

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

<p>LAWRENCE E. JAFFE PENSION PLAN, ON BEHALF OF ITSELF AND ALL OTHERS SIMILARLY SITUATED,</p> <p style="text-align:right">Plaintiff,</p> <p style="text-align:center">- against -</p> <p>HOUSEHOLD INTERNATIONAL, INC., ET AL.,</p> <p style="text-align:right">Defendants.</p>	}	<p>Lead Case No. 02-C-5893 (Consolidated)</p> <p>CLASS ACTION</p> <p>Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan</p>
---	---	---

**DECLARATION OF LANDIS C. BEST IN SUPPORT OF
THE HOUSEHOLD DEFENDANTS' OBJECTIONS TO
MAGISTRATE JUDGE NOLAN'S DECEMBER 6, 2006
ORDER COMPELLING PRODUCTION OF CERTAIN
ATTORNEY-CLIENT COMMUNICATIONS AND WORK
PRODUCT**

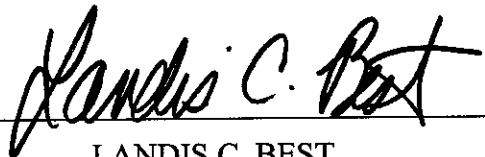
I, LANDIS C. BEST, declare as follows:

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, and a member of the firm Cahill Gordon & Reindel LLP, co-counsel for defendants Household International, Inc., Household Finance Corporation, William F. Aldinger, David A. Schoenholz, Gary Gilmer, and J.A. Vozar in this action. I submit this declaration to place before the Court a document that bears on the Household Defendants' Objections to Magistrate Judge Nolan's December 6, 2006 Order Compelling Production of Certain Attorney-Client Communications and Work Product.

2. Attached hereto as Exhibit A is a copy of a July 13, 2006 letter, together with its attachments, from Susan Buckley, a member of Cahill Gordon & Reindel LLP, to D. Cameron Baker, an attorney associated with the firm Lerach Coughlin Stoia Geller Rudman Robbins LLP,

counsel for Plaintiffs.

Executed this 21st Day of December, 2006 in New York, New York.



LANDIS C. BEST

Exhibit A

CAHILL GORDON & REINDEL LLP
EIGHTY PINE STREET
NEW YORK, N.Y. 10005-1702

JO ABRAMS
DWARD ADAMS
ERT A. ALESS
ER ANDRUS
INE R. BANKS
IAEL A. BECKER
JIS C. BEST
YA. BROOKS
AN BUCKLEY
N J. BURKE
IS J. CLARK
JAMIN J. COHEN
STOPHER T. COX
SLIE DUFFY
M. DWORKIN
ARD E. FARLEY
ICIA FARREN
MURTAGH FRANKEL
FRIEDMAN
A. GAMBONI
AN B. GANNETT
ILES A. GILMAN
HEN EENE

ROBERT M. HALLMAN
WILLIAM M. HARTNETT
CRAIG M. HOROWITZ
DAVID G. JANUSZEWSKI
ELAI KATZ
THOMAS J. KAVALER
DAVID N. KELLEY
LAWRENCE A. KOBRIN
EDWARD P. KRUGMAN
JOEL KURTZBERG
GEOFFREY E. LIEBMANN
MICHAEL MACRIS
ANN S. MAKICH
JONATHAN I. MARK
GERARD M. MEISTRELL
ROGER MELTZER
MICHAEL E. MICHETTI
ATHY A. MOBILIA
NOAH B. NEWITZ
MICHAEL J. OHLER
KENNETH W. ORCE
DAVID R. OWEN
JOHN PAPACHRISTOS

TELEPHONE: (212) 701-3000
FACSIMILE: (212) 269-5430

1890 K STREET, N.W.
WASHINGTON, D.C. 20006-1181
(202) 662-8900
FAX: (202) 662-8956

AUGUSTINE HOUSE
8A AUSTIN FRIARS
LONDON, ENGLAND EC2N 2HR
1011 44.20.7920.9800
FAX: 1011 44.20.7920.9825

WRITER'S DIRECT NUMBER
(212) 701-3862

LUIS R. PENALVER
ROY L. REGOZZI
DEAN RINGEL
JAMES ROBINSON
THORN ROSENTHAL
JONATHAN A. SCHAFFERIN
JOHN SCHUSTER
MICHAEL A. SHERMAN
DARREN SILVER
HOWARD G. SLOANE
LAURENCE T. SORKIN
LEONARD A. SPIVAK
SUSANNA M. SUH
GERALD S. TANENBAUM
JONATHAN D. THIER
JOHN A. TRIPODORO
ROBERT USADI
GEORGE WALAND
GLENN J. WALDRIF, JR.
MICHAEL S. WEISS
S. PENNY WINDLE
DANIEL J. ZUBKOFF
ADAM ZUROFSKY

SENIOR COUNSEL
WALTER C. CLIFF
DAVID R. HYDE
IMMANUEL KORN
WILLIAM T. LIFLAND
DONALD J. MULVHILL
IRWIN SCHNEIDERMAN
JOHN R. VAUGHAN
GARY W. WOLF

COUNSEL
CORDON B. DUNHAM
JASON W. KAPLAN
RAND McQUINN
ADMITTED IN
DC, TX, VA ONLY

July 13, 2006

Re: Lawrence E. Jaffe Pension Plan v. Household International, Inc., et al. (Case No. 02-CV-5893)

Dear Mr. Baker:

I have your letter of July 10, 2006 and write to respond.

Our inquiries concerning the E&Y engagements are largely complete. Although we do have some follow up to do, I do not anticipate that it will change our conclusions concerning Ernst & Young's work for Household during the relevant period.

We now understand that Ernst & Young was engaged by Household for three separate projects before the termination of the class period. I should stress that most of their work was completed after the conclusion of the class period and that their findings were relayed to Household's General Counsel after the class period as well. In light of those facts and Magistrate Judge Nolan's opinion of June 15, 2006 denying post class period discovery, we seriously question whether the documents concerning those engagements have any relevance to your case, but I will pass that issue if only for the moment.

The engagements were memorialized in three separate engagement letters: two dated July 1, 2002 and the third dated September 25, 2002. You have inquired as to whether we will provide you with copies of those engagement letters and, if not, to point you to case law authority demonstrating that the letters themselves are privileged. We have looked into that issue and have concluded that those portions of engagement letters revealing the identity of the client and the economic terms of employment are not often viewed as privileged but that confidential information concerning the engagement is.

As such, and in a spirit of good faith, I have enclosed redacted copies of the three engagement letters for your consideration. We have redacted only that material that specifically de-

CAHILL GORDON & REINDEL LLP

-2-

scribes the nature of the confidential work Ernst & Young was to perform. Even as redacted, the letters reveal that Ernst & Young's work was undertaken at the request of and under the direction of Household's General Counsel. Each of the letters also reveals that Ernst & Young's work was specifically intended to be privileged under the attorney-client privilege, the work product doctrine and other cited privileges. You will also see that extraordinary care was to be taken to maintain the privileged nature of the work. And it was.

