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Headnote

Mutual Reliance Review System for Exemptive Relief Application – relief granted from the requirements of NI 51-102 - issuer not able to rely on exemption for credit support issuers in section 13.4 of NI 51-102 because (i) credit supporter is not the direct or indirect beneficial owner of all of the issuer's voting securities, and (ii) the issuer prepares a non-classified balance sheet, as permitted by Canadian GAAP - issuer also exempt from requirement to file current reports of credit supporter on Form 8-K whose contents are comprised solely of exhibits attaching the form of securities offered by the credit supporter in the United States and related documents, all of a non-financial nature

Applicable British Columbia Provisions

National Instrument 51-102 *Continuous Disclosure Obligations*, ss. 13.1 and 13.4

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA, BRITISH COLUMBIA, MANITOBA, NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA, ONTARIO, QUÉBEC AND SASKATCHEWAN

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 Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec and Saskatchewan (the "Jurisdictions") has received an application from Household Finance Corporation ("HFC") and Household Financial Corporation Limited ("HFCL" and together with HFC, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that HFCL:

- (i) be exempted from the application of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") pursuant to section 13.1 of NI 51-102 and in Québec by a revision of the

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general order that will provide the same result as an exemption order, and

- (ii) except in British Columbia and Québec, be exempted from the application of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109") pursuant to section 4.5 of MI 52-109;

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, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. 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 110 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.
2. 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.
3. 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.
4. HFCL is an indirect, wholly-owned subsidiary of Household International, Inc. ("HI"), a Delaware incorporated company. On March 28, 2003, HSBC Holdings plc acquired HI. HI is not a reporting issuer or the equivalent in any of the Jurisdictions. HI has been a reporting company under the 1934 Act for more than 10 years and has filed with the SEC all 1934 Act filings for the last 12 calendar months.

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5. HFCL is an affiliate of HFC, a Delaware incorporated company and a wholly-owned subsidiary of HI. HFC is not a reporting issuer or the equivalent in any of the Jurisdictions. HFC has been a reporting company under the 1934 Act for more than 10 years and has filed with the SEC all 1934 Act filings for the last 12 calendar months.
6. 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 (the “Non-Essential 8-Ks”) whose contents are comprised solely of exhibits attaching the form of certain 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 are publicly available on the SEC’s Internet website at www.sec.gov.
7. HFCL has maintained a medium term note program in the Jurisdictions for more than 10 years. HFCL last “renewed” its medium term note program pursuant to a short form shelf prospectus dated November 20, 2002, as amended by Amendment No 1. dated May 13, 2003 (the “2002 Prospectus”). HFC is the guarantor of the medium term notes issued and issuable pursuant to the 2002 Prospectus.
8. As at the date hereof, the issued and outstanding share capital of HFCL consists of 90,002 common shares, all of which are owned, directly or indirectly by HI. In addition to such shares, HFCL also has outstanding medium term notes and commercial paper, all of which are fully guaranteed by HFC. As at June 30, 2004, HFCL and its consolidated subsidiaries had approximately Cdn. \$2.05 billion in medium term notes and approximately Cdn. \$260 million in commercial paper outstanding.
9. Relying on the exemption in section 13.4 of NI 51-102 would have the effect of requiring HFCL to file with the Decision Makers all of the current reports on Form 8-K that HFC is required to file with the SEC.
10. HFCL cannot rely upon the exemption from NI 51-102 contained in section 13.4 of that instrument because:
 - (a) HFC is not the direct or indirect beneficial owner of all the issued and outstanding voting securities of HFCL; and
 - (b) HFCL prepares its balance sheet without segregating its assets and liabilities between current and non-current (a “Non-Classified Balance

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Sheet”) and therefore, does not provide the information required by subsection 13.4(2)(g) of NI 51-102.

11. Because HFCL cannot rely upon the exemption in section 13.4 of NI 51-102, HFCL cannot rely upon the exemption from MI 52-109 contained in section 4.4 of that instrument.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);

AND WHEREAS each of the Decision Makers is satisfied that the tests 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 under the Legislation is that the requirements of NI 51-102 shall not apply to HFCL provided that:

- (a) HFCL is in compliance with the requirements and conditions of section 13.4 of NI 51-102, other than the requirements in subsections 13.4(2)(a), (d) and (g);
- (b) HI (or any successor thereto) remains the direct or indirect beneficial owner of 100% of the issued and outstanding voting shares of each of HFCL and HFC;
- (c) the only credit supporter of HFCL is HFC;
- (d) HFCL files, in electronic format, annual comparative selected financial information for such completed financial year and the financial year immediately preceding such financial year, derived from its audited annual financial statements, prepared in accordance with Canadian GAAP and accompanied by a specified procedures report of the auditors to HFCL;
- (e) HFCL files the annual comparative selected financial information referred to in paragraph (d) above within:
 - (i) 120 days of HFCL’s then most recently completed financial year beginning on or after January 1, 2004, if HFCL is a venture issuer (as defined in NI 51-102) as at the end of such financial year; or

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- (ii) 90 days of HFCL's then most recently completed financial year beginning on or after January 1, 2004 if HFCL is not a venture issuer as at the end of such financial year;
- (f) HFCL's annual comparative selected financial information referred to in paragraph (d) above, shall include at least the following line items (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;
- (g) HFCL files, in electronic format, interim comparative selected financial information for such interim period and for items (i) and (ii) of paragraph (i) below, the corresponding interim period in the previous financial year and for items (iii) through to and including (x) of paragraph (i) below, as at the end of the previous financial year, with all such information derived from its unaudited interim financial statements, prepared in accordance with Canadian GAAP;
- (h) HFCL files the interim comparative selected financial information referred to in paragraph (g) above within:
 - (i) 60 days of HFCL's then most recently completed interim period beginning on or after January 1, 2004, if HFCL is a venture issuer as at the end of such interim period; or

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- (ii) 45 days of HFCL's then most recently completed interim period beginning on or after January 1, 2004 if HFCL is not a venture issuer as at the end of such interim period;
- (i) HFCL's interim comparative selected financial information referred to in paragraph (g) above shall include at least the following line items (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;
- (j) if HFCL's presentation of a Non-Classified Balance Sheet is not permissible under Canadian GAAP, HFCL will adjust its presentation of the annual and interim comparative selected financial information referred to in paragraphs (d) and (g) above so that it is in compliance with requirements set out in subsection 13.4(2)(g) of NI 51-102;
- (k) HFCL files with the Decision Makers copies of all of the documents required to be filed by HFC with the SEC except for the Non-Essential 8-Ks, which HFCL shall not be required to file with the Decision Makers;

AND THE FURTHER DECISION of the Decision Makers (other than the Decision Makers in British Columbia and Québec) is that the requirements of

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MI 52-109 shall not apply to HFCL provided that HFCL is compliance with the conditions set out in paragraph (a) through (k) of the Decision above.

DATED August 13th, 2004.

Kelly Gorman