

**STATE OF NEBRASKA**  
**Department of Banking & Finance**

In the Matter of: )  
)  
Household Finance Corporation III )  
400 North 48<sup>th</sup> Street, Suite B-14, )  
Centro Plaza )  
Lincoln, Nebraska )  
)  
Household Finance Corporation III )  
788 North 114<sup>th</sup> Street, )  
Miracle Hills )  
One Shopping Center )  
Omaha, Nebraska )  
)  
Beneficial Nebraska, Inc. )  
1004 Diers Avenue, Suite 216 )  
Westgate Center )  
Grand Island, Nebraska )  
)  
Beneficial Nebraska, Inc. )  
1501 Galvin Road South )  
Bellevue, Nebraska )  
)  
Beneficial Nebraska, Inc. )  
17318 Lakeside Hills Plaza )  
Omaha, Nebraska )  
)

FINDINGS OF FACT  
CONCLUSIONS OF LAW  
AND  
AGREEMENT

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Director, pursuant to its authority under the Nebraska Installment Loan Act, Neb. Rev. Stat. §§ 45-1001 to 45-1069 (Reissue 2004; Cum. Supp. 2006; Supp. 2007) (“the Act”). Pursuant to Neb. Rev. Stat. § 45-1017 (Supp. 2007), the DEPARTMENT has reviewed alleged violations of Household Finance Corporation III, 400 North 48<sup>th</sup> Street, Suite B-14, Centro Plaza, Lincoln, Nebraska;

Household Finance Corporation III, 788 North 114<sup>th</sup> Street, Miracle Hills, One Shopping Center, Omaha, Nebraska; Beneficial Nebraska, Inc., 1501 Galvin Road South, Bellevue, Nebraska; Beneficial Nebraska, Inc., 17318 Lakeside Hills Plaza, Omaha, Nebraska; and Beneficial Nebraska, Inc., 1004 Diers Avenue, Suite 216, Westgate Center, Grand Island, Nebraska (collectively, "Licensees").

As a result of such review and being duly advised and informed in the matter, the Director and Licensees enter into the following Findings of Fact and Agreement.

### **FINDINGS OF FACT**

1. Licensees' parent, HSBC Finance Corporation (f/k/a Household International, Inc.) ("the Defendant"), is a defendant in a federal securities lawsuit entitled *Lawrence E. Jaffe Pension Plan, et al. v. Household International, Inc., et al.*, Case No. 02-Civ-5893 (U.S. District Court, Northern District of Illinois) (herein referred to as "Jaffe"). During the course of discovery for the Jaffe matter, plaintiffs sought discovery of certain information in the Defendant's possession, including the Licensees' previous examination reports conducted by the DEPARTMENT ("the Records"). The Defendant provided this information to its outside counsel, who delivered the Records to plaintiffs' counsel. On November 5, 2004, a Protective Order was entered by Magistrate Judge Nan R. Nolan, United States District Court, Northern District of Illinois ("the 2004 Protective Order").

2. The Records amounted to fourteen examination reports that the DEPARTMENT conducted on the Licensees between the years 2001 and 2002 as well as fifteen response letters from the Licensees to the DEPARTMENT regarding those reports.

3. Each of the DEPARTMENT's fourteen examination reports referenced in Finding of Fact #2, above, states on the cover page of the examination report in bold, capital letters: **THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL.**

4. The cover pages of the DEPARTMENT's examination reports further state:

*This copy of examination is the property of the above regulatory agency and is furnished to the Installment Loan Company for its confidential use. The information contained in this document is based upon the records and books of the Installment Loans (sic), statements made by directors, officers, and employees, and information obtained from other sources believed to be reliable and correct.*

*This examination is not an audit and should not be construed as such.*

*Under no circumstances shall any recipient of this report including any of the directors, officers, or employees disclose or make public this report or any portion thereof. The law provides penalties for unauthorized disclosure of any of the contents of this report. If a subpoena or other legal process is received calling for the production of this report, the Nebraska Department of Banking and Finance must be notified immediately.*

5. HSBC's outside counsel notified the DEPARTMENT, by way of an August 2, 2006 letter, that the Records had been delivered to plaintiffs' counsel. The DEPARTMENT had no knowledge of the delivery of the Records prior to the August 2, 2006 letter.

6. HSBC's outside counsel's January 26, 2007 Affidavit stated that the Records were delivered to plaintiffs' counsel, on or about April 6, 2005. According to the Affidavit, a second delivery of records occurred on September 21, 2006. The Department had no knowledge of this second delivery of records until it received the January 26, 2007 affidavit.

7. The Records listed in Finding of Fact #2 were bated stamped, marked “CONFIDENTIAL”.

8. The 2004 Protective Order identified regulatory examinations as protected material. The dissemination of protected information was deemed to be limited in scope to participants in the trial under certain circumstances as agreed to by the parties. The 2004 Protective Order went on to state that any publicly filed documents containing confidential information were to be filed in a redacted manner. The DEPARTMENT was not listed in the 2004 Protective Order. An October 17, 2006 Protective Order was entered by Magistrate Nolan, which specifically listed Nebraska along with twenty six (26) other states.

9. The examination reports were only provided to plaintiffs’ counsel and were not provided to plaintiffs or anybody else in the Jaffe litigation.