I hope that when you review the enclosed documents you will conclude that there is little point in wasting the Court's time and resources by our teeing up a motion relating to these engagements, particularly in light of Magistrate Judge Nolan's decision of July 6, 2006 concerning the Arthur Andersen documents. If anything, the issue here is even more clear cut than the issues that were so definitively addressed by the Magistrate Judge in that opinion.

Finally, you had asked for my availability for a "meet and confer." Although I view that as somewhat premature at this point, as I tried to make clear in my letter of June 29, 2006, please feel free to call me at any time to discuss this issue.

Sincerely,


Susan Buckley

D. Cameron Baker, Esq.
Lerach Coughlin Stoia Geller
Rudman Robbins LLP
100 Pine Street
26th Floor
San Francisco, CA 94111

[Enclosures]

By FedEx (w/enc.) and By Facsimile (w/o enc.)

cc: Thomas L. Riesenber, Esq. (By Facsimile)
Adam B. Deutsch, Esq. (By Facsimile)
Marvin Miller, Esq. (By Facsimile)
Patricia Farten, Esq.



Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

Phone: 212 553-3000
www.ey.com

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

September 25, 2002

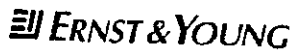
Kenneth H. Robin, Esq.
Senior Vice President
and General Counsel, Household International, Inc.
Nancy Johnson Bromley, Esq.
General Counsel, Consumer Lending, Household Finance Corporation
2700 Sanders Road
Prospect Heights, IL 60070

Dear Mr. Robin and Ms. Bromley:

This letter sets forth our understanding with respect to the scope and terms of the engagement of Ernst & Young LLP ("E&Y") by the General Counsels of each of Household International, Inc. and Household Finance Corporation (together, "Household") to perform certain services (the "Project"), as such services are more fully described on Exhibit A attached hereto (the "Services") and to prepare reports, in form, and addressing issues, approved by Household, summarizing the results of the Services (the "Work Product").

Privileged Nature

We understand that you will be utilizing the Work Product in order to provide legal advice to your client, Household, in your capacities as General Counsel. As such, you have advised us (but we have made no independent inquiry or determination) that all Work Product shall be privileged attorney work product and otherwise subject to the attorney-client privilege. You will be monitoring strictly the flow of any and all information relating to or arising from the Project. To the extent that the Work Product qualifies for protection under the self-test privilege established pursuant to Section 704A of the Equal Credit Opportunity Act (15 U.S.C. Section 1691, *et seq.*) or the self-evaluation privilege enunciated under certain case law, we understand that Household intends to assert that privilege. Your general requirements relative to privileged materials and communications are set forth in Exhibit B to this letter.



CONFIDENTIAL - NOT FOR DISTRIBUTION
Ernst & Young LLP ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Page 2

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

E&Y further understands that, in the course of performing the Services, it will have access to non-public information relating to Household or third parties that is confidential and may be personal in nature. Therefore, all non-public communications or evidence of communications, including, without limitation, work papers, correspondence, transcripts, reports, analyses, spreadsheets, checklists, or similar materials, or documents that we produce or which come to be in our possession or the possession of the Subcontractors (as defined below) with respect to the Project shall be kept strictly confidential, except to the extent that Household discloses any thereof to third parties or otherwise consents to such disclosure. All written Work Product shall be marked "Privileged and Confidential Attorney Work Product and Attorney-Client Communication." For purposes of this letter, whenever the terms work papers, correspondence, reports, documents, analyses or similar terms are used, they shall include electronically stored data, computer programs and structures for the retention, organization and communication of data. Except as required by law, in no event shall we reveal any information or opinions relating to or arising from the Work Product or the Project to any person or entity other than Household without Household's prior written consent. E&Y acknowledges that a breach of its confidentiality obligations hereunder could cause irreparable injury to Household, entitling it to seek equitable relief in a court of competent jurisdiction solely for the purpose of enjoining such breach.

Scope of Services

The scope of the Services is more fully described on Exhibit A, together with the proposed timing thereof, and our anticipated fees, including the fees of our principal subcontractor(s)

REDACTED

(“Subcontracted Testing Services”) in connection with the Services (“Testing Subcontractor(s)”). E&Y presently anticipates that it will engage a single Testing Subcontractor to perform the first phase of Subcontracted Testing Services, which Testing Subcontractor may, in turn, subcontract its services to individuals. E&Y may retain additional Testing Subcontractors as required, in its reasonable estimation. E&Y also anticipates that certain transcription services (“Subcontracted Transcription Services”) will be subcontracted to one or more subcontractors (“Transcription Subcontractor(s)”; together with Testing Subcontractors, “Subcontractors”). Household and E&Y may revise the scope of the Services, and Exhibit A, from time to time while this letter remains in effect.

Household agrees that it will promptly review and revise or approve all proposed procedures for the conduct of any of the Services, as requested from time to time by E&Y. Thereafter, to the extent E&Y proposes to alter materially any such approved procedures, we shall submit such changes for Household's review and approval.

REDACTED



CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT
Ernst & Young LLP

Page 3

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

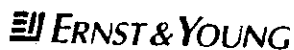
REDACTED

E&Y shall have no responsibility or liability for the creation or administration of any such Support Information or Verification Processes, nor shall E&Y have responsibility or liability for the delivery, use or misuse of any thereof by any person or entity, including any person or entity to whom it may be provided, except that, as agreed with Household, E&Y may deliver to Testing Subcontractor(s) and/or subcontractors of Testing Subcontractor(s) the Support Information that relates to particular tests being performed thereby. E&Y shall have no responsibility or liability for this delivery, or subsequent use or misuse of such material.

Household specifically acknowledges and agrees that Support Information will not be provided to any third party, other than E&Y, and that E&Y is specifically authorized to deliver such Support Information to Testing Subcontractor(s) and/or designated subcontractors of Testing Subcontractor(s), for use in connection with applicable Subcontracted Testing Services. Household also specifically represents and warrants, to E&Y and to all Testing Subcontractors and/or designated subcontractors of Testing Subcontractors, that the credit of the employees and/or subcontractors of Testing Subcontractor(s) who provide any of the Subcontracted Testing Services utilizing Support Information will not be adversely affected as a result of the creation, provision or use thereof. If requested by Testing Subcontractor(s), Household will provide Testing Subcontractor(s), its employees and subcontractors, with the assurances provided in this paragraph.

The Services and the Work Product are intended solely for your use in rendering legal advice to Household. None of the Work Product or summaries thereof may be distributed to third parties under or using E&Y's name, marks or logo, or otherwise with reference to E&Y without the prior knowledge and consent of E&Y. In any case, Household shall specifically advise such third parties that they are not entitled to rely upon the Work Product for any purpose and shall obtain their general release, in form and substance reasonably acceptable to E&Y, of all claims against E&Y in connection therewith.

