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December 23, 2004

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 44-101, s. 15.1 – Short Form Prospectus Distributions

Part 1: In connection with an offering of non-convertible debt securities, an issuer wants an exemption from the requirement that its credit supporter have a 12-month reporting issuer history in a Canadian jurisdiction, that it includes certain information in its prospectus and that its credit supporter's financial statements comply with the reconciliation requirements - The credit supporter is the beneficial owner of all of the issued and outstanding securities of the issuer; the credit supporter is registered under the 1934 Act and is eligible to use MJDS to distribute approved rating non-convertible debt in Canada; the issuer will incorporate into its prospectus certain continuous disclosure documents of its credit supporter in place of its own continuous disclosure

Part 2: An issuer that is a credit support issuer wants an exemption from having to incorporate by reference certain documents of its credit supporter in its short form prospectus under NI 44-101 - The issuer is a credit support issuer that is required to incorporate all Forms 8-K filed by its credit supporter that are unrelated to the credit support issuer and would not have to be filed under Canadian material change reporting requirements; the credit support issuer will incorporate all Forms 8-K filed by its credit supporter except non-essential Forms 8-K that are unrelated to the credit support issuer and do not provide useful information to Canadian investors; the issuer must also incorporate all Forms 10-Q into the prospectus, which are equivalent to interim financial statements under Canadian securities law; under the legislation the issuer would only have to incorporate the most recent interim financial statements into the prospectus; the issuer will incorporate the most recent Form 10-Q filed since the date of the credit supporter's Form 10-K

Applicable British Columbia Provisions

National Instrument 44-101 *Short Form Prospectus Distribution*, ss. 2.5, 7.1, 7.4, 15.1
Form 44-101F3 *Short Form Prospectus*, Items 7, 12.1(1), 12.2, 13.1, 13.2(2) and 20
National Instrument 44-102 *Shelf Distributions*, ss. 2.5 and 8.4

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New
Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador
(the Jurisdictions)

and

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In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Household Financial Corporation Limited and
Household Finance Corporation
(the Filers)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from Household Finance Corporation (HFC) and its affiliate, Household Financial Corporation Limited (HFCL or the Issuer) for a decision pursuant to the securities legislation of the Jurisdictions (the Legislation) that the Filers:

- (i) be exempted from the requirements in Section 2.5(1) of National Instrument 44-101 (NI 44-101) and Section 2.5 of National Instrument 44-102 (NI 44-102), that the person or company guaranteeing non-convertible debt issued by the Issuer be a reporting issuer with a 12-month reporting history in a Canadian province or territory and have a current annual information form (as such term is defined in NI 44-101) (an AIF) (the Eligibility Requirement) in order to permit the Issuer to issue non-convertible debt securities, in particular medium term notes (the Notes), with an approved rating (as defined in NI 44-101) (an Approved Rating) which will be fully and unconditionally guaranteed by HFC or a successor entity (the Guarantor) pursuant to one or more short form base shelf prospectuses and, if applicable, prospectus supplements and pricing supplements filed in each of the Jurisdictions (collectively, Prospectuses) (any issue of Notes being referred to as an Offering);
- (ii) be exempted, for the purposes of a Prospectus, from the prospectus disclosure requirements and reconciliation requirements set out in Sections 7.1 and 7.4 of NI 44-101, Section 8.4 of NI 44-102 and items 7, 12.1(1), 12.2, 13.1 and 20 of Form 44-101F3 (collectively, the Prospectus Disclosure and Reconciliation Requirements); and
- (iii) be exempted, for the purposes of a Prospectus, from item 13.2(2) of Form 44-101F3, provided that the Issuer incorporate by reference into a Prospectus, all documents of the Guarantor that would be required to be

