

**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.)	
_____)	

**THE DECLARATION OF JASON C. DAVIS IN SUPPORT OF THE CLASS' MOTION
FILED BY LEAVE OF COURT PURSUANT TO THE FEBRUARY 12, 2007 ORDER TO
COMPEL PRODUCTION OF E-MAILS AND DEPOSITION TESTIMONY BY
MORGAN STANLEY PURSUANT TO THE CLASS' MARCH 7, 2006 SUBPOENA**

(REDACTED VERSION)

I, JASON C. DAVIS, declare as follows:

1. I am a member of the bar of the State of New York, admitted to this Court *pro hac vice* in connection with the above captioned matter. I am associated with the law firm of Lerach Coughlin Stoia Geller Rudman & Robbins LLP, one of the counsel of record for Lead Plaintiffs and the Class in the above-entitled action. I have personal knowledge of the matters stated herein and, if called upon, I could and would competently testify thereto.

2. I have been told and believe that after the Class served the March 7, 2006 subpoena, the Class communicated with Mr. McKnight, who made it clear during that period that he understood the subpoena covered both research analyst topics and the merger with HSBC Holdings, plc.

3. On December 29, 2006, I participated in a conference call with my colleague D. Cameron Baker and in-house counsel for Morgan Stanley, Riche McKnight. During that telephone conversation, the parties discussed the best means of producing e-mails. Mr. McKnight indicated his willingness to provide a limited e-mail production provided the Class could sufficiently tailor search terms. The Class requested a description of the types of searches that would be acceptable to Morgan Stanley's technology systems but did not receive such a description. The Class provided Mr. McKnight with search terms on January 2, 2006, *see* Ex. 5 attached hereto, and agreed to work with Mr. McKnight to further tailor those terms following the interviews of Messrs. Posner and Pruzan. Given the Class' favorable working relationship with Mr. McKnight, the Class was comfortable that Mr. McKnight would produce e-mails before the end of discovery on January 31, 2007. This expectation was realistic because, on December 29, 2006, Mr. McKnight clearly stated to me and Mr. Baker that it would take "one week" to search *and* produce e-mails. Mr. McKnight also communicated on December 29, 2006, that Morgan Stanley conducts e-mail searches of the nature requested by the Class as a matter of course, and that the main barrier he faced (following

agreement on search terms) to production was the technology department's queue of other e-mail search requests.

4. On the morning of January 19, 2007, Mr. Baker, my colleague Luke O. Brooks and I participated in a telephone conference call with Mr. McKnight. The call related to logistical matters in advance of the interviews of Messrs. Posner and Pruzan. Mr. McKnight did not advise us at that point, or at any point before that day, that he was going to invite defense counsel to attend the interviews. Later in the day on January 19, 2007, just before the first interview was about to commence, Mr. McKnight informed us that Susan Buckley of Cahill Gordon & Reindel LLP was physically present at Morgan Stanley's offices and would attend both interviews. The Class communicated its position that Mr. McKnight had committed a serious breach of his long-standing agreement with the Class and asked Mr. McKnight to provide deposition dates for the witnesses.

5. Attached are true and correct copies of the following exhibits:

- Exhibit 1: Notice of Videotaped Deposition and Request for Production of Documents of Non-Party Morgan Stanley & Co., Inc., dated March 7, 2006;
- Exhibit 2: Letter from D. Cameron Baker to Arwen Handley of Morgan Stanley (London), copying Riche McKnight of Morgan Stanley (New York) dated July 25, 2006;
- Exhibit 3: E-mail from D. Cameron Baker to Riche McKnight dated October 23, 2006;
- Exhibit 4: E-mail correspondence between D. Cameron Baker and Riche T. McKnight dated October 23-26, 2006;
- Exhibit 5: E-mail correspondence between Jason C. Davis and Riche T. McKnight from December 15, 2006 to January 11, 2007;
- Exhibit 6: Letter from Todd S. Fishman of Allen & Overy to D. Cameron Baker dated January 25, 2007;
- Exhibit 7: E-mail correspondence among Jason C. Davis, Todd S. Fishman, and Craig Kesch from January 26 to February 1, 2007;
- Exhibit 8: E-mail correspondence among Jason C. Davis, Todd S. Fishman, and Craig Kesch dated January 26, 2007;

- Exhibit 9: Excerpts of Household's Definitive Proxy Statement filed with the Securities and Exchange Commission on February 26, 2003;
- Exhibit 10: Excerpt of Chart Reflecting Historic Trading Prices and Volumes of Household Common Stock, Obtained from "Sungard" Database;
- Exhibit 11: Excerpt of Morgan Stanley's form 10-K filed with the Securities and Exchange Commission on February 13, 2007;
- Exhibit 12: Morgan Stanley Report on Household International entitled "Discounts the Risk: Upgrade," dated July 31, 2002, Bates Nos. MS/HOUSEHOLD 000506-22 (filed under seal); and
- Exhibit 13: Disclosure Schedule to the Agreement and Plan of Merger by and among HSBC Holdings, plc, Household International, Inc., and H2 Acquisition Corporation, dated November 14, 2002, Bates Nos. HSBC 022797-882 (filed under seal).

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 14th day of February, 2007, at San Francisco, California.

S/ Jason C. Davis
JASON C. DAVIS

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DECLARATION OF SERVICE BY EMAIL 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 Francisco, over the age of 18 years, and not a party to or interested party in the within action; that declarant's business address is 100 Pine Street, Suite 2600, San Francisco, California 94111.

2. That on February 14, 2007, declarant served by electronic mail and by U.S. Mail to the parties the: **THE DECLARATION OF JASON C. DAVIS IN SUPPORT OF THE CLASS' MOTION FILED BY LEAVE OF COURT PURSUANT TO THE FEBRUARY 12, 2007 ORDER TO COMPEL PRODUCTION OF E-MAILS AND DEPOSITION TESTIMONY BY MORGAN STANLEY PURSUANT TO THE CLASS' MARCH 7, 2006 SUBPOENA (REDACTED VERSION)**. The parties' email addresses are as follows:

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and by U.S. Mail to:

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Todd S. Fishman
Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020

I declare under penalty of perjury that the foregoing is true and correct. Executed this 14th day of February, 2007, at San Francisco, California.

s/ Marcy Medeiros

MARCY MEDEIROS