

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

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

Plaintiff,)

v.)

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

Defendants.)

No. 02 C 5893

Judge Ronald A. Guzman
Magistrate Judge Nan R. Nolan

Filed
MAY 20 2004
MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

DOCKETED
MAY 21 2004

NOTICE OF FILING

To: Counsel on the Attached Service List

PLEASE TAKE NOTICE that on May 20, 2004, we filed with the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division, 219 South Dearborn Street, Chicago, Illinois, the *Joint Status Report and [Proposed] Rule 26(f) Discovery Plan*, a copy of which is hereby served upon you.

Dated: May 20, 2004

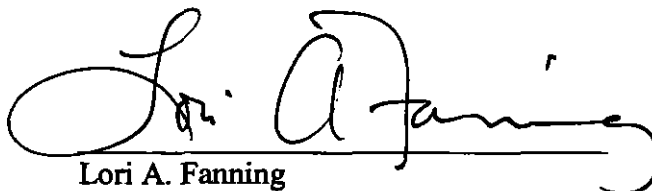
Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Lori A. Fanning, one of the attorneys for plaintiffs, hereby certify that I caused the *Joint Status Report and [Proposed] Rule 26(f) Discovery Plan* to be served upon all counsel on the attached service list by placing a copy of the same in the United States Mail at 30 North LaSalle Street, Chicago, Illinois this 20th day of May, 2004.



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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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MAY 20 2004
MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

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)

CLASS ACTION

Judge Ronald A. Guzman
Magistrate Judge Nan R. Nolan

DOCKETED
MAY 21 2004

JOINT STATUS REPORT AND [PROPOSED] RULE 26(f) DISCOVERY PLAN

Pursuant to Fed. R. Civ. P. 26(f), the parties to the above-entitled action jointly submit this status report and propose the following Rule 26(f) Discovery Plan.

A. Summary of the Case

1. After appointment as lead plaintiff on December 18, 2002, the Glickenhau Institutional Group filed the [Corrected] Amended Consolidated Class Action Complaint for Violation of the Federal Securities Laws (the "Complaint") on March 13, 2003. This action is brought on behalf of all persons who purchased or otherwise acquired the securities of Household International, Inc. ("Household") during the period from October 23, 1997 to October 11, 2002 (the "Class Period"). Plaintiffs assert claims for violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and §§11, 12(a)(2), and/or 15 of the Securities Act of 1933 ("Securities Act").

2. Plaintiffs allege that during the Class Period, Household and its officers William Aldinger, David Schoenholz and Gary Gilmer (i) engaged in the widespread abuse of their customers through a variety of illegal sales practices and improper lending techniques; (ii) improperly "reaged" or "restructured" delinquent accounts to manipulate Household's publicly reported financial statistics and give the appearance that the credit quality of Household's borrowers was more favorable than it was in reality; and (iii) manipulated the manner in which Household accounted for costs associated with its co-branding, affinity and marketing agreements resulting in a restatement of Household's financial results going back to 1994. In sum, the Complaint alleges that Household's reported financial and operational results, and defendants' representations concerning these results, were materially false and misleading when made, thereby artificially inflating the price of Household's securities.

3. Plaintiffs also allege that Household raised over \$75 billion during the Class Period through a series of debt offerings conducted through its wholly owned subsidiary, Household

Finance Corporation ("HFC"). Aldinger, Schoenholz, Gilmer and J.A. Vozar, as HFC Directors, participated in the preparation or review or were signatories of the Debt Registration Statements filed with the Securities and Exchange Commission ("SEC") in support of these offerings. Plaintiffs allege that these registration statements contained false statements regarding Household's financial results and operations.

4. Further, plaintiffs allege that during the Class Period, Household's auditor, Arthur Andersen LLP ("Andersen"), actively participated in the issuance of Household's false financial statements by performing audits of the financial statements and reviewing interim financial information included in Household's SEC filings as well as in Registration Statements (issued in support of the various debt offerings), and by reporting on those financial statements. Andersen denies the allegations.

