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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from material change requirements, proxy requirements, insider reporting requirements, Canadian GAAP reconciliation requirement, Canadian GAAS reconciliation requirement and certain short form prospectus form requirements in connection with Canadian affiliate of MJDS eligible U.S. issuer proposing to issue approved-rating debt, guaranteed by affiliated U.S. issuer, using a short form prospectus – Canadian issuer and U.S. affiliate both indirect wholly owned subsidiaries of same U.S. public company

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 85, 87, 91, 117(2), 119(2)(b)

National Instrument 44-101 *Short Form Prospectus Distributions*

National Instrument 44-102 *Shelf Distributions*

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR AND PRINCE EDWARD ISLAND

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF HOUSEHOLD FINANCE CORPORATION AND HOUSEHOLD FINANCIAL CORPORATION LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island (the “Jurisdictions”) has received an application from Household Finance Corporation (“Household Finance”) and its affiliate Household Financial Corporation Limited (“Household Canada”, and together with Household Finance, the “Applicants”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that, commencing as of the date of the Decisions (as hereinafter defined), the Applicants be exempted from the following requirements contained in the Legislation:

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- (A) the requirement pursuant to National Instrument 44-101 (“NI 44-101”) to reconcile financial statements included in a prospectus and prepared in accordance with generally accepted accounting principles (“GAAP”) of a foreign jurisdiction to Canadian GAAP (the “Canadian GAAP Reconciliation Requirement”);
- (B) the requirement to provide, where financial statements are audited in accordance with generally accepted auditing standards (“GAAS”) of a foreign jurisdiction, a statement by the auditor (a) disclosing any material differences in the form and content of the auditor’s report as compared to a Canadian auditor’s report and (b) confirming that the auditing standards of the foreign jurisdiction are substantially equivalent to Canadian GAAS (the “Canadian GAAS Reconciliation Requirement” and together with the Canadian GAAP Reconciliation Requirement, the “Reconciliation Requirements”);
- (C) the requirement under the Legislation of Ontario, Quebec and Saskatchewan that Household Canada have a current AIF and file renewal AIFs (collectively, the “AIF Requirements”);
- (D) the requirement that Household Canada issue and file news releases with respect to material changes and file material change reports (collectively, the “Material Change Requirements”);
- (E) the requirement that Household Canada satisfy the proxy and proxy solicitation requirements, including the requirement to file an information circular or report in lieu thereof annually (the “Proxy Requirements”);
- (F) the requirement that the insiders of Household Canada file insider reports (the “Insider Reporting Requirements”); and
- (G) the requirement that a short form prospectus include the information set forth in items 12.1(1)(1) and 12.1(1)(2), items 12.1(1)(5) to 12.1(1)(8) and items 12.2(1) and 12.2(4) of Form 44-101F3 of NI 44-101 (“Form 44-101F3”) (the “Prospectus Disclosure Requirements”).

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AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Applicants have represented to the Decision Makers that:

1. Household Finance was incorporated under the laws of the State of Delaware in 1925 and is not a reporting issuer or the equivalent in any of the Jurisdictions.
2. Household Finance is a reporting company under the United States *Securities Exchange Act of 1934*, as amended (the “1934 Act”) and has filed with the Securities and Exchange Commission (the “SEC”) annual and quarterly reports on Form 10-K and Form 10-Q, respectively, during the past 12 months, in accordance with the filing obligations set out in the 1934 Act.
3. Household Finance satisfies the criteria set forth in paragraph 3.1(a) of National Instrument 71-101 (“NI 71-101”) and is eligible to use the multi-jurisdictional disclosure system (“MJDS”) (as set out in NI 71-101) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure.
4. As at December 31, 2002, Household Finance and its consolidated subsidiaries had approximately US\$70.3 billion in senior and subordinated debt instruments outstanding (with original maturities over one year). All of Household Finance’s outstanding long-term senior debt is rated “A-” by Standard & Poor’s Corporation and “A2” by Moody’s Investors Service.
5. Household Finance is a wholly-owned subsidiary of Household International, Inc., a publicly owned Delaware company (“Household International”).
6. On November 14, 2002, Household International and HSBC Holdings plc (“HSBC”) announced that they had entered into a definitive merger agreement under which Household International will be merged into a wholly owned subsidiary of HSBC. Completion of the merger is subject to regulatory approvals, the approval of the stockholders of both Household International and HSBC and other customary conditions.