10. The Records were part of over five million pages of documents that the Defendant produced in the Jaffe litigation.

11. The DEPARTMENT has expended a minimum of five thousand dollars (\$5,000.00) investigating this matter.

### CONCLUSIONS OF LAW

1. Neb. Rev. Stat. § 45-1017(3) (Supp. 2007) provides in pertinent part:

If the director finds, after notice and opportunity for hearing in accordance with the Administrative Procedure Act, that any person has willfully and intentionally violated any provision of the Nebraska Installment Loan Act, any rule or regulation adopted and promulgated under the act, or any order issued under the act, the director may order such person to pay (a) an administrative fine of not more than one thousand dollars for each separate violation and (b) the costs of investigation.

2. Neb. Rev. Stat. § 8-112(2) (Reissue 1997) provides that:

Examination reports, investigation reports, and documents and information relating to such reports are confidential records of the department and may be released or disclosed only (a) insofar as is necessary in the performance of the official duty of the department or (b) pursuant to a properly issued subpoena and upon entry of a protective order from a court of competent jurisdiction to protect and keep confidential the names of borrowers or depositors or to protect the public interest. If examination reports, investigation reports, or documents and information relating to such reports are subpoenaed from the department, the party issuing the subpoena shall give notice of the issuance of such subpoena at least three business days in advance of the entry of a protective order to the financial institution which is the subject of such reports or documents and information, unless the financial institution is already a party to the underlying proceeding or unless such notice is otherwise prohibited by law or by court order.

3. The DEPARTMENT has determined that distributing confidential DEPARTMENT examination reports to plaintiffs' counsel without proper notification to and prior approval of the DEPARTMENT constitutes violations of the Act. The DEPARTMENT has further determined that distributing Licensees' responses to the DEPARTMENT's examinations without proper notification to and prior approval of the DEPARTMENT constitutes violations of the Act, as Licensees' responses to the examinations focused on content items in DEPARTMENT examination reports. As set forth in Findings of Fact No. 2, those documents amounted to fourteen (14) examination reports and fifteen (15) responses to the examinations. In total, Licensees disclosed over three hundred sixty five (365) pages of confidential documents.

4. The facts listed in the above Findings of Fact constitute a sufficient basis for the Director to have determined that an administrative fine in an amount of not more than one thousand dollars for each separate violation plus costs of investigation should be imposed in accordance with Neb. Rev. Stat. § 45-1017(3).

5. This Agreement is necessary and appropriate in the public interest for the protection of Nebraska residents and is consistent with the purposes fairly intended by the policy and provisions of the Act.

6. Under the Act's statutory framework, the Director has the legal and equitable authority to fashion significant remedies.

7. While the Licensees dispute the DEPARTMENT's interpretation and application of Section 45-1017(3) and Section 8-112(2), the Licensees believe it is in the best interest of the Licensees and the public to resolve the issues included herein.

### **AGREEMENT**

The DEPARTMENT and Licensees agree as follows:

1. The DEPARTMENT has jurisdiction as to all matters herein.
2. This Agreement shall resolve all matters raised by the facts listed in this Agreement and in the DEPARTMENT's review of the alleged violations of the Act set forth herein. Should future circumstances warrant, the facts from this matter may be considered in future administrative action by the DEPARTMENT.
3. This Agreement shall be in lieu of all other proceedings available to the DEPARTMENT, except as specifically referenced herein.
4. The Licensees are aware of their right to a hearing on these matters at which they may be represented by counsel, present evidence, and cross-examine witnesses. The right to such a hearing, and any related appeal, is irrevocably waived.
5. The Licensees are acting free from any duress or coercion of any kind or nature.

6. This Agreement is executed to avoid further proceedings but does not constitute an admission of violations of the Act. Further, the parties understand and agree that by execution of this Agreement there is no admission of any liability of any nature whatsoever and that this Agreement is made entirely as a compromise and for the purpose of settlement of a dispute.

7. Within ten (10) days after the effective date of this Agreement, the Licensees shall pay the DEPARTMENT the sum of fifty thousand dollars (\$50,000.00).

8. Within ten (10) days after the effective date of this Agreement, the Licensees shall pay the DEPARTMENT's costs in this matter in the amount of five thousand dollars (\$5,000.00).

9. The total amount of the assessed sums and investigation costs, fifty-five thousand dollars (\$55,000.00), shall be payable in one check or money order to the DEPARTMENT.

10. In the event the Licensees fail to comply with the provisions of this Agreement, the DEPARTMENT may commence such action as it deems necessary and appropriate in the public interest.

11. If, at any time, the DEPARTMENT determines that Licensees have failed to comply with this Agreement or committed other violations under the Act, the DEPARTMENT may use the facts related to this Agreement in any subsequent action regarding Licensees.

12. The effective date of this Agreement will be the date of the Director's signature.

DATED this 30<sup>th</sup> day of September, 2008.

**HOUSEHOLD FINANCE COMPANY III**

By: *Loretta Abrams*  
Loretta Abrams, Vice President  
26525 N. Riverwoods Blvd.  
Mettawa, IL 60045

**BENEFICIAL NEBRASKA, INC.**

By: *Loretta Abrams*  
Loretta Abrams, Vice President  
26525 N. Riverwoods Blvd.  
Mettawa, IL 60045

DATED this ~~30<sup>th</sup>~~ <sup>29<sup>th</sup></sup> day of ~~September~~ <sup>October</sup>, 2008.

**STATE OF NEBRASKA  
DEPARTMENT OF BANKING AND FINANCE**

By: *John Munn*  
John Munn, Director  
Commerce Court, Suite 400  
1230 "O" Street  
Lincoln, Nebraska 68508  
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