

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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| LAWRENCE E. JAFFE PENSION PLAN, ON BEHALF OF ITSELF AND ALL OTHERS SIMILARLY SITUATED, |) | Lead Case No. 02-C-5893 (Consolidated) |
| |) | CLASS ACTION |
| Plaintiff, |) | Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan |
| - against - |) | |
| HOUSEHOLD INTERNATIONAL, INC., ET AL., |) | |
| Defendants. |) | |

**DEFENDANTS' STATUS REPORT FOR THE
OCTOBER 19, 2006 STATUS CONFERENCE**

CAHILL GORDON & REINDEL LLP
80 Pine Street
New York, New York 10005
(212) 701-3000

EIMER STAHL KLEVORN & SOLBERG LLP
224 South Michigan Ave.
Suite 1100
Chicago, Illinois 60604
(312) 660-7600

*Attorneys for Defendants Household
International, Inc., Household Finance
Corporation, William F. Aldinger, David
A. Schoenholz, Gary Gilmer and J.A.
Vozar*

The Household Defendants hereby submit their Status Report to apprise the Court and Plaintiffs of the matters that Defendants believe should be discussed at the October 19, 2006 status conference and to provide the Court with the context in which these matters arise.

1. State Agency Documents

As instructed by the Court, on October 5, 2006 defense counsel notified authorities in twelve states that they should communicate with the Court by October 16, 2006 if they intended to preserve previously-stated objections to Household's producing documents they deemed Confidential under state regulations and/or statutes. As of this writing, one such state (New York) requested and was granted a brief adjournment. The letters we have seen to date indicate that some states have relented but a handful of states have not. We are in the process of collecting and reviewing letters received today, and will supplement this Status Report on October 17, 2006 with a more detailed report on this subject.

2. Plaintiffs' Depositions

This matter was discussed extensively at the October 4 status conference. As a result of the Court's determination that there were two Rule 30(b)(6) depositions of Household and one Rule 30(b)(6) deposition of KPMG, the Court concluded that Plaintiffs had taken 28 depositions as of the October 4 status conference. Seven additional depositions were scheduled as of that date, bringing the total number of depositions taken or scheduled by Plaintiffs to 35. (All of Plaintiffs' taken and scheduled depositions were set forth in a list that was appended as Exhibit A to Defendants' September 29, 2006 Status Report, submitted prior to the October 4 conference.) In accordance with the Court's prior directive that each side is limited to 55 depositions, the Court instructed Plaintiffs at the October 4 conference to inform Defendants of

their remaining 20 deponents by October 11. On that deadline, however, Plaintiffs did not provide their list of remaining deponents, but only what they termed “the next 20 depositions,” including four depositions that had already been counted as previously scheduled depositions. As a result of this, and Plaintiffs’ cancellation of the other three previously scheduled depositions, Plaintiffs have taken or put Defendants on notice of only 48 depositions.

Because Plaintiffs fell short of the Court’s directive, on October 12, 2006 Craig Kesch, Defendants’ deposition coordinator, wrote to Jason Davis, Plaintiffs’ deposition coordinator, that “if Plaintiffs intend to take an additional 7 depositions, please identify those remaining depositions.” Mr. Davis responded in an October 13 letter, that “it was not our understanding that Magistrate Judge Nolan requested this at the October 4 hearing.”

Defendants believe that it was clear at the October 4 conference that the Court directed Plaintiffs to identify by October 11 **all** of Plaintiffs’ remaining depositions up to the allotted 55. Indeed, that was the only sensible course, given the limited time remaining before the firm fact discovery cut-off, and the difficulty in scheduling depositions of senior executives and non-parties in and around the upcoming holiday season. The Court used the number 20 in this context because, as of October 4, Plaintiffs had taken 28 depositions and scheduled seven others for a total of 35 depositions, which meant that the remaining depositions that could be taken by Plaintiffs, up to their maximum of 55, would indeed total “20”. Therefore, the only fair reading of the Court’s instructions on October 4 was not the number “20,” but the fact that all of Plaintiffs’ remaining depositions were to be identified by October 11 so that they could be scheduled without delay within the remaining weeks of fact discovery.

For the Court's convenience, attached as Exhibit 1 is a revised list of Plaintiffs' depositions, which reflects the Court's October 4 ruling as to the proper counting of Rule 30(b)(6) depositions, and Plaintiffs' designations of their "next 20 depositions," indicating that seven deposition slots remain to be identified if Plaintiffs intend to pursue their full allotment of 55 depositions. Defendants respectfully request the Court to instruct Plaintiffs to identify their remaining seven deponents forthwith so that scheduling and logistics can get under way in order to meet the January 31, 2007 discovery cut-off.

In addition to failing to provide a complete list of their depositions, Plaintiffs also continue to impede the scheduling of depositions by refusing to confirm dates that have been offered for depositions. As shown on Exhibit 1, as of October 16, 2006 (the date of this Status Report), Defendants have offered dates for all but six Household individuals, and are making every effort to provide dates for the remaining six as soon as possible. However, as if this issue had not been addressed in detail on October 4, Plaintiffs still refuse to confirm the offered dates for any individuals unless Defendants strictly adhere to the order in which Plaintiffs wish to depose individuals and to the dates unilaterally selected by Plaintiffs in Exhibit I to their September 12 memorandum on state agency issues. While Defendants have made every effort to accommodate Plaintiffs' proposed dates (very often satisfying their requests to the day, or coming very close), we have advised Plaintiffs that due to numerous personal and professional obligations of the witnesses it was not always possible to schedule depositions on the specific dates desired by Plaintiffs. Nevertheless, and contrary to the Court's express wishes, Plaintiffs have not confirmed even one deposition date that has been offered since the last status conference unless it was on the exact date requested by Plaintiffs in their Exhibit I.

Since Plaintiffs waited until so late in this litigation to propose an intensive deposition program (which they still have failed to describe in full), they no longer can demand the luxury of pinpointing exact dates or preferred sequences, especially given the crowded calendars of the remaining witnesses and the intervention of upcoming holidays. And the longer they wait to lock in offered dates, the harder it will be for witnesses to hold them open. Whether deliberately or not, such continued foot-dragging on the final deposition roster and dates will inevitably make it impossible to meet the court's January 31 deadline, to Defendants' significant prejudice.

We therefore respectfully ask that the Court either (a) direct Plaintiffs to confirm the available dates immediately for any witness they still intend to pursue, or (b) order *sua sponte* that the depositions go forward on the offered dates or not at all.

3. Defendants' Depositions

At the October 4 status conference, Defendants raised the issue of their own deposition program — which primarily will entail taking depositions of the remaining named Plaintiffs and some of their investment advisors. The Court said that in light of the current posture of the case and the imminent fact discovery deadline, it would review its April 18, 2005 order on this issue (which ruled that Defendants could not proceed with the depositions of certain investment advisors at that time on the issue of reliance).

Pursuant to the Court's instructions at the October 4 conference, Defendants sent Plaintiffs' deposition coordinator an October 11, 2006 letter with a list of 14 entities that Defendants presently wish to depose (three named Plaintiffs and 11 of Plaintiff PACE's investment advisors). Defendants noted in this letter that since they would not receive Plaintiffs'

answers to their contention interrogatories until November 30 (two months prior to the close of fact discovery, as directed by the Court), Defendants expressly reserved the right to supplement, amend or otherwise modify the list of their intended depositions. In this letter, Defendants requested dates for these depositions in December and January, to assure that the depositions will be completed before January 31, 2007. Plaintiffs have yet to respond to these requests.

The Court should be aware that despite Plaintiffs' lack of activity as to their remaining depositions and Defendants' requested depositions, Plaintiffs have recently served two additional Requests for Production of Documents on Defendants and one additional set of Requests for Admission, the responses to all of which are due in November. As set forth below, Plaintiffs also requested (and we granted) an extra eight days in which to answer six outstanding interrogatories interposed by Defendants. This afternoon Plaintiffs also served two additional rounds of discovery motions for presentment on Thursday. Without getting into the merits of these additional filings, we respectfully ask the Court to reiterate to Plaintiffs that in the limited time remaining they may not selectively devote all of their attention and resources to discovery matters that they believe will advance their case while continuing to ignore their obligations to cooperate in identifying and scheduling their final slate of depositions and reciprocal discovery by Defendants.