None of the Services or the Work Product will constitute legal advice or the practice of law by E&Y, any Subcontractor or any of their respective partners, officers, directors, employees, agents, independent contractors or representatives. No independent attorney-client relationship exists or shall exist with respect to the Services; such attorney-client relationship as does exist is derivative of your status as attorneys. This engagement does not involve the compilation, review or audit of any financial records or statements. Because our engagement is advisory in nature and limited in scope, we cannot give any assurance that we will discover or identify all issues, information, circumstances, facts



CONFIDENTIAL - NOT FOR DISTRIBUTION
 ATTORNEY-CLIENT PRIVILEGED
 ATTORNEY-WORK PRODUCT
 ■ Ernst & Young LLP

Page 4

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

and practices, or provide all analyses, that may be relevant to Household, and E&Y shall not be responsible for any loss or liability that may result from any such failure. Household shall have sole responsibility for determining that the Project, the Services, the manner in which either thereof are proposed to be conducted (in the case of the Services, with Household's approval), including, without limitation, in connection with the creation and use of the Support Information and the Verification Processes, the Work Product and the use thereof by Household, E&Y and Subcontractors comply with all applicable laws, orders, and regulations, and for compliance therewith. Prior to the commencement of the Services, Household shall provide E&Y and Subcontractors with a legal opinion to the effect that the Project and the Services in fact comply with all applicable laws, orders and regulations.

Billing

Based on our current estimates of timing and staffing levels for E&Y as well as the costs of the Testing Subcontractor(s), E&Y will bill Household, on account, for the 2002 Services as follows:

Initial Billing	\$350,000 due upon execution of this letter
October 15, 2002	375,000 - 425,000
October 31, 2002	500,000 - 550,000
November 15, 2002	525,000 - 600,000
November 30, 2002	<u>300,000 - 350,000</u>
Estimated Total	\$2,050,000 - 2,275,000

These billings reflect pre-payment to E&Y for costs it will incur in paying Testing Subcontractor(s), presently anticipated as \$225,000-\$250,000. E&Y will provide Household with a statement of the total bills rendered by Subcontractor(s). If these estimates are likely to be exceeded due to changes in the circumstances or assumptions herein or due to a significant increase in the scope of the project (as a result of unexpected factors uncovered in our testing or otherwise), we will inform you as soon as possible and discuss the appropriate course of action.

Additional costs will be incurred for the Transcription Services and will be billed separately to Household.

Other out of pocket expenses, including travel costs, lodging, transcription, outside research and counsel fees (including the allocable cost of in-house counsel) will be itemized and billed separately as incurred. We anticipate that such out of pocket



CONFIDENTIAL - NOT FOR DISTRIBUTION
Ernst & Young LLP ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Page 5

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

expenses, other than the fees of the Transcription Subcontractor(s) for the period through December 31, 2002, will not exceed 10% of total fees. We do not bill separately for in-house secretarial or word processing services, or in-house computers, in-house photocopying, faxing and long distance telephone charges, which are included in the fees billed as above. Household shall pay all applicable taxes incurred in connection with the performance of the Services or the delivery of the Work Product (except for taxes imposed on E&Y's income) in addition to E&Y's fees and expenses.

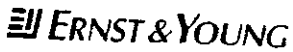
Based on our experience in providing the Services and the Work Product for the period through November 30, 2002, and in planning for providing the Services and the Work Product for future periods, by December 15, 2002, we expect to provide you with an estimate of fees for 2003.

If E&Y is required by government regulation, subpoena or other legal process to produce its documents or personnel as witnesses with respect to the performance of any of the Services or otherwise in connection with the Project, Household shall promptly reimburse E&Y for its professional fees at full standard rates and expenses, as well as the reasonable fees and expenses of its counsel (including the allocable cost of in-house counsel) incurred in responding to such requests.

Other Matters

Under the direction of Household, and with its approval, E&Y will determine the necessary qualifications and other requirements of one or more Subcontractors, and E&Y will thereafter engage Subcontractor(s) meeting such requirements to perform such Subcontracted Services as E&Y may determine. E&Y's agreements with each such Subcontractor (the "Subcontracts") shall be in a form acceptable to E&Y and shall impose upon the Subcontractor duties and obligations with respect to Subcontracted Services as set forth herein for E&Y with respect to the Services. All of Household's obligations to E&Y hereunder (except with respect to the payment of fees, which shall be enforceable only by or on behalf of E&Y) shall be deemed to benefit the Subcontractors to the extent of the Subcontracted Services, and may be enforced directly against Household by the Subcontractors. Household agrees that, to the extent it has any claim or dispute with respect to the performance of any Subcontracted Services or otherwise arising out of any obligation or duty of a Subcontractor in connection therewith, Household shall not take any action against E&Y or any of its affiliates, partners, employees, agents or representatives, but rather shall pursue such claim directly against the Subcontractor at Household's sole expense.

E&Y is not, nor can it represent that any of its partners or employees is, licensed as a private investigator in any of the United States, its territories or possessions. To the extent that Household determines that any of the Services require such licensure, E&Y



CONFIDENTIAL - NOT FOR DISTRIBUTION
Ernst & Young LLP ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Page 6

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

shall endeavor to engage Subcontractors to perform such Services who are, or whose employees or contractors are, licensed.

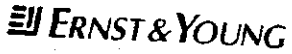
Except as set forth above with respect to any breach of its confidentiality obligations hereunder by E&Y, any controversy or claim arising out of or relating to the Services, the Project or services hereafter provided by us to Household (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of Household, or of E&Y) shall be resolved in accordance with the dispute resolution procedures set forth in Exhibit C attached hereto. Judgment on any arbitration award may be entered in any court having proper jurisdiction.

None of E&Y or any Subcontractor shall be liable to Household or otherwise in connection with any of the Services (or Subcontracted Services), whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, except for its gross negligence or wilful misconduct. To the fullest extent permitted by applicable law, the total aggregate liability of E&Y and the Subcontractors, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, under this letter or any Subcontract, or with respect to the Services or any Subcontracted Services, shall be limited to the fees paid by Household to E&Y under this letter. In no event will E&Y or the Subcontractors be liable for consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill), even if advised of the likelihood of such damages.