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incorporated by reference in a Form S-3 or Form F-3 registration statement filed under the *Securities Act of 1933* in the U.S. other than Non-Essential 8-Ks (as defined below) and quarterly reports on Form 10-Q, other than the Guarantor's quarterly report filed on Form 10-Q for its then most recently completed fiscal quarter since its last fiscal year-end (if any).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission (OSC) is the principal regulator for the application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. HFC 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. HFC is a wholly-owned subsidiary of Household International, Inc. (HI), a Delaware incorporated company and a reporting company under the United States *Securities Exchange Act of 1934* (the 1934 Act).
2. HFC offers real estate secured loans, auto finance loans, MasterCardTM and VisaTM 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, HFC also offers credit and specialty insurance to customers in connection with its products. HFC's (including its consolidated subsidiaries) managed receivables at June 30, 2004 was approximately US\$110.8 billion and its net income for the period ended June 30, 2004 was approximately US\$992.3 million.
3. HFC is a reporting company under 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.

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4. HFC currently has outstanding non-convertible securities with an Approved Rating and it is expected that the Guarantor will have outstanding non-convertible securities with an Approved Rating.
5. In connection with takedowns under a HFC base shelf prospectus in the U.S., HFC is required to file with the SEC current reports on Form 8-K whose contents are comprised solely of exhibits attaching the form of securities for each such takedown, the consent and opinion of counsel relating thereto and other documentation, all of a non-financial nature, that may be required to be filed with the SEC in connection with such takedowns (the Non-Essential 8-Ks). The Non-Essential 8-Ks are publicly available on the SEC's Internet website at www.sec.gov.
6. HFCL, formerly Household Securities Limited, was incorporated by Letters Patent on September 9, 1947, pursuant to a predecessor to the *Business Corporations Act* (Ontario). HFCL 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. The head office of HFCL is located in Toronto, Ontario.
7. The authorized share capital of HFCL consists of 100,000 common shares (Shares), of which 90,002 Shares were outstanding as at September 30, 2004. All of the Shares are owned, directly or indirectly by HI. In addition to the Shares, HFCL also has outstanding Notes and commercial paper, all of which are fully guaranteed by HFC. As at September 30, 2004, HFCL and its consolidated subsidiaries had approximately Cdn.\$2.3 billion in Notes and approximately Cdn.\$94.3 million in commercial paper outstanding. The Notes and the commercial paper are the only securities of HFCL that are held by the public.
8. HFCL coordinates the activities of, arranges the funding of, and furnishes administrative services for its subsidiaries. HFCL offers a diversified range of consumer financial services to the Canadian public through a network of approximately 111 retail branches. These services include consumer loans, mortgages, retail finance, revolving credit and the acceptance of deposits. They are offered by HFCL through four principal operating subsidiaries: Household Finance Corporation of Canada, Household Realty Corporation Limited, Household Finance Corporation Inc. and Household Trust Company.
9. HFCL 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.

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10. HFCL has maintained a medium term note program in the Jurisdictions by way of a short form shelf prospectus for more than 10 years.
11. By MRRS Decision Document dated August 13, 2004, entitled *In the Matter of Household Finance Corporation and Household Financial Corporation Limited* (the August 2004 Decision), the Decision Makers exempted the Issuer from complying with National Instrument 51-102 – *Continuous Disclosure Obligations* subject to the Issuer satisfying certain conditions, including filing Annual Selected Financial Information and Interim Selected Financial Information (as defined below).
12. The Issuer proposes to file a Prospectus in each of the Jurisdictions to renew the Issuer's medium term note program (the Proposed Offering) and intends to in the future file additional Prospectuses for future Offerings (Future Offerings).
13. The Issuer may from time to time access Canadian debt capital markets other than by way of the Proposed Offering or Future Offerings.
14. HFC satisfies the criteria set forth in paragraph 3.1(a) of National Instrument 71-101 – *The Multijurisdictional Disclosure System* (NI 71-101) and is eligible to use the multijurisdictional 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.
15. Except for the fact that HFCL is not incorporated under United States law, an offering of Notes by the Issuer in the Jurisdictions would comply with the alternative eligibility criteria for offerings of non-convertible debt having an approved rating under the MJDS, as set forth in Section 3.2 of NI 71-101.
16. The Issuer is ineligible to issue the Notes by way of a prospectus in the form of a short form base shelf prospectus under NI 44-101 and NI 44-102 as the Guarantor (as credit supporter of the Notes) is not a reporting issuer with a 12 month reporting issuer history in any province or territory of Canada and neither the Issuer nor the Guarantor has (or will have) a current AIF.
17. In connection with an Offering (which, for greater certainty, includes the Proposed Offering and any Future Offerings):
 - (i) prior to filing a Prospectus, the Guarantor will have filed with the Decision Makers, in electronic format under the Issuer's SEDAR profile,

