UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN, On Behalf of Itself and All Others Similarly Situated, Plaintiff, vs. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	)))))))))))))	Lead Case No. 02-C-5893 (Consolidated) CLASS ACTION Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

LEAD PLAINTIFFS' PROPOSED PLAN FOR OBTAINING RESPONSES TO THE DISCOVERY INQUIRY ON THE PROOF OF CLAIM FORM

On April 11, 2011, this Court ordered Lead Counsel for the plaintiffs to "propose a plan by May 6, 2011 as to the most efficient way to proceed in order to obtain responses to the discovery inquiry, including but not limited to an estimate of the number of claims that would require an extension of time in which to respond to the discovery inquiry, the requisite time frame and the manner and scope of any notification of the extension." In response to this Order, Lead Plaintiffs submit the following plan for obtaining responses to the discovery inquiry set forth on page five of the Proof of Claim form.[1]

I. BACKGROUND

As Lead Plaintiffs informed the Court at the April 7, 2011 status conference and in their accompanying motion, certain custodian banks have expressed concerns regarding the difficulty of obtaining answers to the claim form question from their clients. In an effort to ensure compliance with the May 24, 2011 deadline for the submission of claims, Lead Counsel advised these custodian bank representatives that: (1) these custodian banks should submit their claims on or about April 1 and advise other institutions in similar positions to make every effort to do so as well; (2) the claims administrator would make every effort to determine which of the custodian bank's clients had an allowed loss under the Plan of Allocation and provide that information to the custodians as soon as possible; and (3) Lead Counsel made a commitment to bring the matter to the Court's attention before the May 24 deadline. Many custodian banks and other third-party claim filers submitted their

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[1] The question states:

> Question: If you had known at the time of your purchase of Household stock that defendants' false and misleading statements had the effect of inflating the price of Household stock and thereby caused you to pay more for Household stock than you should have paid, would you have still purchased the stock at the inflated price that you paid?

The Proof of Claim form asks the claimant to check either the "yes" or "no" box.

master claim forms on or about April 1, attaching information about individual client's transactions. In response, Gilardi & Company ("Gilardi"), the claims administrator, has identified the clients of third-party claim filers who filed early and appear, at least preliminarily, to have an allowed loss under the Plan of Allocation.

The claims administrator has provided us with a list of the custodian banks and third-party filing services that filed multiple claims as of May 2, 2011.[2] There are 38 entities that have submitted such claims to date. In the aggregate, the 27,939 claims filed by these entities reflect 12,506 claims that generate an allowed loss under the Plan of Allocation of $1,248,357,070.[3]

We can also provide the following detail regarding these claims in terms of the size of the individual claims submitted by these third-party filers:

	CLAIMS	AMOUNTS OF ALLOWED LOSS
Total Number of Claims Submitted by third-party filers:[4]	27,939	
Claims with no Allowed Loss:	15,433	
Claims with Allowed Loss of $1-$250,000:	11,760	$233,245,777
Claims with Allowed Loss of $250,001-$500,000:	326	$116,247,924
Claims with Allowed Loss of $500,001-$1,000,000:	204	$142,376,093
Claims with Allowed Loss of $1,000,001+:	216	$756,487,276
Total Number of Claims with Allowed Loss:	12,506	$1,248,357,070

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2 Class members have until May 24, 2011 to submit claims. While the claims administrator believes that the majority of multiple claim filers have already filed, there will be others who file between May 2 and May 24. For example, the claims administrator was advised on May 4 that a third-party filer will be filing claims on behalf of 15,000 clients of a brokerage firm in the next week. Based on their past experience, the claims administrator roughly estimates that 20 additional third-party filers, who typically file claims in class action cases, will submit claims between now and May 24. Potentially, these third-party filers will submit many thousands of new claims.

3 The claims administrator has provided us with this data at our request for use in this submission. However, we note that the claims administrator will continue to process these claims and analyze the data submitted to date. As such, even the numbers submitted to date are subject to change as claims processing continues.