Household shall, jointly and severally, indemnify, defend and hold harmless E&Y, the Subcontractors, their respective affiliates and all of their respective partners, members, shareholders, directors, officers, managers, employees, contractors, subcontractors, agents and representatives (collectively, the "Indemnitees") from and against all claims (including all third-party claims), losses, liabilities, damages and expenses (including, without limitation, reasonable attorneys' fees (and the allocable costs of in-house counsel) (collectively, "Losses") suffered or incurred by any of the Indemnitees arising out of or in connection with (a) any breach by Household, or any person or entity acting on Household's behalf, of any of Household's obligations hereunder; (b) the creation, delivery, use or misuse of any Support Information or Verification Processes, including, without limitation,

~~DEFINITION~~

: or the disclosure of any of the Support Information to any person or entity other than Household, its employees or agents; (c) the performance of the Services in accordance with this letter and procedures approved by Household or the conduct of the Project otherwise by, or on behalf of, Household; (d) the use of the Work Product by Household or any other person or entity; or (e) any disciplinary or other



CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT
Ernst & Young LLP

Page 7

Mr. Kenneth Robin and Ms. Nancy Johnson Bromley

092502

action taken by or against Household or any other person or entity as a result, or otherwise in connection with, the Work Product, the Services or the Project.

If any portion of this Letter is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect. This letter shall be governed by, and construed in accordance with, the laws of the State of New York, applicable to agreements made and fully to be performed therein by residents thereof.

If these arrangements are acceptable, please sign one copy of this letter and return it to Rhea Dignam at the above address.

Sincerely,

Ernst + Young LLP

Ernst & Young LLP

By: *Rhea Kemble Dignam 12/27/02*
Rhea Kemble Dignam

Attachment

Approval to initiate the project described in this engagement letter.

Signature: _____ Date _____
Kenneth H. Robin

Title: Senior Vice-President, General Counsel, Household International, Inc.

Signature: _____ Date _____
Nancy Johnson Bromley

Title: General Counsel, Consumer Lending, Household Finance Corporation

*CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT*

Exhibit A

Project Scope

REDACTED

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Proposed Approach

The following, in general terms, describes the tasks we will undertake in carrying out this project. As the project develops, it may be necessary to revise our approach. We will maintain continuing contact with you throughout the project and update you on any recommended revisions to the scope and with regard to the results of the tests.

Task I

RELEASED

Task II

RELEASED

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.

Task III

REDACTED

Task IV

REDACTED

Project Timing, Fees and Personnel

You have committed to complete the initial stage of the program by the end of the fourth quarter of 2002. We will provide the level of personnel necessary to work within this time frame. We anticipate at the early stages of the engagement our senior executives (Partner, Principal and Senior Managers, assisted as required by Managers) will be involved as necessary to identify and resolve issues to enable the program to proceed. Thereafter, we will be in a position to include less senior personnel working with our senior executives to achieve the program's objectives. Set forth below is our best estimate of the personnel needed and the length of their participation through the end of the fourth quarter of 2002:

AREA

EFFORT

(person - 40 hour weeks)

Program Planning, Develop Workplan
And Develop Scenarios

Partner (1), Principal (1), Senior Managers (2)
Managers (2), Senior (1)

(17 - 20)

Coordinate With Third Party Vendors, Train E&Y
Staff and Perform

REDACTED

Partner (1), Principal (1), Senior Managers (2)
Managers (4), Seniors (3), Staff (2-3)

(20 - 24)

Conduct Remaining

Document Meetings and Report Results
Partner (1), Principal (1), Senior Managers (2)
Managers (4), Seniors (4), Staff (6-8)

REDACTED

(70 - 80)

Complete Documentation, Summarize Results

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.

Of All Tests, Prepare Report
And Provide to Household. Plan
And Train For 2003 Operation
Partner (1), Principal (1), Senior Managers (1)
Managers (3), Seniors (3), Staff (3 - 5) (20 - 25)

Approximate Effort (127 - 149)

Estimated E&Y Fees \$1,825,000 - \$1,025,000

You have indicated you will ask E&Y to subcontract with the third party vendors. Based on our preliminary meetings with the likely Testing Subcontractor who will provide the Applicants, we estimate the cost of these services for all 75 tests will range from \$225 - 250 thousand.

Estimated Fees (E&Y and Testing Subcontractor(s))
For Applicants \$2,050,000 - \$2,275,000

If these estimates are likely to be exceeded due to changes in the circumstances or assumptions herein or due to a significant increase in the scope of the project (as a result of unexpected factors uncovered in our testing or otherwise), we will inform you as soon as possible and discuss the appropriate course of action.

Additionally, we have made preliminary contact with transcription services. Based on our present knowledge, it is difficult to predict the total costs of these services but we estimate \$200 - 400 per transcription.

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Exhibit B

MEMORANDUM FOR ERNST & YOUNG LLP

RE: PROCEDURES TO BE FOLLOWED TO PROTECT DOCUMENTS AND OTHER MATERIALS FROM FUTURE DISCOVERY

Pursuant to the engagement letter between E&Y and Kenneth H. Robin, General Counsel, Household International, Inc. and Nancy Johnson Bromley, General Counsel, Consumer Lending Household Finance Corporation (hereinafter the "Attorneys") dated September 25, 2002, the Attorneys have retained E&Y to assist the Attorneys in rendering legal advice to Household Finance Corporation and certain of its affiliates (hereinafter the "Company"). The following guidelines are provided for E&Y to use in connection with this engagement to ensure that oral and written communications between E&Y, the Company and the Attorneys remain privileged and confidential under the attorney-client privilege and attorney-work product privilege doctrines. To the extent applicable to the Services, strict adherence to the guidelines below is required. As a general rule, E&Y should address all communications in connection with this engagement to either of the Attorneys, except as otherwise authorized by either of the Attorneys.

I. WRITTEN AND ORAL COMMUNICATIONS WITH EITHER OF THE ATTORNEYS

All communications (written and oral) between E&Y and either of the Attorneys in connection with this engagement are privileged and confidential and shall be treated as such.

Except as required by law, E&Y may not disclose to any person a copy or the contents of any communication from the Attorneys in connection with this engagement at any time (including during and after this engagement) without express prior consent from either of the Attorneys.

Except as required by law, E&Y may not disclose any legal theories, opinions or conclusions or other information provided by either of the Attorneys in connection with this engagement to any person without express prior consent from either of the Attorneys.

All written communications for or sent to either of the Attorneys must be marked as privileged with the language set forth in Schedule I to this Exhibit B unless another description is specifically approved by either of the Attorneys. All

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

materials referring or relating to such communications shall be destroyed pursuant to Section IX below.

II. ORAL COMMUNICATIONS WITH COMPANY EMPLOYEES

Communications with Company's non-legal employees

E&Y shall not discuss its findings or the status of the investigation with any non-legal employees without express prior consent from either of the Attorneys.

E&Y shall not disclose any legal theories, opinions or conclusions, any attorney-work product or any other privileged information to any non-legal employees without express prior consent from either of the Attorneys.

Interviews of Company Employees

All interviews should be conducted in private and outside the listening range of others.

If third persons must be present during an interview, then notes of the interview shall indicate the purpose and need for those persons' presence.

E&Y shall read the script attached as Schedule II prior to interviewing any employee.

During the course of this engagement, E&Y shall retain notes of communications with Company employees. All notes shall be marked as privileged with the language set forth in Schedule I unless other designation is specifically approved.