B. Status of Any Briefing and/or Responsive Pleadings

1. Briefing on defendants' motions to dismiss the Complaint and on Andersen's motion to strike was completed by August 1, 2003.

2. On March 19, 2004, Judge Ronald A. Guzman denied Household and Household Officers', and Andersen's motions to dismiss Count I (§10(b) of the Exchange Act), denied Household and Household Officers' motion to dismiss Count II (§20(a) of the Exchange Act); granted Household and Household Officers', Household Directors', Andersen's, Goldman Sachs & Co., Inc. ("Goldman Sachs"), and Merrill Lynch, Pierce, Fenner & Smith, Inc.'s ("Merrill Lynch") motions to dismiss Count III (§§11, 12(a)(2) and 15 of the Securities Act); granted in part and denied in part Household and Household Directors', and Andersen's motions to dismiss Count IV (§§11 and 15 of the Securities Act); and denied Andersen's motion to strike. Finally, the Court terminated Goldman Sachs and Merrill Lynch as parties.

3. Defendants shall answer the Complaint by **May 28, 2004**.

4. Plaintiffs anticipate filing a motion for class certification by **June 15, 2004**.

5. The parties agreed that once defendants have had the opportunity to review plaintiffs' class certification motion, the parties will meet and confer to set up an appropriate briefing and discovery schedule for class certification and seek approval by the Court of the same.

C. Rule 26(f) Conference

On April 26, 2004 and May 18, 2004, counsel for the parties participated in a telephonic and in-person conference pursuant to Fed. R. Civ. P. 26(f) and discussed the matters presented in this report. Lead plaintiffs were represented by Azra Mehdi and Luke Brooks of Lerach Coughlin Stoia & Robbins LLP and Marvin Miller and Lori Fanning of Miller Faucher and Cafferty, LLP. Sylvia Sum of Lerach Coughlin Stoia & Robbins LLP was also present during the May 18, 2004 meet and confer on behalf of plaintiffs. Defendants Household, HFC, Aldinger, Schoenholz, Gilmer and Vozar (the "Household Defendants") were represented by Douglas Henkin and Stacey Rappaport of Milbank Tweed Hadley & McCloy LLP and Adam Deutsch of Eimer Stahl Klevorn & Solberg LLP. Defendant Andersen was represented by Stanley Parzen and Lucia Nale of Mayer, Brown, Rowe & Maw LLP. Lucia Nale and Susan Charles were present for Andersen during the meet and confer on May 18, 2004.

D. Initial Disclosures

The parties had the initial Rule 26 conference on April 26, 2004. Under Rule 26(a), initial disclosures must be made at or within 14 days after the Rule 26(f) conference unless a different time is set by agreement or order. The parties agreed that initial disclosures shall be exchanged on or before **June 4, 2004**.

E. Discovery

1. Status of Discovery

Under the mandatory discovery stay set forth in the Private Securities Litigation Reform Act ("PSLRA"), 15 U.S.C. §78u-4(b)(3)(B), all formal discovery, including initial disclosures, was stayed while defendants' motions to dismiss were pending. On May 17, 2004, plaintiffs served document requests on Household Defendants and Andersen. Prior to May 17, 2004, no formal discovery had occurred.

2. Fact Discovery

The parties agree that fact discovery shall conclude on **January 13, 2006**. Any motion(s) to compel regarding fact discovery shall be filed as soon as possible, but no later than close of fact discovery.

a. Plaintiffs' Statement

As requested by Magistrate Judge Nan R. Nolan, the parties have met and conferred on the scope of the discovery. Plaintiffs believe that both class and merits discovery should proceed at the same time. The first complaint in this consolidated litigation was filed on August 16, 2002. There has been no formal discovery until May 17, 2004 – close to two years – as a result of the discovery stay mandated under the PSLRA. Any further delay in merits discovery will be severely prejudicial to plaintiffs. Plaintiffs believe that class certification in securities litigation, such as the one at issue here, is a relatively straightforward matter.

