

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

DOCKETED
NOV 04 2002

LAWRENCE E. JAFFE, Pension Plan
and on behalf of all others
similarly situated,

Plaintiff,

v.

No. 02 C 5893

HOUSEHOLD INTERNATIONAL, INC.
ARTHUR ANDERSEN, L.L.P.,

Defendants.

Judge Ronald A. Guzman

MARC ABRAMS, individually and on
behalf of all others similarly situated,

Plaintiff,

v.

No. 02 C 5934

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.

Judge Joan H. Lefkow

EISBERRY HOLDINGS, LTD., on
behalf of itself and all others
similarly situated,

Plaintiff,

v.

No. 02 C 6130

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.

Judge George M. Marovich

U.S. DISTRICT COURT
CLERK

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MICHAEL W. DOBINS
CLERK, U.S. DISTRICT COURT

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

JEFFREY P. JANNETT, on
behalf of himself and all others
similarly situated,

Plaintiff,

v.

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.

No. 02 C 6326

Judge Marvin E. Aspen

BERNARD DOLOWICH, on
behalf of himself and all others
similarly situated,

Plaintiff,

v.

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.

No. 02 C 6352

Judge Rebecca R. Pallmeyer

RONALD H. HANSCHMAN on
behalf of himself and all others
similarly situated,

Plaintiff,

v.

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.

No. 02 C 6859

Judge Charles R. Norgle

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

GERALD M. FRIEDEL, on)	
behalf of himself and all others)	
similarly situated,)	
)	
Plaintiff,)	
v.)	No. 02 C 7067
)	
HOUSEHOLD INTERNATIONAL, INC.,)	
et al.,)	Judge John W. Darrah
)	
Defendants.)	

INTRODUCTION

Presently pending before the Court are at least seven related securities class actions (the "Actions"), brought on behalf of all persons who purchased the securities of Household International, Inc. ("Household International" or the "Company"). The Actions allege violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 as amended by the Private Securities Litigation Reform Act of 1995 ("PSLRA") (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

Class member StoneRidge Investment Partners LLC ("StoneRidge Partners" or "Movant") hereby moves this Court for entry of an order: (i) consolidating the above-captioned actions; (ii) appointing StoneRidge Partners as Lead Plaintiff for the Class under Section 21D(a)(3)(B) of the Exchange Act; and (iii) approving its selection of the Law Offices of Bernard M. Gross to serve as Lead Counsel and Much Shelist Freed Denenberg Ament & Rubenstein, P.C. ("Much Shelist") to serve as Liaison Counsel.

StoneRidge Partners is the most adequate plaintiff, as defined by the PSLRA, having lost approximately \$885,0001 in connection with its transactions in Household International securities during the Class Period.² See Ex. C.³ To the best of our knowledge, this is the greatest loss sustained by any moving class member, plaintiff or plaintiff group who has brought suit or filed an application to serve as Lead Plaintiff in these Actions. In addition, StoneRidge Partners, for the purposes of this motion, satisfies the requirements of Rule 23 of the Federal Rules of Civil Procedure because its claims are typical of the claims of the putative class and because it will fairly and adequately represent the interests of the Class.

FACTUAL BACKGROUND

Defendant Household International is in the business of providing consumer loans, credit cards, auto financing, and credit insurance products.

On October 23, 1997, the first day of the class period, Household International issued a press release announcing its financial results for the third quarter of 1997, ended September 30, 1997. On March 30, 1998, Household International filed its annual report on Form 10-K with the Securities and Exchange Commission ("SEC") for the year ended December 31, 1997. The annual report was signed by individual defendants W.F. Aldinger and D.A. Schoenholz.

¹ StoneRidge Partners damages calculation is not complete and will be supplemented.

² The losses suffered by StoneRidge Partners are not the same as its legally compensable damages, measurement of which is a complex legal question which cannot be determined at this stage of the litigation. The approximate losses can, however, be determined from the certifications required by Section 21D of the Exchange Act, and on the current market price of Household International's securities.

³ All exhibit references are to the exhibits attached to this Memorandum of Law.

Included in Household International's 1997 10-K was defendant Arthur Andersen, LLP's ("Arthur Andersen") certification and unqualified opinion, stating:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Household International, Inc.'s 1997 annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 21, 1998. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in Item 14(d) are the responsibility of the company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Throughout the class period, Household International filed quarterly and annual reports with the SEC. In each of the subsequent 10-K filings, Household International included a certification and unqualified audit opinion from Arthur Andersen similar to the one presented above.

On August 14, 2002, Household International announced that on the advice of its new auditors, it would revise the way it accounted for its "MasterCard/Visa co-branding and affinity credit card relationships and a marketing agreement with a third party." The result would be a negative adjustment in previously reported net income of \$386 million over the previous eight years. Consequently, Household International's financials were false and misleading throughout the class period – October 23, 1997 through August 14, 2002 – because Household International: (a) overstated its net income by \$386 million during the Class Period and the previous three years; and (b) misled investors regarding its MasterCard/Visa cobranding and affinity credit card relationships. The price of Household International common stock dropped as these practices came to light.

ARGUMENT

POINT I

**THE ACTIONS SHOULD BE
CONSOLIDATED FOR ALL PURPOSES**

Each of the Actions asserts class claims on behalf of the purchasers of Household International securities for alleged violations of the Exchange Act during the time period October 23, 1997 and August 14, 2002, inclusive. The Actions name the same defendants and involve substantially similar factual and legal issues. They are each brought by investors who purchased Household International securities during the relevant time period in reliance on the integrity of the market for such securities and were injured by the fraud on the market that was perpetrated through the issuance of materially false and misleading statements and concealment of material information, thus artificially inflating the price of Household International securities at all relevant times. Consolidation is appropriate where, as here, there are actions involving common questions of law or fact. Fed. R. Civ. P. 42 (a). See Johnson v. Celotex Corp., 899 F.2d 1281, 1284 (2d Cir. 1990). That test is met here and, accordingly, the Actions should be consolidated.

POINT II

STONERIDGE PARTNERS SHOULD BE APPOINTED LEAD PLAINTIFF

A. The Procedure Required By The PSLRA

The PSLRA has established a procedure that governs the appointment of a lead plaintiff in "each private action arising under the [Securities Exchange Act] that is brought as a plaintiff class action pursuant to the Federal Rules of Civil Procedure." 15 U.S.C. §§ 78u-4(a)(1) and (a)(3)(B)(i).

First, the plaintiff who files the initial action must publish a notice to the class, within 20 days of filing the action, informing class members of their right to file a motion for appointment as Lead Plaintiff. 15 U.S.C. § 78u-4(a)(3)(A)(i). The first notice relating to the Actions was published on August 19, 2002.⁴ See Ex. A. Within 60 days of publishing the notice, any person or group of persons who are members of the proposed class may apply to the Court to be appointed as the Lead Plaintiff, whether or not they have previously filed a complaint in the action. 15 U.S.C. §§ 78u-4(a)(3)(A) and (B).

Second, the PSLRA provides that within 90 days after publication of the notice the Court shall consider any motion made by a class member and shall appoint as Lead Plaintiff the member or members of the class that the Court determines to be most capable of adequately representing the interests of class members. 15 U.S.C. § 78u-4(a)(3)(B). In determining the "most adequate plaintiff," the PSLRA provides that:

[T]he court shall adopt a presumption that the most adequate plaintiff in any private action arising under this Act is the person or group of persons that

(aa) has either filed the complaint or made a motion in response to a notice. . .

(bb) in the determination of the court, has the largest financial interest in the relief sought by the class; and

(cc) otherwise satisfies the requirements of Rule 23 of the Federal Rules of Civil Procedure.

15 U.S.C. 78u-4(a)(3)(B)(iii). See generally *Greebel v. FTP Software Inc.*, 939 F. Supp. 57, 64 (D. Mass. 1996).

⁴ The first notice was filed by the law firm Kaplan, Kilsheimer & Fox LLP, relating to the case *Jaffe v. Household International Inc.*, 02-CV-5893 (filed Aug. 19, 2002).