E & Y shall prepare memorandum summarizing each interview of Company employees. Interview memoranda shall be marked as privileged with the language set forth in Exhibit I unless another designation is specifically approved by either of the Attorneys. Interview memoranda shall be submitted to either of the Attorneys in draft form for review and approval. Once reviewed and approved by either of the Attorneys, E&Y shall provide a copy to either of the Attorneys and retain a copy of such interview memoranda in the file system described in Section VII below. All materials, other than the approved version of the interview memoranda, shall be destroyed pursuant to Section IX below.

III. WRITTEN COMMUNICATIONS TO COMPANY

E&Y shall discuss the nature and the scope of all proposed written communications to Company that contain analyses of information obtained in connection with this engagement with either of the Attorneys, prior to transmission to Company.

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

A copy of all written communications to Company shall also be addressed to the Attorneys. All written communications to Company must be marked as privileged with the language set forth in Exhibit I unless other designation is specifically approved. At the conclusion of this engagement, all materials relating or referring to such communications shall be destroyed pursuant to Section IX below.

IV. COMMUNICATIONS WITH THIRD PARTIES

E&Y shall not communicate or disclose any matter concerning this engagement with third parties without express prior consent from either of the Attorneys.

V. WORK PRODUCT OF ERNST & YOUNG

All documents and other materials provided to or written, generated or prepared by E&Y in connection with this engagement shall be marked as privileged with the language set forth in Schedule I unless another designation is specifically approved.

All materials written, generated or prepared by or for E&Y shall be segregated and maintained in secure and separate files as described in Section VII below.

All materials written, generated or prepared by or for E&Y other than that which is appended or referred to in the Final Report or is otherwise to be retained in accordance with Section IX below shall be destroyed pursuant to the instructions contained in Section IX at the conclusion of this engagement.

VI. DOCUMENT REVIEW

E&Y may be required to assemble documents and other materials currently possessed by Company for review by either of the Attorneys. In such event, Ernst & Young shall make a copy of such materials and maintain them in the file system described in Section VII below. E & Y shall maintain a log of such materials and their source. Originals of such materials will be retained by Company. At the conclusion of this engagement, copies of such materials retained by E&Y shall be destroyed pursuant to Section IX below.

VII. FILES

Segregation

All materials provided to or written, prepared or generated by or for E&Y in connection with this engagement shall be retained in separate files or a separate

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

room apart from materials associated with previous or ongoing assignments for Company.

Access

Only persons specifically assigned to the team designated to this engagement and the E&Y practice support personnel supporting them, plus other E&Y personnel who are functioning in a quality assurance and/or supervisory capacity shall have access to the files retained for this project.

E&Y will create a list of persons authorized to have access to the files retained for Company on this project. Such list shall include names of E&Y employees and Subcontractors and Company employees who have permission to review files. E&Y shall inform its employees and Subcontractors of the confidential nature of these files and the need to adhere to these procedures.

To the extent that it is necessary to circulate files, the circulation will be limited to those persons on the access list.

Except as required by law, during the period of this engagement and after, E&Y shall not provide or disclose any documents or other materials provided to it or written, generated or prepared by or for it to any person other than the Attorneys without specific prior written consent from either of the Attorneys.

If any person to whom disclosure has not been authorized by the Attorneys, request to obtain any documents or information relating to any legal theories, opinions or conclusions or other materials within E&Y's possession which have been written, prepared or generated by or for the Attorneys or provided to the Attorneys in connection with this engagement, E&Y shall immediately inform either of the Attorneys and obtain the advice and, except as required otherwise by law, the consent of either of the Attorneys before taking any action.

VIII FINAL REPORT

The Final Report to be made in connection with this engagement will be prepared by the Attorneys. Drafts of sections of the report or appendices to the report that are provided to or written, generated or prepared by E&Y at the Attorneys' request shall be provided only to the Attorneys. Following the preparation of the report and at the conclusion of this engagement, copies of all materials prepared by E&Y that are not provided to the Attorneys shall be destroyed pursuant to the instructions contained in Section IX below.

*CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.*

IX. DOCUMENT RETENTION

All materials except documents defined below as "Final Documents", relating or referring to this engagement shall be shredded, deleted, discarded or otherwise destroyed no later than ten (10) business days after the Final Report is submitted to and accepted by Company. Notwithstanding anything in this memorandum to the contrary, E&Y may retain a set of its working papers, provided that such working papers shall continue to be treated as privileged and confidential in accordance with the terms of this memorandum. Notwithstanding anything contained in this memorandum to the contrary, E&Y's obligation to identify, shred, delete, discard and otherwise destroy records is limited to materials identifiable through ordinary means. For example, E&Y has no obligation to identify and destroy email messages contained on any back-up tapes that E&Y and/or vendors may maintain, nor is E&Y required to identify "deleted" materials that may still reside on portions of computer hard drives that have not been overwritten.

"Materials" means all written communications, notes records and other tangible forms of expression in the possession, custody or control of E&Y that memorialize, evidence or contain information relating or referring to this engagement, whether drafts or finished versions, originals, copies or annotated copies, however created, produced or stored (manually, mechanically, electronically, or otherwise) including, but not limited to, analyses, reports, summaries, work papers, agendas, minutes, notes or records of conversations or meetings, in whatever form they are held including books, papers, files, notes, correspondence, memoranda, telegrams, telexes, magnetic tape, tape recordings, disks, diskettes, disk packs or other electronic media, microfilm, microfiche, and other storage devices.

"Final Documents" consist of formal correspondence with the Attorneys, interview memoranda reviewed and approved by the Attorneys and copies of documents appended to or referred to in the Final Report reviewed and approved by the Attorneys.

*CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.*

Schedule I to Exhibit B

Except as indicated below, all materials written, generated or prepared by or for the Attorneys that are not copies of original Company documents shall be marked in the following language:

**DRAFT
CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

The following materials need not be marked as "DRAFT"

1. formal correspondence with the Attorneys,
2. contemporaneous notes,
3. interview memoranda reviewed and approved by the Attorneys, and
4. materials appended to or referred in the Final Report that have been reviewed and approved by the Attorneys,

but such materials must be marked as privilege with the following language:

**CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

*CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.*

Schedule II to Exhibit B

Script for Use at Outset of Interviews with Company Employees

E&Y has been retained by attorneys of Household Finance Corporation to assist the attorneys in their provision of legal advice to Household Finance Corporation. This interview is part of that inquiry. We have been retained by the Company to help them gather information they will need to render legal advice to the Company.

As we are advising all employees that we are interviewing for this project, it is important for you to know that the Attorneys that retained us represent Household Finance Corporation and not you personally. The Attorneys will be reporting to the Company on the information you and others provide to us. We cannot promise to maintain your confidences or to provide you advice concerning your personal interests.