The period of time requested for fact discovery, until January 13, 2006, is also necessary. The Household Defendants have informed plaintiffs that Household has produced millions of pages in response to governmental and regulatory investigations, including 2.23 million pages to the SEC. According to Household, this number may not include documents provided to various state agencies and institutions in 42 jurisdictions. The documents produced to the SEC are located in Illinois. At

this time, however, the Household Defendants are unable to advise plaintiffs which types of documents are centralized at Household's Illinois headquarters. Plaintiffs further add that this number does not include discovery that plaintiffs believe is needed on other subjects, including, but not limited to, (i) complaints and investigations regarding Household's lending practices in the normal course of business; (ii) Household's practices and policies regarding reaging loans; (iii) information regarding Household's securitization process; and (iv) documents relating to Household's accounting treatment of its credit card co-branding, affinity and marketing agreements (the subject of Household's restatement). Additionally, plaintiffs seek from Andersen the workpapers and documents related to its audit and consulting work for Household going back to 1994. Plaintiffs' request is based on the fact that Household restated its financial results going back to 1994. All of these financial statements were audited by Andersen.

b. Defendants' Statement

The Household Defendants reserve their right to object to any of the above-described documents and in no way concede that any of the above-described documents are relevant or reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the above, the Household Defendants anticipate producing millions of pages of documents to Lead Plaintiffs in this litigation.

Andersen believes that plaintiffs' discovery requests are overbroad in many respects, including the time period sought, in that the Class Period goes back only to October 1997. Andersen reserves the right to object to plaintiffs' specific requests at the appropriate time.

3. Expert Disclosures and Discovery

(a) Plaintiffs will designate any expert witnesses and provide the disclosure required pursuant to Rule 26(a)(2) of the Federal Rules of Civil Procedure by **March 3, 2006**.

(b) Defendants will designate any expert witnesses and provide the disclosure required pursuant to Rule 26(a)(2) of the Federal Rules of Civil Procedure by **April 28, 2006**.

(c) Plaintiffs will disclose any expert rebuttal opinion(s) by **June 2, 2006**.

(d) Depositions of expert witnesses will be taken by and all expert discovery will be completed by **July 24, 2006**.

4. Additional Depositions

a. Plaintiffs' Statement

In light of the five-year Class Period, the multiple defendants and myriad complex issues, plaintiffs believe that the limitations on depositions set forth in Fed. R. Civ. P. 30(a)(2)(A) should be modified to permit 50 depositions for plaintiffs. Plaintiffs reserve the right to seek leave of Court to obtain additional deposition days or hours.

b. Defendants' Statement

Defendants request that the Court order that the limitations on depositions set forth in Fed. R. Civ. P. 30(a)(2)(A) should apply. Defendants further request that the Court permit each party to reserve the right to seek leave of Court to modify the limitations on depositions set forth in Fed. R. Civ. P. 30(a)(2)(A). Defendants believe that Lead Plaintiffs' request for 50 depositions is premature.

5. Additional Interrogatories

Each party reserves the right to seek leave of the Court to serve interrogatories beyond the limitation set by Fed. R. Civ. P. 33; and each party reserves its right to oppose such request.

6. Authenticity of Documents

The parties are prepared to discuss appropriate stipulations as to the authenticity of documents at an appropriate time after the parties begin to produce documents under Fed. R. Civ. P. 26.

F. Trial Schedule

Plaintiffs seek a jury trial. At this time, however, parties believe it is premature to anticipate a date for trial, or the length of such trial.

G. Additional Parties

The parties presently do not anticipate adding any parties. However, if it should become apparent through discovery or otherwise that additional parties should be joined in the lawsuit, the parties will notify the Court as soon as possible.

H. Miscellaneous Provisions

1. Modification of This Order

The parties reserve the right to seek Court modification of this Order. All deadlines agreed to above are premised on discovery proceeding expeditiously and without protracted disputes over production of documents and witnesses.

2. Protective Order

The parties agree to meet and confer concerning the terms of a proposed confidentiality and protective order, and expect to stipulate to the terms and lodge such protective order for the Court's approval.

DATED: May 20, 2004

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