J. DOWD  
655 W. Broadway, Suite 1900  
San Diego, CA 92101

*To Counsel for Defendants:*

WILLIAMS & CONNOLLY LLP  
Steven M. Farina  
725 Twelfth Street NW  
Washington DC 20005

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
R. Ryan Stoll  
155 North Wacker Drive  
Chicago, IL 60606

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of shares of Household common stock purchased or acquired and sold during the Class Period and contain a statement of the reasons for objection. Only Members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

**XIX. SPECIAL NOTICE TO NOMINEES**

Nominees who purchased or otherwise acquired the publicly traded securities of Household for the beneficial interest of other Persons during the Class Period shall, within ten (10) calendar days after receipt of this Notice, (1) IF YOU HAVE NOT ALREADY DONE SO IN

CONNECTION WITH THE DISSEMINATION OF THE NOTICE OF VERDICT DATED JANUARY 11, 2011, provide the Claims Administrator with the names and addresses of such beneficial owners, or (2) forward a copy of this Notice and by First-Class Mail to each such beneficial owner and, provide Lead Counsel with written confirmation that the Notice has been so forwarded. Upon submission of appropriate documentation, Lead Counsel will reimburse your reasonable costs and expenses of complying with this provision. Additional copies of this Notice may be obtained from the Claims Administrator by writing to:

*Household Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040

**XX. EXAMINATION OF PAPERS**

This Notice contains only a summary of the terms of the proposed settlement and does not describe all of the details of the Stipulation. For a more detailed statement of the matters involved in the Litigation, reference is made to the pleadings, to the Stipulation, and to other papers filed in the Litigation, which may be inspected at the office of the Clerk of the Court, United States District Court, Northern District of Illinois, Eastern Division, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn, Chicago, IL 60604. In addition, certain settlement related documents including the Stipulation of Settlement may be viewed at [www.gilardi.com](http://www.gilardi.com) or a website maintained by Lead Counsel at [www.householdfraud.com](http://www.householdfraud.com).

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel by writing to:

ROBBINS GELLER RUDMAN & DOWD LLP  
MICHAEL J. DOWD  
655 W. Broadway, Suite 1900  
San Diego, CA 92101

or by e-mail addressed to: [HouseholdClaims@rgrdlaw.com](mailto:HouseholdClaims@rgrdlaw.com)

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

DATED: \_\_\_\_\_, 2016

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION