

**STENGER & STENGER**  
A MICHIGAN PROFESSIONAL CORPORATION

PHILLIP S. STENGER  
ADMITTED IN MI, KY, MN., GA & CO  
KAY GRIFFITH HAMMOND  
ADMITTED IN MI  
LAURA D. DUSTON  
ADMITTED IN MI, KY, GA, CO, & MD  
JOSEPH M. JAMMAL  
ADMITTED IN MI & MN  
DUSTIN H. ALLEN  
ADMITTED IN IN  
JESSICA WASSENBERG  
ADMITTED IN MN

2618 EAST PARIS AVENUE SE  
GRAND RAPIDS, MICHIGAN 49546

TELEPHONE (616) 940-1190  
FACSIMILE (616) 940-1192  
TOLL FREE (888) 305-7775

OF COUNSEL:  
LEWIS G. MOSBURG, JR.  
ADMITTED IN MI & OK  
LEE T. SILVER  
ADMITTED IN MI  
DOUGLAS W. VAN ESSEN  
ADMITTED IN MI  
DENISE M. HALLETT  
ADMITTED IN IN  
MELISSA HOFFMAN  
ADMITTED IN NJ & PA  
DANIEL A. MANCINI  
ADMITTED IN NJ & PA  
BRETT P. RILEY  
ADMITTED IN CO & WY

February 8, 2013

Hon. Ronald A. Guzman  
United States District Court for the  
Northern District of Illinois  
219 South Dearborn Street, Room 1219  
Chicago, IL 60604

Re: *Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., et al.*  
Case No.: 02-CV-5893 (N.D. Ill.)  
**Special Master's Second Status Report to Court**

Dear Judge Guzman:

Following is my second Status Report to the Court since my September 21, 2012 appointment as Special Master in the captioned matter.

**Status Report:** On January 22, 2013, in anticipation of the meeting scheduled with the Special Master for January 31, 2013, the parties jointly submitted to the Special Master a list of all claims in this matter broken down into four separate categories ("**Summary of Claims Objections**"). The categories were as follows: "*List 1*" contains a list of all claims together with recoverable loss amount as to which the parties agree that there are no outstanding ministerial objections and therefore should be approved as filed; "*List 2*" contains a list of all claims as to which the parties agree that the claimant answered "Yes" to the reliance question and such claimants are entitled to a trial as to damages; "*List 3*" contains a list of all claims which the parties agree should be rejected; and "*List 4*" contains a list of claims that the parties agree require a decision by the Special Master. The parties will provide the Special Master with finalized, agreed upon, List 1 claims (agreed upon approved claims), List 2 claims (agreed upon claims requiring trial) and List 3 claims (agreed upon claims to be rejected), by February 11,

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2013, and, thereafter, the Special Master will file a Report and Recommendation with the Court as to List 1, 2 and 3.

List 4 which was prepared jointly by the parties encompasses claims that were: a) originally objected to by the defendants' February 27, 2012 pleading entitled *Defendants' Objections to Certain Claims Included in the Report of Claims Administrator Gilardi & Co.* ("Defendants' February 27, 2012 Objections") (Dkt. No. 1800); b) new objections to approximately 6,501 claims that were not identified in Defendants' February 27, 2012 Objections but that the defendants contend are subject to the Court's Orders of September 21, 2012 and December 6, 2012; and c) approximately 1,405 claims as to which defendants lodged objections on February 27, 2012, but have now asserted one or more additional objections. In addition, the parties provided the Special Master with copies of all pertinent pleadings and the accompanying exhibits that were filed under seal.

The parties met with the Special Master in Grand Rapids, Michigan, on January 31, 2013. In attendance were the Special Master, and his counsel, Laura Duston and Kay Griffith Hammond of Stenger & Stenger, PC, plaintiffs' counsel Michael Dowd, Spencer Burkholz and Mike Torres of Robbins Geller Rudman & Dowd LLP, and defendants' counsel Ryan Stoll, Mark Rakoczy and Donna McDevitt of Skadden, Arps, Slate, Meagher & Flom LLP. The session was mainly informational in nature which allowed the parties to present an overview of the claims objections and their positions on each. The Summary of Claims Objections was reviewed at length so that the Special Master could determine the best way to address each area of concern. In order to identify the categories of objections, the parties have adopted the numbering system used in Defendants' February 27, 2012 Objections pleadings. After lengthy discussion as to each objection category and a brief overview of the parties' position as to each, it was decided that the parties would proceed as follows:

1. Category A objections as to claims filed by third parties without evidence of third party's authority to file on behalf of beneficial owner. It was decided that it would be in the best interest of both parties to defer this issue until after resolution of the Category D objections pertaining to reliance. This issue could potentially become moot if supplemental forms are required to be completed by each beneficial owner thus ratifying their original claim.
2. Category B objections as to incomplete or defective proofs of claims.
  - a. B.1. objections as to claims filed by beneficial owners without supporting documentation. The parties will work together to clean up List 4 regarding each of the specific claims in this category as there are some objections which have been resolved and removed. The parties will jointly present their updated list to the Special Master by February 11, 2013. The plaintiffs contend that the parties have already briefed these issues as indicated in their

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briefs dated February 27, 2012 (Dkt. No. 1800); March 28, 2012 (Dkt. No. 1802); May 9, 2012 (Dkt. No. 1817); and May 18, 2012 (Dkt. No. 1820). Defendants contend that the objections were to have been referred to the magistrate judge and therefore the specifics of the issues were not adequately briefed. The Special Master will review this issue and make a recommendation to the Court as to whether or not he believes additional briefing is required.