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the following documents filed by the Guarantor under sections 13 and 15(d) of the 1934 Act since its last fiscal year-end:

- (a) the Guarantor's then most recent annual report filed on Form 10-K or an equivalent form (Form 10-K);
 - (b) the Guarantor's quarterly report filed on Form 10-Q or an equivalent form (Form 10-Q) for the then most recently completed fiscal quarter; and
 - (c) any current reports of the Guarantor filed on Form 8-K or an equivalent form (Form 8-K) during the then current fiscal year (other than Non-Essential 8-Ks);
- (ii) each Prospectus will be prepared pursuant to the procedures contained in NI 44-101 and NI 44-102 and will comply with the requirements set out in Form 44-101F3, with:
- (a) the disclosure required by Item 12.1(1) of Form 44-101F3 being addressed by incorporating by reference the Guarantor's public disclosure documents listed in Paragraph 17(i) above and any material change reports filed by the Issuer;
 - (b) the disclosure required by item 12.2 of Form 44-101F3 being addressed by incorporating by reference the following documents filed with the SEC or the Decision Makers, as applicable, subsequent to the date of the relevant Prospectus but prior to the termination of the particular Offering:
 - A. any annual report on Form 10-K of the Guarantor filed with the SEC;
 - B. any quarterly report on Form 10-Q of the Guarantor filed with the SEC;
 - C. any current report on Form 8-K of the Guarantor filed with the SEC (other than Non-Essential 8-Ks); and
 - D. any material change reports filed by the Issuer;
 - (c) the financial information disclosure required by Item 13.1 of Form 44-101F3 being addressed by incorporating by reference the following documents of the Issuer (as applicable):

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- A. for the Issuer's most recently completed financial year for which annual financial information has been filed, either (i) its annual comparative financial statements prepared in accordance with Canadian generally accepted accounting principles, together with a report of the Issuer's auditors thereon, or (ii) the following annual comparative selected financial information for such completed financial year (provided that such year begins on or after January 1, 2004) and the financial year preceding such financial year (collectively, the Annual Selected Financial Information), derived from the Issuer's financial statements prepared in accordance with Canadian generally accepted accounting principles, together with a specified procedures report of the Issuer's auditors (or such other line items that provide substantially similar disclosure):
- (i) total revenue net of interest expense and credit losses;
 - (ii) net income;
 - (iii) net receivables, investments and accrued interest, together with a descriptive note on the allowance for credit losses;
 - (iv) total assets;
 - (v) short-term debt - commercial paper;
 - (vi) long-term debt;
 - (vii) total debt;
 - (viii) accounts payable and accrued liabilities;
 - (ix) total liabilities; and
 - (x) total shareholder's equity, and
- B. for the Issuer's most recently completed interim period for which interim financial information has been filed, either (i) its interim comparative financial statements prepared in accordance with Canadian generally accepted accounting principles, or (ii) the following interim comparative selected financial information, derived from the Issuer's financial statements prepared in accordance with Canadian generally accepted accounting principles, for its most recently completed interim period (for financial years beginning on or after January 1, 2004) (collectively, the Interim Selected Financial Information) (or such other line items that provide substantially similar disclosure):
- (i) total revenue net of interest expense and credit losses;
 - (ii) net income;

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- (iii) net receivables, investments and accrued interest, together with a descriptive note on the allowance for credit losses;
- (iv) total assets;
- (v) short-term debt - commercial paper;
- (vi) long-term debt;
- (vii) total debt;
- (viii) accounts payable and accrued liabilities;
- (ix) total liabilities; and
- (x) total shareholder's equity;

provided that the Issuer shall only be entitled to incorporate by reference any Annual Selected Financial Information or Interim Selected Financial Information under this Decision if such information was filed in accordance with the August 2004 Decision and was filed at a time when the Issuer's presentation of a Non-Classified Balance Sheet (as defined in the August 2004 Decision) was permitted under Canadian generally accepted accounting principles;