Household Finance Corporation expects you to keep the fact and substance of this interview confidential. Consequently, you should not discuss the fact of this interview or any matters addressed during this interview with anyone outside or inside the Company without the prior approval of the General Counsel's office. You should not take or keep notes of this interview. In the event that the government or anyone else contacts you at any time in the future concerning this interview or information that you provide us, you should inform the General Counsel's office at once. (Nancy Johnson Bromley at 847-564-6237)

Household Finance Corporation expects to take the position that this interview and other interviews we are conducting are protected by the attorney-client privilege and constitute attorney-work product. These privileges should entitle the Company to withhold the information received from the government or other third parties. On the other hand, the Company may ultimately determine that its interests will be best served by disclosing some or all of the information we receive. You need to understand that the decision whether or not to disclose this information will be made by Household Finance Corporation and that you will not be able to prevent the Company from disclosing the information you provide if it decides to do so.

We may call you for an additional interview or to review documents maintained by you or the Company held under your control. We and Household Finance Corporation appreciate your assistance.

Do you have any questions before we begin?

CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT

Exhibit C

Dispute Resolution Procedures

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in our engagement letter of September 25, 2002. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. The mediator shall be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the CPR Institute for Dispute Resolution at the request of a party. Any mediator so designated must be acceptable to all parties.

The mediation shall be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and therefore shall be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party shall bear its own costs in the mediation. The fees and expenses of the mediator shall be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution ("Rules") as in effect on the date of the engagement letter, or such other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom are to be designated by the parties from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and

*CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.*

resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort. It shall also have no power to award (a) damages inconsistent with any applicable agreement between the parties or (b) award punitive damages or any other damages not measured by the prevailing party's actual damages; and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

July 1, 2002

Mr. Kenneth H. Robin,
Senior Vice President and General Counsel, Household International, Inc.
Ms. Kathleen K. Curtin,
General Counsel, Household Finance Corporation
2700 Sanders Road
Prospect Heights, IL 60070

Dear Mr. Robin and Ms. Curtin:

At your directive and pursuant to your retention of Ernst & Young LLP (E&Y), we submit the following letter of understanding to assist Household International, Inc. and Household Finance Corporation (together "Household")

(the "Compliance Review" or our "Services") and to prepare a report describing the procedures performed and related findings and recommendations (the "Work Product"). This engagement letter describes our understanding of the scope of the Compliance Review, our proposed approach, and fees for this project.

We understand that you will be utilizing the Work Product in order to provide legal advice to your client, Household, in your capacity as General Counsel. As such, all Work Product shall be deemed covered by the attorney-client privilege. Furthermore, it is our understanding that Household companies are currently involved in various types of litigation for which the Work Product may be used and anticipate such litigation in the future. As such, all Work Product shall be treated by E&Y as privileged under the attorney work product privilege. Our understanding of your requirements relative to this undertaking is contained in Appendix B to this letter.

Additionally, all parties understand that you will also use the Work Product to evaluate Household's procedures, and recommend adjustments and/or improvements, as necessary. As such, it is of paramount importance to you to keep all Work Product confidential and that you will be strictly monitoring the flow of any and all information relating to or arising from the Work Product. To the extent that the Work Product qualifies for protection under the self-test privilege established pursuant to Section 704A of the Equal Credit Opportunity Act (15 U.S.C. Section 1691, *et seq.*) or the self-evaluation privilege enunciated under certain case law, we understand that Household intends to assert that privilege.

Finally, in performing this work for Household, E&Y understands that it will have access to information regarding Household as well as third parties that is highly confidential and may be personal in nature. Therefore, all communications or evidence of

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 2
July 1, 2002

communications, including without limitation, *work papers, correspondence, reports, analyses, spreadsheets, checklists*, or similar materials, or documents that we produce or come to be in our possession or the possession of our agents with respect to this matter, shall be kept strictly confidential. All Work Product shall be marked "Privileged and Confidential Attorney Work Product and Attorney-Client Communication". For purposes of this letter, whenever the terms *work papers, correspondence, reports, documents* or analysis or similar terms are used they shall include electronically stored data, computer programs and structures for the retention, organization and communication of data. In no event shall we or any of our agents reveal any information or opinions relating to or arising from the Work Product to any person or entity other than Household without Household's prior written consent. E&Y acknowledges that a breach of its confidentiality obligations hereunder could cause irreparable injury to Household, entitling it to seek equitable relief solely for the purpose of enjoining such breach.

Project Scope

REDACTED

We recognize that the exact scope of the project is not known at this time.

REDACTED

We

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 3
July 1, 2002

will work closely with the project managers to both avoid duplication and effectively leverage the knowledge obtained from these other projects.

Proposed Approach

The following is a high level description of our approach for the project. We describe these as Tasks rather than Phases because we expect that many, if not most, of these tasks will run concurrently. We recognize that there are numerous factors that may necessitate revisions to our approach. We will meet at least weekly with you to update you on findings and recommendations.

Task I

REDACTED

Task II

REDACTED

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 4
July 1, 2002

REDACTED

Task III

REDACTED

Task IV

REDACTED

Task V

REDACTED

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 5
July 1, 2002

Project Timing, Fees, and Personnel

We understand the timing for this project is critical and are prepared to begin immediately.

As we have discussed with you, our fees and timing are significantly affected by the availability of company personnel to assist the engagement team in accessing necessary computer files, loan documents and transaction history. The time required to complete the engagement is also affected by the amount of manual research and analysis needed to conclude on

We understand that the company will identify a dedicated project manager to work closely with our engagement team and will identify other personnel to assist in manual review of records as needed.

In arriving at an estimate of the effort involved in completing the project we have considered the experience of previous consultants in completing the California exam as well as our understanding of the company's own analyses. We believe the effort is roughly as follows:

<u>AREA</u>	<u>EFFORT</u> (person-weeks)
Technology:	
Partner, Managers (2)	20-25
Compliance Testing:	
Managers (2), Seniors (2)	
Staff (10-30)	100-220
Project Oversight:	
Partners(2)	<u>10-12</u>
Approximate effort	<u>165-300</u>
Estimated Fees	<u>\$2.0-3.0 million</u>

If these estimates are likely to be exceeded due to changes in the circumstances or assumptions herein or due to a significant increase in the scope of the project as a result of unexpected factors uncovered in our testing or problems with data accessibility, we will inform you as soon as possible and discuss the appropriate course of action.

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 6
July 1, 2002

E&Y will bill Household as follows:

Initial Billing	\$500,000, due upon execution of this letter
July 15, 2002	500,000-600,000
July 31, 2002	500,000-900,000
August 15, 2002	<u>500,000-1,000,000</u>
	<u>\$2,000,000-3,000,000</u>

These billings are reflective of our anticipated timing and staffing levels for the work.

Out of pocket expenses—primarily for travel and meals—will be itemized and billed separately; we would expect expenses not to exceed 10% of the fees.