4 The total number of claims submitted to date is approximately 44,862.

In short, 94% of the claims (with an allowed loss) submitted by third-party filers to date are for claims less than $250,000 (11,760 claims out of 12,506 claims with an allowed loss). In terms of total allowed loss, claimants with an allowed loss in excess of $250,000 have claims in the amount of $1,015,111,293 or 81.3% of the total allowed loss to date (for claims submitted by multiple claim filers). In short, 6% of the class members, whose claims were submitted by third-party filers, have claims in excess of $250,000 and those claims account for 81.3% of the damages for such class members to date. We have attached (as Exhibit A) a breakdown of the claims submitted by third-party filers, for the Court's consideration.

We have had two conference calls with representatives of the Bank Depository User Group ("BDUG"). As the Court will recall from our April 4, 2011 filing and the April 7, 2011 status conference, BDUG is a trade association of custodian banks and financial institutions. Custodian banks are financial institutions that serve as fiduciaries of the financial assets of individual and institutional investors. Among other things, custodian banks hold and maintain investors' assets, including securities. As part of the core services that they provide to investor clients, many BDUG members file claim forms on behalf of their investor clients in connection with the settlements of class action securities cases.

In our telephonic conversations with these representatives, we were informed that obtaining an answer to the Proof of Claim form question from each class member with an allowed loss would constitute "a Herculean task." We were advised that reaching out to each and every class member could take in excess of 12 months. We were also informed that, even assuming the Court granted such a lengthy period to obtain responses, the BDUG representatives believe that their success rate, in terms of obtaining a response, will be low.

The BDUG representatives pointed to a number of factors that would slow the process down and result in a low success rate, including the following:

1. Most custodian banks have personnel who are responsible for preparing and submitting claims for their clients, as they have done in this case. However, those persons do not typically have direct contact with the clients. As such, the claim-filing personnel would be required to segregate and organize the claims for their "client-facing divisions" for follow up with the client and the pursuit of responses. In layman's terms, the claims-filers would need to figure out who at the bank had direct contact with the clients. To accomplish this task, they would need to sort the claims by country or region and, in all probability, by whether it was a corporate account, an institutional account or a private wealth (individual) account. At that point, they would need to determine the appropriate client account manager responsible for dealing with that client. The account manager would then need to be educated on what needed to be done and why it needed to be done. Thereafter, the account managers would need to contact the clients to inform them of the situation and attempt to obtain the answer to the claim form question and the signature of the person who had the requisite knowledge.

2. Assuming the account managers were charged with this responsibility, the custodian banks would continue to face serious problems. In many instances, the client may have switched custodian banks since 2001-2002. Therefore, it may well be that no one at the custodian bank which submitted the claim has an ongoing relationship with that client. Obviously, this will cause delays.

3. Assuming that the account managers are able to contact a current client, it may well be that the client is unable to answer the question, whether due to a lack of information, a change in investment advisors, the departure of the person responsible for the purchase decision at the client or its outside investment advisor, or the death of individual clients who made the decision.

4. Finally, the BDUG representatives pointed out that their clients expect their custodian banks to deal with claims issues – it is one of their core services and, as a result, the clients will be confused and uneasy about answering such questions.

In light of this information, Lead Counsel agrees with the assessment that it will be a Herculean task – and a costly one – for the third-party filers, including the custodian banks, to reach back out to every class member. It seems distinctly unfair for these institutions to bear this burden and cost without a scintilla of evidence that it will help defendants rebut the presumption of reliance.

II. LEAD PLAINTIFFS' PROPOSED PLAN

Defendants have indicated, on a number of occasions, that they are not concerned with contesting the individual claims of small claimants.[5] Presumably, defendants will continue to fight these claims on a class-wide basis in the Seventh Circuit Court of Appeals, assuming a judgment is entered on them. However, in light of defendants' comments, it seems to make little sense to ask third-party filers to undertake a Herculean task to obtain an answer to the claims form question from individuals or entities with smaller claims.