- (d) with the disclosure required by Item 7 of Form 44-101F3 and Section 8.4 of NI 44-102 being addressed by disclosure with respect to the Guarantor in accordance with United States requirements;
- (iii) each Prospectus will include or incorporate by reference all material disclosure concerning the Issuer (consisting primarily of the financial information specified in Paragraph 17(ii)(c) above) and the Guarantor.
- (iv) each Prospectus will state that purchasers of Notes will not receive separate continuous disclosure information regarding the Issuer, other than the financial information specified in Paragraph 17(ii)(c) above;
- (v) the Guarantor will undertake to file with the Decision Makers, in electronic format under the Issuer's SEDAR profile, the Guarantor's public disclosure documents listed in Paragraphs 17(i) and 17(ii)(b) above until such time as the Notes are no longer outstanding;
- (vi) the consolidated annual and interim financial statements of the Guarantor to be included in or incorporated by reference into a Prospectus will be prepared in accordance with U.S. GAAP (as defined in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107)) and will otherwise comply with the requirements of U.S. law, and, in the case of the Guarantor's audited annual financial statements, such financial

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statements will be audited in accordance with U.S. GAAS (as defined in NI 52-107) and will be prepared and audited in accordance with NI 52-107;

- (vii) the Guarantor will fully and unconditionally guarantee the payments to be made by the Issuer as stipulated in the terms of the Notes or in an agreement governing the rights of holders of Notes;
- (viii) the Notes will have an Approved Rating at the time of issuance; and
- (ix) the Guarantor will sign each Prospectus as credit supporter.

Decision

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 Decision has been met.

The decision of the Decision Makers pursuant to the Legislation is that the Filers be exempted from the Eligibility Requirement and the Prospectus Disclosure and Reconciliation Requirements in connection with any Offering (which, for greater certainty, includes the Proposed Offering and any Future Offering) provided that:

- (a) each of the Issuer and the Guarantor, as applicable, complies with paragraph 17 above;
- (b) the Issuer complies with all of the other requirements and procedures set out in NI 44-101 except as permitted by NI 44-102 or as varied by this Decision;
- (c) the Guarantor, or the Guarantor's direct or indirect 100% parent entity, owns, directly or indirectly, 100% of the voting shares of the Issuer;
- (d) the Guarantor satisfies the criteria set forth in Section 3.1 of NI 71-101 (or any successor provision) and remains eligible to use MJDS (or any successor instrument) for the purposes of distributing Approved Rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure; and
- (e) the relief from the Prospectus Disclosure and Reconciliation Requirements will cease to be effective upon (and only to the extent that) amendments to NI 44-101 and NI 44-102 (as applicable) come into force, which would have substantially the same effect as the relief from the Prospectus Disclosure and Reconciliation Requirements provided for herein.

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The further decision of the Decision Makers is that the provision of item 13.2(2) of Form 44-101F3 which would require the Issuer to incorporate by reference into a Prospectus (including, for greater certainty, any pricing supplements) all documents that would be required to be incorporated by reference in a Form S-3 or Form F-3 registration statement filed under the Securities Act of 1933 in the U.S. shall not apply to the Issuer, provided that the Issuer will be required to incorporate by reference into a Prospectus (including, for greater certainty, any pricing supplement) all documents of the Guarantor that would be required to be incorporated by reference in a Form S-3 or Form F-3 registration statement filed by the Guarantor under the Securities Act of 1933 in the U.S. other than Non-Essential 8-Ks and quarterly reports on Form 10-Q, other than the Guarantor's quarterly report filed on Form 10-Q for its then most recently completed fiscal quarter since its last fiscal year-end (if any).

Charlie MacCready
Assistant Manager, Corporate Finance
Ontario Securities Commission