- b. B.2. objections as to claims filed by third party claims filing services without supporting documentation. The parties will work together to clean up List 4 regarding each of the specific claims in this category as there are some objections which been agreed to and removed. The parties will jointly present their updated list to the Special Master by February 11, 2013. Plaintiffs contend that the parties have already briefed these issues as indicated in their briefs dated February 27, 2012 (Dkt. No. 1800); March 28, 2012 (Dkt. No. 1802); May 9, 2012 (Dkt. No. 1817); and May 18, 2012 (Dkt. No. 1820). Defendants contend that the objections were to have been referred to the magistrate judge and therefore the specifics of the issues were not adequately briefed. The Special Master will review this issue and make a recommendation to the Court as to whether or not he believes additional briefing is required.
- c. B.3. objections as to unbalanced claims. It was mutually agreed that the best way for the Special Master to review the unbalanced claims objections was to take a sampling of approximately 20 claims in this category in order to determine what the general and recurring issues are. In determining the sample, the top 5 highest claims are to be included along with 15 other random claims. The Special Master will prepare the list of claims to be sampled and will provide this list to both parties. Within two weeks, each party will then provide the Special Master with their positions as to each. The Special Master can then review the information provided by the parties in order to make a determination as to each issue raised. The parties can then use the Special Master's determinations as rules or guidelines to address the remaining claims in this category.
- d. B.4. objections as to claims with negative balances. The parties will use the same sampling procedure as described for category B.3 objections.
- e. B.5. objections as to claims relating to other than Household stock. The parties will work together to clean up List 4 regarding each of the specific claims in this category as there are some which have been agreed to and removed. The parties will present their updated list to the Special Master by

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February 11, 2013. The plaintiffs contend that the parties have already briefed these issues as indicated in their briefs dated February 27, 2012 (Dkt. No. 1800); March 28, 2012 (Dkt. No. 1802); May 9, 2012 (Dkt. No. 1817); and May 18, 2012 (Dkt. No. 1820). Defendants contend that the objections were to have been referred to the magistrate judge and therefore the specifics of the issues were not adequately briefed. The Special Master will review this issue and make a recommendation to the Court as to whether or not he believes additional briefing is required.

3. Category C objections as to overstated claim amounts.
  - a. C.1. objections as to duplicate claims. These issues have already been resolved between the parties.
  - b. C.2. objections as to claims with no reported trading activity during the relevant period. The parties have reduced this list to five (5) claims with the largest amount at issue of approximately \$2,900. Plaintiffs have agreed to supply the Special Master with pertinent correspondence exchanges on this issue by February 18, 2013.
  - c. C.3. objections as to claims which defendant has calculated the loss to be less than Gilardi's. The parties will use the same sampling procedure as described for category B.3 objections.
4. Category D objections as to claims with a "yes" answer or "no answer" to the reliance question.
  - a. D.1. objections as to claims with a "yes" answer. The parties have agreed that pursuant to this Court's Orders dated September 21, 2012 (Dkt. No. 1822) and December 6, 2012 (Dkt. No. 1836), these claimants are entitled to a trial as to damages. The parties will review the list of claims in this category ("List 2") and jointly submit an updated list to the Special Master by February 11, 2013. The Special Master will then be able to recommend to the Court the list of claimants in this category who are entitled to further proceedings.
  - b. D.2. objections as to claims filed by beneficial owners with no answer to reliance question. According to this Court's Order dated September 21, 2012 (Dkt. No. 1822), the claims of these claimants will be rejected. The parties will review the list of claims in this category ("List 3") and jointly submit an updated list to the Special Master by February 11, 2013. The Special Master will then be able to recommend to the court the list of claimants in this category whose claims will be rejected.