Lead Plaintiffs propose that the custodian banks and third-party filers limit their efforts to entities and individuals that have claims with an allowed loss in excess of $250,000. A monetary limitation will reduce the number of claimants that need to be contacted and asked for an answer from 12,506 to 746 for the claims submitted to date, while still capturing information from claimants

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[5] Defendants' Post-Verdict Submission (Dkt. No. 1623 at 8) ("This does not mean that Defendants intend to seek discovery of every absent class member irrespective of size. . . . This process would be focused by the concentration of the largest claimants within a small number of large institutional investors. . . . Defendants have no incentive to waste time and money on examining small shareholders."); *id*. at 16 ("it is not Defendants' intention to pursue discovery against every absent class member"); "[I]f we deposed ten entities . . . we would capture information on 50 percent of the stock ownership of this Company. . . . [T]he institutional investors who owned the lion's share of Household stock were big major sophisticated banks and other funds . . . . We could capture information about 50 percent of stock ownership by deposing only 10 of them. We could capture 60 percent by deposing only 15 of them. It may be that one or two sample depositions will tell us what we need to know and whether this is a worthwhile defense or not." March 12, 2009 Hrg. Tr. at 27; "[A]s I said, Your Honor, we could encompass 60 percent of the ownership by looking at only 15 large institutional investors." *Id*. at 32; "But we don't have any intention, your honor, of dragging every small investor in here. We need to know what the 15 big institutional investors – what they did, whether or not they can prove reliance on an individual basis, whether we can – I should put it correctly. Whether we can rebut the rebuttable presumption of reliance as to them by simply finding out the facts that were denied during fact discovery." *Id*. at 33.

who, based on current data, will receive approximately 81.3% of the damages. The reduced population will allow each third-party filer to focus their efforts on significant claims and, in their view, result in a significantly higher response rate.

Mechanically, Lead Plaintiffs propose that the process work in the following manner:

1. A Court-approved one-page notice be prepared for each $250,000+ claimant. The one-page notice should advise the claimant that a claim has been submitted on their behalf; set forth their individual claim number and their allowed loss subject to further proceedings in the district court and on appeal in the Seventh Circuit; inform the claimants that the Court may award attorneys' fees and expenses which could reduce any ultimate recovery; and advise them that they need to answer the question set forth therein or explain their inability to do so;

2. The claims administrator will prepare the customized one-page notice for each claimant and provide the forms to the third-party filers for dissemination to their claimants;

3. The third-party claims filer will be required to send the notice to each such claimant and obtain an answer to the question and a signature of the person who provided the answer; and

4. The third-party claims filers can submit the executed notice to Gilardi, as they are received.

Lead Plaintiffs believe that the third-party filers should be given 90 days from receipt of the one-page notice form to obtain executed forms. A copy of a proposed one-page notice is attached hereto as Exhibit B.

Lead Plaintiffs believe, based on discussions with the BDUG representatives, that a significant percentage of claimants will respond if this process is adopted. Obviously, it is entirely possible that many claimants may still not respond within that time or will respond by indicating that they can not answer the question. However, even these class members would remain entitled to the presumption of reliance. It remains unclear how defendants will rebut it.

III. CONCLUSION

Lead Plaintiffs believe that their plan presents a workable solution, which will allow third-party filers to obtain additional information from larger class members without turning the process into a Herculean task. If the Court needs additional information or would prefer to have a status conference to consider these issues, Lead Counsel for plaintiffs are available at the Court's convenience.

DATED: May 6, 2011

Respectfully submitted,

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DECLARATION OF SERVICE BY ELECTRONIC MAIL AND U.S. MAIL

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and employed in the City and County of San Diego, State of California, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 655 W. Broadway, Suite 1900, San Diego, California 92101.

2. That on May 6, 2011, declarant served by electronic mail and by U.S. Mail to the parties the following document: LEAD PLAINTIFFS' PROPOSED PLAN FOR OBTAINING RESPONSES TO THE DISCOVERY INQUIRY ON THE PROOF OF CLAIM FORM.

The parties' e-mail addresses are as follows:

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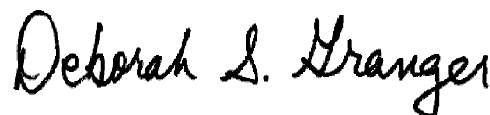
I declare under penalty of perjury that the foregoing is true and correct. Executed this 6th day of May, 2011, at San Diego, California.



DEBORAH S. GRANGER