Other Matters

Our services are advisory in nature only, and we cannot predict how any regulatory agency, court, prosecutor or jury may act in any particular case, and cannot provide any assurance that our services will identify all issues, possibilities, omissions, or problems that might exist and Household assumes the responsibility for the use of and results obtained from our services.

Except for any breach of confidentiality by E&Y relating to any aspect of this proposal, in which case Household may seek injunctive and other equitable relief in any court of competent jurisdiction, any controversy or claim arising out of or relating to the services covered by this letter or hereafter provided by us to Household (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of Household, or of E&Y) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Appendix A of this letter. Judgment on any arbitration award may be entered in any court having proper jurisdiction.

To the fullest extent permitted by applicable law, the total aggregate liability of E&Y, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, under this Agreement or with respect to the Services shall be limited to the fees paid by Household to E&Y under this Agreement. In no event will E&Y or Household be liable for consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill), regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, and even if advised of the likelihood of such damages.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 7
July 1, 2002

If any portion of this letter is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect.

If these arrangements are acceptable, please sign one copy of this letter and return it to me.

We appreciate the opportunity to serve you and look forward to working with you in the future. Should you have any questions regarding this proposal or would like to discuss it further, please call Chris Bianucci at (312) 879-2040 or me at (312) 879-2029.

Sincerely,



John M. Keller

Attachment


PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 8
July 1, 2002

Approval to initiate the project described in this engagement letter.

Signature




Kenneth H. Robin

Title:

Senior Vice-President, General Counsel, Household International, Inc.

Signature



Kathleen K. Curtin

Title:

Vice President, General Counsel, Household Finance Corporation

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix A

Dispute Resolution Procedures

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in our engagement letter of July 1, 2002. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. The mediator shall be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the CPR Institute for Dispute Resolution at the request of a party. Any mediator so designated must be acceptable to all parties.

The mediation shall be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and therefore shall be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party shall bear its own costs in the mediation. The fees and expenses of the mediator shall be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution ("Rules") as in effect on the date of the engagement letter, or such other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom are to be designated by the parties from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix A

resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration panel shall have no power to non-monetary or equitable relief of any sort. It shall also have no power to award (a) damages inconsistent with any applicable agreement between the parties or (b) award punitive damages or any other damages not measured by the prevailing party's actual damages; and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

PRIVILEGED AND CONFIDENTIAL
ATTORNEY/CLIENT COMMUNICATION
ATTORNEY WORK PRODUCT

MEMORANDUM FOR ERNST & YOUNG LLP

RE: PROCEDURES TO BE FOLLOWED TO PROTECT DOCUMENTS AND
OTHER MATERIALS FROM FUTURE DISCOVERY

Pursuant to the engagement letter between Ernst & Young LLP and Kenneth H. Robin, General Counsel, Household International, Inc. and Kathleen K. Curtin, General Counsel, Household Finance Corporation (hereinafter the "Attorneys") dated July 1, 2002, the Attorneys have retained Ernst & Young to assist the Attorneys rendering legal advice to Household Finance Corporation and certain of its affiliates (hereinafter the "Company"). The following guidelines are provided for Ernst & Young to use in connection with this engagement to ensure that oral and written communications between Ernst & Young, the Company and the Attorneys remain privileged and confidential under the attorney-client privilege and attorney-work product privilege doctrines. Strict adherence to the guidelines below is required. As a general rule, Ernst & Young should address all communications in connection with this engagement to either of the Attorneys, except as otherwise authorized by either of the Attorneys.

**WRITTEN AND ORAL COMMUNICATIONS WITH EITHER OF THE
ATTORNEYS**

All communications (written and oral) between Ernst & Young and either of the Attorneys in connection with this engagement are privileged and confidential and shall be treated as such.

Ernst & Young may not disclose to any person a copy or the contents of any communication from the Attorneys in connection with this engagement at any time (including during and after this engagement) without express prior consent from either of the Attorneys.

Ernst & Young may not disclose any legal theories, opinions or conclusions or other information provided by either of the Attorneys in connection with this

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

engagement to any person without express prior consent from either of the Attorneys.

All written communications for or sent to either of the Attorneys must be marked as privileged with the language set forth in Exhibit I unless another description is specifically approved by either of the Attorneys. All materials referring or relating to such communications shall be destroyed pursuant to Section IX below.

II. ORAL COMMUNICATIONS WITH COMPANY EMPLOYEES

Communications with Company's non-legal employees

Ernst & Young shall not discuss its findings or the status of the investigation with any non-legal employees without express prior consent from either of the Attorneys.

Ernst & Young shall not disclose any legal theories, opinions or conclusions, any attorney-work product or any other privileged information to any non-legal employees without express prior consent from either of the Attorneys.

Interviews of Company Employees

All interviews should be conducted in private and outside the listening range of others.

If third persons must be present during an interview, then notes of the interview shall indicate the purpose and need for those persons' presence.

Ernst & Young shall read the script attached as Exhibit II prior to interviewing any employee.

During the course of this engagement, Ernst & Young shall retain notes of communications with Company employees. All notes shall be marked as privileged with the language set forth in Exhibit I unless other designation is specifically approved.

Ernst & Young shall prepare memorandum summarizing each interview of Company employees. Interview memoranda shall be marked as privileged with the language set forth in Exhibit I unless another designation is specifically approved by either of the Attorneys. Interview memoranda shall be submitted to

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

either of the Attorneys in draft form for review and approval. Once reviewed and approved by either of the Attorneys, Ernst & Young shall provide a copy to either of the Attorneys and retain a copy of such interview memoranda in the file system described in Section VII below. All materials, other than the approved version of the interview memoranda, shall be destroyed pursuant to Section IX below.

III. WRITTEN COMMUNICATIONS TO COMPANY

Ernst & Young shall discuss the nature and the scope of all proposed written communications to Company that contain analyses of information obtained in connection with this engagement with either of the Attorneys, prior to transmission to Company.

A copy of all written communications to Company shall also be addressed to the Attorneys. All written communications to Company must be marked as privileged with the language set forth in Exhibit I unless other designation is specifically approved. At the conclusion of this engagement, all materials relating or referring to such communications shall be destroyed pursuant to Section IX below.

IV. COMMUNICATIONS WITH THIRD PARTIES

Ernst & Young shall not communicate or disclose any matter concerning this engagement, with third parties without express prior consent from either of the Attorneys.

V. WORK PRODUCT OF ERNST & YOUNG

All documents and other materials provided to or written, generated or prepared by Ernst & Young in connection with this engagement shall be marked as privileged with the language set forth in Exhibit I unless another designation is specifically approved.

All materials written, generated or prepared by or for Ernst & Young shall be segregated and maintained in secure and separate files as described in Section VII below.