B. StoneRidge Partners Satisfies The "Lead Plaintiff" Requirements Of The Exchange Act

1. StoneRidge Partners Has Complied With The Exchange Act And Should Be Appointed Lead Plaintiff

Pursuant to the provisions of the PSLRA and within the requisite time frame after publication of the required notice, Movant herein timely moves this Court to be appointed Lead Plaintiff on behalf of all members of the Class. See 15 U.S.C. § 78u-4(a)(3)(A) and (B).

StoneRidge Partners has duly signed and filed a certification stating that it has reviewed the allegations of the complaint and is willing to serve as a representative party on behalf of the Class. See Ex. B. In addition, StoneRidge Partners has selected and retained competent counsel to represent it and the Class. See Exs. D and E, attached hereto. Accordingly, StoneRidge Partners has satisfied the individual requirements of 15 U.S.C. § 78u-4(a)(3)(B) and is entitled to have its application for appointment as Lead Plaintiff, and its selection of the Law Offices of Bernard M. Gross to serve as Lead Counsel and Much Shelist to serve as Liaison Counsel, approved by the Court.

2. StoneRidge Partners Has The Requisite Financial Interest In The Relief Sought By The Class

During the Class Period, as evidenced by, among other things, the accompanying signed certification, see Ex. B, StoneRidge Partners purchased thousands of shares of Household International common stock and lost approximately \$885,000 in connection therewith. See Ex. C. Movant thus has a significant financial interest in this case. Therefore, StoneRidge Partners satisfies all of the PSLRA's prerequisites for appointment as Lead Plaintiff in this action and should be appointed Lead Plaintiff pursuant to 15 U.S.C. § 78u-4 (a)(3)(B). See Charles Dechter Family Trust

v. Anicom, Inc., 2000 U.S. Dist. LEXIS 14949 (N.D. Ill. 2000) (Darrah, J.) (appointing movant with largest loss as the lead plaintiff and approving its selection of lead counsel); Lax v. First Merchants Acceptance Corp., 1997 U.S. Dist. LEXIS 11866, at *3 (N.D. Ill. Aug. 11, 1997) (same).

To the best of Movant's knowledge, there are no other applicants or applicant groups who have sought, or are seeking, appointment as Lead Plaintiff that have a larger financial interest than StoneRidge Partners. Therefore, StoneRidge Partners satisfies all of the PSLRA's prerequisites for appointment as lead plaintiffs in this action and should be appointed Lead Plaintiff pursuant to 15 U.S.C. § 78u-4 (a)(3)(B). See Greebel, 939 F. Supp. at 64 (Movants had demonstrated the largest financial interest in the relief sought by the class because and were appointed lead plaintiff).

3. StoneRidge Partners Otherwise Satisfies Rule 23

According to 15 U.S.C. § 78u-4(a)(3)(B), in addition to possessing the largest financial interest in the outcome of the litigation, the Lead Plaintiff must also “otherwise satisf[y] the requirements of Rule 23 of the Federal Rules of Civil Procedure.” Rule 23(a) provides that a party may serve as a class representative only if the following four requirements are satisfied: (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class, and (4) the representative parties will fairly and adequately protect the interests of the class.

Of the four prerequisites to class certification, only two – typicality and adequacy – directly address the personal characteristics of the class representative. Consequently, in deciding a motion to serve as Lead Plaintiff, the Court should limit its inquiry to the typicality and adequacy prongs of Rule 23(a), and defer examination of the remaining requirements until the Lead Plaintiff moves for

class certification. Lax, 1997 U.S. Dist. LEXIS 11866, at *20; Fischler v. Amsouth Bancorporation, 1997 U.S. Dist. LEXIS 2875, at *7-8 (M.D. Fla. Feb. 6, 1997). StoneRidge Partners should be appointed Lead Plaintiff because it satisfies the typicality and adequacy requirements of Rule 23.

