

**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, )	
	) <u>CLASS ACTION</u>
Plaintiff, )	
	) Judge Ronald A. Guzman
vs. )	Magistrate Judge Nan R. Nolan
	)
HOUSEHOLD INTERNATIONAL, INC., et )	
al., )	
	)
Defendants. )	
_____ )	

**REPORT OF GILARDI & CO. LLC**  
**REGARDING CLAIMS ADMINISTRATION**

1. Gilardi & Co. LLC (“Gilardi”) is the Court-appointed notice and claims administrator in this action. We submit this document to provide the Court with our report regarding the notice procedure, the claims process, and our determination of the allowed loss for each class member that, in our view, has a valid claim, and to provide the Court with information about claims that should, in our view, be rejected.

**DISSEMINATION OF THE NOTICE AND  
THE RESPONSE BY POTENTIAL CLASS MEMBERS**

2. As we reported to the Court in June 2011, Gilardi compiled a list of 440,164 potential class members in February 2006 in connection with our efforts to identify and mail the Notice of Pendency and Proposed Partial Settlement of Class Action. On January 24, 2011 we mailed the Notice of Verdict and Proof of Claim (the “Notice of Verdict”), dated January 11, 2011 to these same potential class members. *See* Declaration of Michael Joaquin dated June 10, 2011, ¶3 [Dkt. No. 1766-2]. In addition, Gilardi staff members sent claim packages and cover letters to a list of 225 brokerages, custodial banks and other institutions that hold securities in “street name” as nominees for the benefit of their customers who are the beneficial owners. Gilardi included a cover letter with these claims packages which advised the nominal holders of the Notice of Verdict and requested their cooperation in forwarding the claim packages to beneficial owners. Joaquin Decl., ¶4. Finally, Gilardi sent the Notice of Verdict to 559 electronic filers, who typically file claims on behalf of beneficial owners with whom they have a fiduciary relationship. Joaquin Decl., ¶5.

3. As of the date of this Report, Gilardi has sent a total of 646,719 claim packages to potential class members and Nominees. Gilardi also caused the summary notice to be published in *USA Today*, as ordered by this Court. Joaquin Decl., ¶11.

4. In response to the dissemination of the Notice and Proof of Claim Form, Gilardi received 80,112 claims from potential class members.

## CLAIMS PROCESSING

5. Beginning with the submission of the first claim on January 27, 2011, we processed claims as they were received in our office. We performed reviews to determine whether the claims, among other things:

(a) actually related to the acquisition and sale of Household common stock, as opposed to other securities;

(b) related to the acquisition and sale of Household common stock during the relevant time period;

(c) were incomplete in some way that would require the claimant to submit additional information or undertake some other action to cure any perceived deficiency;

(d) were duplicative of other claims submitted on behalf of or by the class member;

(e) contained any data errors, pricing errors or other anomalies that required our staff to engage in additional contact with the claimant to resolve any discrepancies;

(f) contained any other potential deficiency.

6. In addition to the Notice of Verdict, we also sent one-page forms to 641 class members whose initial claims were valued in excess of \$250,000 pursuant to this Court's May 31, 2011 Order. The supplemental claim forms contained the reliance question previously set forth on page 5 of the Proof of Claim form, as such were mailed with the Notice of Verdict. In response to the supplemental notice or other request for additional information by Gilardi, 580 of those 641 class members provided an answer to the question or explained the reasons for their inability to answer the question on page 5.

## CALCULATION OF ALLOWED LOSSES

7. In addition to the determination of claim eligibility, Gilardi also calculated the allowed loss for each claim which appeared to be valid based on our initial screening process. In performing these calculations, we used the method for calculating the recognized loss adopted by this Court in the Notice of Verdict:

Pursuant to the Jury Verdict, Class Members who file timely and valid claims which are approved are entitled to recover pursuant to the following Recognized Loss calculation which is based on the 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 [the Jury's Daily Inflation Chart] 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.

8. At this point, we have substantially completed the claims process. Relying on the Court’s prescribed method of calculating allowed losses, we have determined that there are 45,921 claims that generate an allowed loss. The aggregate loss amount for these 45,921 claims is \$2,225,884,588.31. A complete list of these claims is attached hereto as Exhibit A. Exhibit A is an Excel spreadsheet which contains the claim number of each claim that is valid; the name of the beneficial owner; the account number associated with that claim; and the calculation of the allowed loss associated with that claim. In light of the confidential nature of certain information set forth in Exhibit A, we understand that plaintiffs’ counsel will ask the Court to file Exhibit A under seal. Therefore, at plaintiffs’ counsel’s request, we have created a second version of this spreadsheet (Exhibit B) which only contains the claim numbers, the beneficial owner’s name, and the aggregate allowed loss.