4. Defendants' Supplemental Interrogatories

Pursuant to the Court's authorization in its August 10, 2006 Order, on September 15, 2006, Defendants served six interrogatories supplementing and clarifying six previous interrogatories that Plaintiffs had failed to answer with specifications of the products and related revenues that they include within their "predatory lending" allegations. On October 13, 2006, Plaintiffs requested and Defendants consented to an additional week for Plaintiffs to respond to these interrogatories and Plaintiffs' responses now are due by October 24, 2006. Given the short time remaining for fact discovery, Defendants wish to discuss these supplemental interrogatories and Plaintiffs' responses to them at the October 19 conference.

While Defendants hope that Plaintiffs will use the extra time they received to provide substantive answers to the supplemental interrogatories, to the extent that Plaintiffs intend to object in whole or in part to these six core questions, they should so inform Defendants and the Court at or before the October 19 conference so that any differences can be identified and discussed, and possibly resolved before the October 24 responses are due. This will allow Defendants to receive answers in sufficient time to prepare any follow-up discovery they may need as a result of the answers.

5. HSBC Holdings plc

The Court may recall that at the October 4 conference, Plaintiffs insisted on proceeding with that portion of their September 21, 2006 motion that sought to compel Household (a) to produce the documents of its corporate successor's ultimate parent, HSBC Holdings plc, a United Kingdom company, and (b) to consent to the production of documents in

the possession of Morgan Stanley & Co. International Limited, another U.K. company outside of this Court's jurisdiction and Household's control. (All of the requested documents pertain to the negotiation and implementation of HSBC's acquisition of Household in the year following the end of the Class Period.)

The most recent developments on this subject are set forth below. They reinforce Household's recommendation that completion of the record and consideration of Plaintiffs' motion should be deferred until after the parties can determine whether the documents to be produced voluntarily by the two British entities satisfy Plaintiffs' belated interest in these post-Class Period events.

It is our understanding that HSBC Holdings plc, through its counsel, Cleary Gottlieb Steen & Hamilton, has agreed (i) to produce non-privileged documents within its control in the United States regarding the negotiation and evaluation of its 2003 acquisition of Household, and (ii) to allow Morgan Stanley & Co. International Limited to produce documents it created or received in connection with that transaction, all subject to appropriate confidentiality arrangements. It is our understanding that production of such material will begin no later than October 27, 2006, and will continue on a rolling basis. Defendants believe that this arrangement renders moot Plaintiffs' motion to compel Household to produce the documents of its successor's ultimate parent and those of its London-based investment advisor. As Defendants point out in a separate brief filed today, at a minimum Plaintiffs' motion should be tabled pending Plaintiffs' receipt and review of the promised documents, which may obviate the need for further proceedings.

* * *

The above items are those that Defendants believe should be discussed at the October 19 status conference. Defendants, however, will be prepared to discuss any other items that may be raised in any Status Report filed by Plaintiffs, and any items the Court may wish to raise.

Dated: October 16, 2006
Chicago, Illinois

Respectfully submitted,

EIMER STAHL KLEVORN & SOLBERG LLP

By: /s/ Adam B. Deutsch
Nathan P. Eimer
Adam B. Deutsch

224 South Michigan Ave.
Suite 1100
Chicago, Illinois 60604
(312) 660-7600

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
(212) 701-3000

Attorneys for Defendants Household
International, Inc., Household Finance
Corporation, William F. Aldinger, David A.
Schoenholz, Gary Gilmer and J.A. Vozar

CERTIFICATE OF SERVICE

Adam B. Deutsch, an attorney, certifies that on October 16, 2006, he caused to be served a copy of the DEFENDANTS' STATUS REPORT FOR THE OCTOBER 19, 2006 STATUS CONFERENCE, to the parties listed below via the manner stated.

/s/ Adam B. Deutsch

Adam B. Deutsch

Via E-mail and Fed-Ex

Marvin A. Miller
Lori A. Fanning
MILLER FAUCHER and CAFFERTY LLP
30 North LaSalle Street, Suite 3200
Chicago, Illinois 60602
(312) 782-4880
(312) 782-4485 (fax)

Via E-mail and Fed-Ex

Patrick J. Coughlin
Azra Z. Mehdi
Cameron Baker
Luke O. Brooks
LERACH COUGHLIN STOIA
& ROBBINS LLP
100 Pine Street, Suite 2600
San Francisco, California 94111
(415) 288-4545
(415) 288-4534 (fax)