Under Rule 23(a)(3), the claims or defenses of the representative parties must be typical of those of the class. Typicality exists where the plaintiffs' claims arise from the same series of events and are based on the same legal theories as the claims of all the class members. See Rossini v. Ogilvy & Mather, Inc., 798 F.2d 590, 598 (2d Cir. 1986). Typicality does not require that there be no factual differences between the class representatives and the class members because it is the generalized nature of the claims asserted which determines whether the class representatives are typical. See Priest v. Zayre Corp., 118 F.R.D. 552, 555 (D. Mass. 1988) ("With respect to typicality under Rule 23(a)(3), plaintiffs need not show substantial identity between their claims and those of absent class members, but need only show that their claims arise from the same course of conduct that gave rise to the claims of the absent [class] members.") (citations omitted). The requirement that the proposed class representatives' claims be typical of the claims of the class does not mean, however, that the claims must be identical. See In re Great Southern Life Ins. Co. Sales Practices Litig., 192 F.R.D. 212, 217 (N.D. Tex. 2000) (citing Phillips v. Joint Legislative Comm. on Performance & Expenditure Review, 637 F.2d 1014, 1024 (5th Cir. 1981)).

StoneRidge Partners satisfies this requirement because, just like all other class members, it: (1) purchased Household International securities during the Class Period; (2) purchased Household International securities in reliance upon the allegedly materially false and misleading statements issued by defendants; and (3) suffered damages thereby. Thus, StoneRidge Partners' claims are

typical of those of other Class members since its claims and the claims of other Class members arise out of the same course of events.

Under Rule 23(a)(4) the representative parties must also “fairly and adequately protect the interests of the class.” The PSLRA directs this Court to limit its inquiry regarding the adequacy of Movant to represent the Class to the existence of any conflicts between the interests of StoneRidge Partners and the members of the Class. The standard for adequacy of representation under Rule 23(a)(4) is met by: (1) the absence of a potential conflict between the named plaintiffs and the class members and (2) the class representatives' choice of counsel who is qualified, experienced and able to vigorously conduct the proposed litigation. Modell v. Eliot Sav. Bank, 139 F.R.D. 17, 23 (D. Mass. 1991) (citing Andrews v. Bechtel Power Corp., 780 F.2d 124, 130 (1st Cir. 1985)).

Here, StoneRidge Partners is an adequate representative of the Class. Its interests are aligned with the interests of the Class because both suffered from the same artificial inflation of Household International's stock price and would benefit from the same relief. Furthermore, there is no evidence of antagonism between StoneRidge Partners and the Class. In addition, as shown below, StoneRidge Partners' proposed Lead and Liaison Counsel are highly qualified, experienced and able to conduct this complex litigation in a professional manner. Thus, StoneRidge Partners prima facie satisfies the commonality, typicality and adequacy requirements of Rule 23 for the purposes of this motion.

POINT III

THE COURT SHOULD APPROVE STONERIDGE PARTNERS' CHOICE OF COUNSEL

Pursuant to 15 U.S.C. § 78u-4(a)(3)(B)(v), the Lead Plaintiff shall, subject to Court approval, select and retain counsel to represent the class they seek to represent. In that regard, StoneRidge

Partners has selected the Law Offices of Bernard M. Gross to serve as Lead Counsel and Much Shelist to serve as Liaison Counsel. Each of these firms has substantial experience in the prosecution of shareholder and securities class actions and possess the resources necessary to efficiently conduct this litigation. See Exs. D and E. Accordingly, the Court should approve StoneRidge Partners' selection of Lead Counsel and Liaison Counsel.

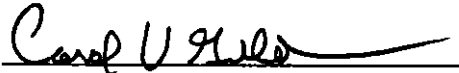
POINT IV

CONCLUSION

For all the foregoing reasons, StoneRidge Partners respectfully requests that the Court: (i) consolidate the Actions; (ii) appoint StoneRidge Partners as Lead Plaintiff in the Actions; (iii) approve its selection of Lead and Liaison Counsel and (iv) grant any other relief that the Court deems just and proper.

Dated: October 18, 2002

Respectfully submitted,



Carol V. Gilden

Michael E. Moskowitz

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Proposed Lead Counsel

**SEE CASE
FILE FOR
EXHIBITS**