9. The claims listed on Exhibits A and B have been subjected to rigorous review by Gilardi systems and personnel. To date, Gilardi staff have spent more than 19,000 man-hours processing and auditing claims and communicating with claimants and their representatives, and we are confident that all of the claims listed on Exhibits A and B would be approved for payment in an administration typical of a securities class action settlement. Given the nature of this matter, however, plaintiffs’ counsel have requested that we provide the Court with additional information about claims included in Exhibits A and B that continue to have a technical deficiency of some type.

While these technical deficiencies should not make a claim ineligible for payment in our view, we are identifying them for the Court's review. Exhibits A and B therefore include an alphabetical code that corresponds to the technical deficiency related to each claim. A key to the alphabetical codes is also provided.

10. One of the systematic reviews performed on each submitted claim was an analysis of whether the share transactions presented by the claimant appear to be balanced. Ideally, a claim will not show any discrepancies between the beginning and ending share totals, meaning that all shares are accounted for by transactions between those dates, and the claim is therefore exactly balanced. It is fairly common, however, for claims to have discrepancies, which are generally due to: a) gaps in recordkeeping when securities are transferred between brokerages, custodial banks, or accounts and/or b) an aged class period and the inability of the claimant to access records or systems to complete the claim.

11. Ordinarily, discrepancies in share balances would not prevent a claimant from receiving a payment in a securities distribution, and as Exhibits A and B indicate, only a relatively small number of claims have unresolved share balance discrepancies. In order to permit the Court to consider these unbalanced claims, they are identified by an asterisk on Exhibits A and B. It is not possible to know what effect the possible "missing" shares would have on the claim if they were identified and presented, except to say that it is possible that the allowed loss for that claim could go up or down, and that it is possible the missing shares, if identified, would have no effect at all on the underlying claim. There are 692 unbalanced claims on Exhibits A and B, with a combined aggregate allowed loss of \$194,286,344.62.

12. Attached as Exhibit C is a spreadsheet listing the claims Gilardi recommends be rejected. The exhibit lists the name of the beneficial owner of the claim. For each claim recommended for rejection, the exhibit provides an alphabetical code corresponding to the reason we

believe the claim is not valid. A key to the alphabetical codes is also provided. We have already sent each of these claimants a letter explaining the reason their claim is not valid, and each of these claimants has also been given an opportunity to cure their claim. We recommend that these claimants be sent a final rejection after the Court has reviewed this report, and assuming that the Court concurs with our initial determinations.

13. We believe that we have performed the claims processing and claims calculations to the best of our ability in this Action. We have followed our normal processing, audit and testing procedures and, in light of the nature of the case, gone beyond what is typically demanded from class members in terms of the amount of documentary support they were asked to submit in support of their claims. We believe that the amount of documentation and other supporting material received from class members exceeds that requested by claims administrators in the typical securities class action settlement. For example, in a typical settlement administration, Gilardi and other administrators generally accept submissions from institutions where the information provided is drawn from reliable record-keeping systems that are also used to prepare reports and tax returns, and which are generally reliable and routinely audited. Here, however, Gilardi also requested additional supporting documents or an affidavit or declaration from every institutional filer. Most of these institutional filers have provided either supporting documents extracted from their files or an affidavit or declaration regarding their submissions (in addition to signing the claim form under penalty of perjury). These submissions go beyond what is typically required to participate in a securities litigation distribution.

14. Gilardi is confident in the result of this process and that this report accurately reflects the allowable losses of eligible class members and that that these amounts have been properly calculated pursuant to the Jury Verdict.



**DECLARATION OF SERVICE BY ELECTRONIC MAIL AND BY 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 December 22, 2011, declarant caused to be served by electronic mail and by U.S. Mail to the parties the following documents:

REPORT OF GILARDI & CO. LLC REGARDING CLAIMS ADMINISTRATION

The parties' e-mail addresses are as follows:

TKavaler@cahill.com	Rstoll@skadden.com
PSloane@cahill.com	NEimer@EimerStahl.com
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and by U.S. Mail to:

Lawrence G. Soicher, Esq.  
Law Offices of Lawrence G. Soicher  
110 East 59th Street, 25th Floor  
New York, NY 10022

I declare under penalty of perjury that the foregoing is true and correct. Executed this 22nd day of December, 2011, at San Diego, California.

s/ Deborah S. Granger  
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DEBORAH S. GRANGER