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7. Household Finance offers real estate secured loans, auto finance loans, MasterCard™ and Visa™ credit cards, private label credit cards, tax refund anticipation loans and other types of unsecured loans to consumers in the United States. Where applicable laws permit, Household Finance also offers credit and specialty insurance to customers in connection with its products. Household Finance's (including its consolidated subsidiaries) managed receivables at December 31, 2002 was approximately US\$98.6 billion and its net income for the year ended December 31, 2002 was approximately US\$1.6 billion.
8. Household Canada, formerly Household Securities Limited, was incorporated by Letters Patent on September 9, 1947, pursuant to a predecessor to the *Business Corporations Act* (Ontario). Household Canada changed its name from Household Securities Limited to Household Financial Corporation Limited on August 13, 1975 when a Certificate and Articles of Amendment were issued.
9. The authorized share capital of Household Canada consists of 100,000 common shares ("Shares"), of which 90,002 Shares were outstanding as at December 31, 2002. All of the Shares are owned, directly or indirectly by Household International. In addition to the Shares, Household Canada also has outstanding medium term notes and commercial paper, all of which are fully guaranteed by Household Finance. As at December 31, 2002, Household Canada and its consolidated subsidiaries had approximately Cdn.\$1.5 billion in medium term notes and approximately Cdn.\$678.0 million in commercial paper outstanding. The medium term notes and the commercial paper are the only securities of Household Canada that are held by the public.
10. Household Canada coordinates the activities of, arranges the funding of, and furnishes administrative services for its subsidiaries. Household Canada offers a diversified range of consumer financial services to the Canadian public through a network of approximately 109 retail branches. These services include consumer loans, mortgages, retail finance, revolving credit and the acceptance of deposits. They are offered by Household Canada through four principal operating subsidiaries: Household Finance Corporation of Canada, Household Realty Corporation Limited, Household Finance Corporation Inc. and Household Trust Company.
11. Household Canada is an indirect wholly-owned subsidiary of Household International.

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The authorized share capital of Household Canada consists of 100,000 common shares

12. Household Canada is a reporting issuer or the equivalent in the Jurisdictions and is not included in a list of defaulting reporting issuers maintained by any of the Decision Makers.
13. Household Canada has maintained a medium term note program in the Jurisdictions by way of a short form shelf prospectus for more than 10 years.
14. Household Canada has recently renewed its existing medium term note program in Canada. The medium term notes issued pursuant to the 2002 Prospectus (as defined below) (the “Notes”) will be fully and unconditionally guaranteed by Household Finance as to payment of principal and interest and have received an “approved rating” (as such term is defined in NI 44-101) and are rated by a recognized security evaluation agency in one of the categories determined by the Commission des valeurs mobilières du Québec (an “Approved Rating”).
15. In connection with the offering of Notes (the “Offering”):
 - (A) a short form base shelf prospectus dated November 20, 2002 (the “2002 Prospectus”) has been prepared pursuant to NI 44-101 and National Instrument 44-102, with the intention that future disclosure required by (i) item 12 of Form 44-101F3 would be addressed by incorporating by reference (a) Household Finance’s current public disclosure documents, including Household Finance’s annual information form in the form of an annual report on Form 10-K (as such report may be amended and/or restated); and (b) Household Canada’s audited Canadian GAAP financial statements for two consecutive financial years ending December 31, 2001 and Household Canada’s Canadian GAAP financial statements for any subsequent interim periods; and (ii) items 13.1(1)(3) and 13.1(2) of Form 44-101F3 in respect of Household Canada would be addressed by incorporating by reference in the 2002 Prospectus the information described in clause 15(A)(i)(b) above;
 - (B) the 2002 Prospectus incorporates by reference (i) disclosure made in Household Finance’s most recent annual report on Form 10-K filed under the 1934 Act, together with all quarterly

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reports on Form 10-Q and current reports on Form 8-K filed under the 1934 Act in respect of the financial year following the year that is the subject of Household Finance's most recently filed annual report on Form 10-K (in each case, such reports as they may be amended and/or restated) and (ii) any documents of the foregoing type filed after the date of the 2002 Prospectus and prior to the termination of the Offering;

- (C) the 2002 Prospectus includes directly or incorporates by reference all material disclosure concerning Household Canada and Household Finance;
- (D) commencing as of the date of the Decisions, future continuous disclosure filings to be made by Household Canada with the Decision Makers and incorporated by reference in the 2002 Prospectus will be the audited annual financial statements and unaudited interim financial statements that Household Canada is obligated to file pursuant to the applicable requirements of the Legislation; the current AIF (as defined in NI 44-101) of Household Canada for years subsequent to 2001 will not be included or incorporated by reference in the 2002 Prospectus;
- (E) the consolidated annual and interim financial statements of Household Finance and its consolidated subsidiaries that will be included in or incorporated by reference into the 2002 Prospectus are prepared in accordance with generally accepted accounting principles in the United States that the SEC has identified as having substantive authoritative support, as supplemented by Regulation S-X and Regulation S-B under the 1934 Act ("U.S. GAAP") and, in the case of audited annual financial statements, such financial statements are audited in accordance with generally accepted auditing standards in the United States, as supplemented by the SEC's rules on auditor independence ("U.S. GAAS");
- (F) Household Finance will fully and unconditionally guarantee payment of the principal and interest on the Notes, when and as the same shall become due and payable, in accordance with the provisions of the trust indenture relating to the Notes;
- (G) the Notes have an Approved Rating;

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- (H) Household Finance has signed the 2002 Prospectus as credit supporter; and
- (I) Household Finance will undertake to file with the Decision Makers, in electronic format through SEDAR under Household Canada's SEDAR profile, all documents that it files under sections 13 and 15(d) of the 1934 Act until such time as the Notes are no longer outstanding.