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- c. D.3. objections as to claims filed by third parties on behalf of beneficial owners with allowed losses in excess of \$250,000 without an answer to reliance question. This category involves approximately sixty (60) claims. The plaintiffs contend that forty-one (41) of these objections involve claimants who provided no answer to the reliance question, but did provide an explanation as to why they could not answer the question. The plaintiffs contend that the remaining nineteen (19) objections totaling approximately \$19.9 million were not brought forth in the Defendants' February 27, 2012 Objections and have therefore been waived. The parties have agreed that by February 11, 2013, the plaintiffs will provide to the Special Master a list of all sixty (60) claims in this category with a copy of any explanation provided by the claimants in lieu of an answer to the reliance question. By February 18, 2013, the defendants will provide a list to the Special Master and the plaintiffs of all sixty (60) claims in this category to which they object and set forth their objections as to each. The plaintiffs will then have an opportunity to review the additional nineteen (19) objections raised by the defendants, and to provide their position as to these objections to the Special Master by February 25, 2013.
- d. D.4. objections to claims filed by third parties on behalf of beneficial owners with allowed losses less than \$250,000 without an answer to reliance question.
- i. Pursuant to the Court's Order dated December 6, 2012 (Dkt. No. 1836), the Plaintiff has been given permission to resend a proof of claim form with the reliance question to these claimants by May 1, 2013. These claimants will have until June 30, 2013 to complete and return the claim form. The parties discussed the possibility of sending out a simplified version of the claim form to these claimants with solely the reliance question, as was done for the claimants with allowed losses above \$250,000. On February 4, 2013, the parties filed an *Agreed Motion for Clarification of the Court's December 6, 2012 Order Regarding Supplemental Notice to Class Members with Claims of Less than \$250,000 Who Filed Claims Through a Custodian Bank or Third Party Filer* (Dkt. No. 1842) ("Agreed Motion"). The Agreed Motion was granted by this Court on February 5, 2013 (Dkt. No. 1844) approving the use of the simplified form.
  - ii. The plaintiffs also contend that the defendants have added an additional 7,800 objections to this category since the filing of the Defendants' February 27, 2012 Objections. The plaintiffs contend that since their objections to the 7,800 additional claims were not identified

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by the original submission, the defendants have waived any further objections. The defendants contend that these additional objections were required pursuant to the Court's clarification orders of September 21, 2012 (Dkt. No. 1822) and December 6, 2012 (Dkt. No. 1836) regarding the reliance issue. The Special Master has requested that the parties each brief the issue regarding waiver of objections. The plaintiffs shall submit their brief to the Special Master by February 18, 2013, and the defendants' response shall be due to the Special Master February 25, 2013.

- e. D.5. objections as to claims filed by third party filers with claims amounts greater than \$250,000 who have not answered the reliance question or answering "no" to the reliance question by the third party only. The defendants contend that this is merely a subset of the category D.3. objections. Plaintiffs contend the defendants have waived any right to raise these objections as they were not originally raised as part of the Defendants' February 27, 2012 Objections. The parties will brief this issue as indicated above.
  - f. D.6. objections as to claims filed by third party filers with claim amounts less than \$250,000 not answering the reliance question or answering "no" to the reliance question. Defendants contend this is a new subset that contains all objections regarding this matter including the 7,800 not previously identified. Plaintiffs object to any additional objections not previously raised in the Defendants' February 27, 2012 Objections. The parties will brief this issue as indicated above.
  - g. D.7. objections to claims with claim amounts greater than \$250,000 filed by third party filers with capacity of supplemental form signatory unspecified. Defendants contend this is a new subset that contains approximately seven (7) claims and is a result of the Court's clarification Orders of September 21, 2013 (Dkt. No. 1822) and December 6, 2012 (Dkt. No. 1836). Plaintiffs object to any additional objections not previously raised in the Defendants' February 27, 2012 Objections. The parties will brief this issue as indicated above.
5. Category E objections as to untimely filings.
- a. E.1. objections as to initial claims postmarked after May 24, 2011. This is a legal issue that can be reviewed and a recommendation made to the Court by the Special Master. This issue has been briefed by the parties and no further submissions are required.

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- b. E.2. objections as to claims filed by third party filers with supplemental claims postmarked after September 12, 2011 which updated the reliance question answer to “no,” with claim amounts greater than \$250,000. This is a legal issue that can be reviewed and a recommendation made to the Court by the Special Master. This issue has been briefed by the parties and no further submissions are required.
6. Category F. objections as to class exclusions.
- a. F.1. objections as to Household employees. The defendants will provide a list of those claimants they believe are Household employees, the source used to determine their employment status and their alleged dates of employment to the Special Master and to the plaintiffs by February 18, 2013. The Special Master will review this list and make a determination as to how to proceed.
  - b. F.2. objections as to Vanguard Fiduciary Trust TRIP claim submission. This involves one claim which both parties agree contains a legal issue. The Special Master shall review and make a recommendation to the Court. This issue has been briefed by the parties and no further submissions are required.
  - c. F.3. objections as to claims filed by HSBC with HSBC as the beneficiary. This objection has been resolved and withdrawn by the defendants.
  - d. F.4. objections as to claims investing in the HSBC ADS Fund. This category involves fourteen (14) claims which also contain a legal issue. The Special Master shall review and make a recommendation to the Court. This issue has been briefed by the parties and no further submissions are required.

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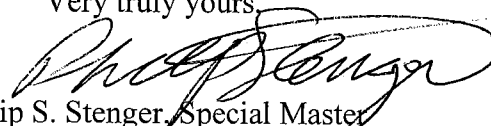
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7. Miscellaneous:

- a. Further proceedings. After the Special Master has had an opportunity to review the information provided above, he will be able to determine if any further meetings between the parties will be required.

Very truly yours,



Phillip S. Stenger, Special Master

c: Michael J. Dowd  
Spencer Burkholz  
Marvin A. Miller  
R. Ryan Stoll  
Mark E. Rakoczy  
Service List