AND WHEREAS under the System this MRRS Decision Document evidences the decisions of each Decision Maker (collectively, the "Decisions");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decisions has been met;

THE DECISION of the Decision Makers in each of Ontario, Quebec and Saskatchewan pursuant to their Legislation is that, commencing as of the date hereof, the AIF Requirements shall not apply to Household Canada provided that (i) Household Finance complies with the AIF requirements of NI 44-101 as if it is the issuer; and (ii) the Applicants comply with all of the requirements of each of the Decisions below.

DATED March 25, 2003

Heidi Franken

AND THE FURTHER DECISION of the Decision Makers pursuant to the Legislation is that, commencing as of the date hereof, the Applicants be exempted from the Reconciliation Requirements in connection with the Offering provided that:

- (A) each of Household Canada and Household Finance complies with paragraph 15 above;
- (B) Household Canada complies with all of the filing requirements and procedures set out in NI 44-101 except as varied by the Decisions or as permitted by National Instrument 44-102;
- (C) the Household Finance financial statements that are included or incorporated by reference in a prospectus of Household Canada are prepared in accordance with U.S. GAAP and, in the case of

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the audited annual financial statements, such financial statements are audited in accordance with U.S. GAAS;

- (D) Household International, or any successor thereto, maintains direct or indirect 100% ownership of the voting shares of both Household Canada and Household Finance; and
- (E) Household Finance continues to satisfy the eligibility criteria set forth in paragraph 3.1 of NI 71-101 (or any applicable successor provision) for using MJDS (or any successor instrument) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure.

DATED March 25, 2003

Heidi Franken

AND THE FURTHER DECISION of the Decision Makers under the Legislation is that, commencing as of the date hereof, the Prospectus Disclosure Requirements shall not apply to the 2002 Prospectus provided that each of Household Canada and Household Finance comply with paragraph 15 above.

DATED March 25, 2003

Heidi Franken

AND THE FURTHER DECISION of the Decision Makers under the Legislation is that, commencing as of the date hereof:

- (A) the Material Change Requirements shall not apply to Household Canada, provided:
 - (i) Household Finance files with the Decision Makers, in electronic format through SEDAR under Household Canada's SEDAR profile, the current reports on Form 8-K of Household Finance which are filed by it with the SEC promptly after they are filed with the SEC;
 - (ii) Household Finance promptly issues in each Jurisdiction and Household Canada files with the Decision Makers, in electronic format through SEDAR under Household Canada's SEDAR profile, any news

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release that discloses material information and which is required to be issued in connection with the mandatory Form 8-K requirements applicable to Household Finance; and

- (iii) if there is a material change in respect of the business, operations or capital of Household Canada that is not a material change in respect of Household Finance, Household Canada will comply with the requirements of the Legislation to issue a press release and file a material change report notwithstanding that the change may not be a material change in respect of Household Finance;

- (B) the Proxy Requirements shall not apply to Household Canada, provided that (i) Household Finance complies with the requirements of the 1934 Act and the rules and regulations made thereunder relating to proxy statements, proxies and proxy solicitations in connection with any meeting of the holders of its notes; (ii) Household Finance files with the Decision Makers, in electronic format through SEDAR under Household Canada's SEDAR profile, materials relating to any such meeting filed by Household Finance with the SEC promptly after they are filed with the SEC; and (iii) such documents are provided to holders of Notes whose last address as shown on the books of Household Canada is in Canada, in the manner, at the time and if required by applicable United States law to be sent to Household Finance debt holders resident in the United States; and

- (C) the Insider Reporting Requirements shall not apply to insiders of Household Canada, provided that such insiders file with the SEC on a timely basis the reports, if any, required to be filed with the SEC pursuant to section 16(a) of the 1934 Act and the rules and regulations thereunder;

provided that (for A. through C.):

- (a) Household Canada does not issue additional securities to the public other than securities fully guaranteed by Household Finance;

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- (b) each of Household Canada and Household Finance comply with paragraph 15 above;
- (c) the Notes maintain an Approved Rating;
- (d) Household International, or any successor thereto, maintains direct or indirect 100% ownership of the voting shares of both Household Canada and Household Finance;
- (e) Household Finance maintains a class of securities registered pursuant to section 12 of the 1934 Act or is required to file reports under Section 15(d) of the 1934 Act;
- (f) Household Finance continues to satisfy the eligibility criteria set forth in paragraph 3.1 of NI 71-101 (or any applicable successor provision) for using MJDS (or any successor instrument) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with US prospectus requirements with certain additional Canadian disclosure;
- (g) Household Finance continues to fully and unconditionally guarantee payment of the principal and interest on the Notes, together with any other amounts that may be due under any provisions of the trust indenture relating to the Notes; and
- (h) all filing fees that would otherwise be payable by Household Canada in connection with the Material Change Requirements, the Proxy Requirements and the Insider Reporting Requirements are paid.

DATED March 25, 2003

Paul M. Moore

Robert W. Korthals