All materials written, generated or prepared by or for Ernst & Young other than that which is appended or referred to in the Final Report or is otherwise to be retained in accordance with Section IX below shall be destroyed pursuant to the instructions contained in Section IX at the conclusion of this engagement.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

VI. DOCUMENT REVIEW

Ernst & Young may be required to assemble documents and other materials currently possessed by Company for review by either of the Attorneys. In such event, Ernst & Young shall make a copy of such materials and maintain them in the file system described in Section VII below. Ernst & Young shall maintain a log of such materials and their source. Originals of such materials will be retained by Company. At the conclusion of this engagement, copies of such materials retained by Ernst & Young shall be destroyed pursuant to Section IX below.

VII. FILES

Segregation

All materials provided to or written, prepared or generated by or for Ernst & Young in connection with this engagement shall be retained in separate files or a separate room apart from materials associated with previous or ongoing assignments for Company.

Access

Only persons specifically assigned to the team designated to this engagement shall have access to the files retained for this project.

Ernst & Young will create a list of persons authorized to have access to the files retained for Company on this project. Such list shall include names of Ernst & Young employees and subcontractors and Company employees who have permission to review files. Ernst & Young shall inform its employees and subcontractors of the confidential nature of these files and the need to adhere to these procedures.

To the extent that it is necessary to circulate files, the circulation will be limited to those persons on the access list.

During the period of this engagement and after, Ernst & Young shall not provide or disclose any documents or other materials provided to it or written, generated or prepared by or for it to any person other than the Attorneys without specific prior written consent from either of the Attorneys.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

If any person to whom disclosure has not been authorized by the Attorneys, request to obtain any documents or information relating to any legal theories, opinions or conclusions or other materials within Ernst & Young's possession which have been written, prepared or generated by or for the Attorneys or provided to the Attorneys in connection with this engagement, Ernst & Young shall immediately inform either of the Attorneys and obtain the advice and consent of either of the Attorneys before taking any action.

VIII FINAL REPORT

The Final Report to be made in connection with this engagement will be prepared by the Attorneys. Drafts of sections of the report or appendices to the report that are provided to or written, generated or prepared by Ernst & Young at the Attorneys' request shall be provided only to the Attorneys. Following the preparation of the report and at the conclusion of this engagement, copies of all materials prepared by Ernst & Young that are not provided to the Attorneys shall be destroyed pursuant to the instructions contained in Section IX below.

IX. DOCUMENT RETENTION

All materials except documents defined below as "Final Documents", relating or referring to this engagement shall be shredded, deleted, discarded or otherwise destroyed no later than ten (10) business days after the Final Report is submitted to and accepted by Company. Notwithstanding anything in this memorandum to the contrary, Ernst & Young may retain a set of its working papers, provided that such working papers shall continue to be treated as privileged and confidential in accordance with the terms of this memorandum.

"Materials" means all written communications, notes records and other tangible forms of expression in the possession, custody or control of Ernst & Young that memorialize, evidence or contain information relating or referring to this engagement, whether drafts or finished versions, originals, copies or annotated copies, however created, produced or stored (manually, mechanically, electronically, or otherwise) including, but not limited to, analyses, reports, summaries, work papers, agendas, minutes, notes or records of conversations or meetings, in whatever form they are held including books, papers, files, notes, correspondence, memoranda, telegrams, telexes, magnetic tape, tape recordings, disks, diskettes, disk packs or other electronic media, microfilm, microfiche, and other storage devices.

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Appendix B

"Final Documents" consist of formal correspondence with the Attorneys, interview memoranda reviewed and approved by the Attorneys and copies of documents appended to or referred to in the Final Report reviewed and approved by the Attorneys.

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

EXHIBIT I to Appendix B

Except as indicated below, all materials written, generated or prepared by or for the Attorneys that are not copies of original Company documents shall be marked in the following language:

**DRAFT
CONFIDENTIAL – NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

The following materials need not be marked as "DRAFT"

1. formal correspondence with the Attorneys,
2. contemporaneous notes,
3. interview memoranda reviewed and approved by the Attorneys, and
4. materials appended to or referred in the Final Report that have been reviewed and approved by the Attorneys,

but such materials must be marked as privilege with the following language:

**CONFIDENTIAL – NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

EXHIBIT II to Appendix B

Script for Use at Outset of Interviews
with Company Employees

Ernst & Young has been retained by Attorneys of Household Finance Corporation to determine the relevant facts and to provide legal advice concerning

REDACTED

This interview is part of that inquiry. We have been retained by the Company to help them gather information they will need to render legal advice to the Company.

As we are advising all employees that we are interviewing for this project, it is important for you to know that the Attorneys that retained us represent Household Finance Corporation and not you personally. The Attorneys will be reporting to the Company on the information you and others provide to us. We cannot promise to maintain your confidences or to provide you advice concerning your personal interests.

Household Finance Corporation expects you to keep the fact and substance of this interview confidential. Consequently, you should not discuss the fact of this interview or any matters addressed during this interview with anyone outside or inside the Company without the prior approval of the General Counsel's office. You should not take or keep notes of this interview. In the event that the government or anyone else contacts you at any time in the future concerning this interview or information that you provide us, you should inform the General Counsel's office at once (Kay Curtin, 847-564-6829).

Household Finance Corporation expects to take the position that this interview and other interviews we are conducting are protected by the attorney-client privilege and constitute attorney-work product. These privileges should entitle the Company to withhold the information received from the government or other third parties. On the other hand, the Company may ultimately determine that its interests will be best served by disclosing some or all of the information we receive. You need to understand that the decision whether or not to disclose this information will be made by Household Finance Corporation and that you will not be able to prevent the Company from disclosing the information you provide if it decides to do so.

We may call you for an additional interview or to review documents maintained by you or the Company held under your control. We and Household Finance Corporation appreciate your assistance.

Do you have any questions before we begin?



Ernst & Young LLP
Sears Tower
233 South Wacker Drive
Chicago, Illinois 60606-6301

Phone: (312) 879-2000
www.ey.com

July 1, 2002

600 09127 / 11067068

Mr. Kenneth H. Robin,
Senior Vice-President and General Counsel, Household International, Inc.
Ms. Kathleen K. Curtin,
General Counsel, Household Finance Corporation
2700 Sanders Road
Prospect Heights, IL 60070

Dear Mr. Robin and Ms. Curtin:

At your directive and pursuant to your retention of Ernst & Young LLP (E&Y), we submit the following letter of understanding to work with Household International, Inc. and Household Finance Corporation (together "Household") (the "Services"). This engagement letter briefly describes our understanding of the scope of Work Product, approach for conducting this review, and fees for this project.

We understand that you will be utilizing the Work Product in order to provide legal advice to your client, Household, in your capacity as General Counsel. As such, all Work Product shall be deemed covered by the attorney-client privilege. Furthermore, it is our understanding that Household companies are currently involved in various types of litigation for which the Work Product may be used, and anticipate such litigation in the future. As such, all Work Product shall be treated by E&Y as privileged under the attorney work product privilege. Our understanding of your requirements relative to this undertaking is contained in Appendix B to this letter.

Additionally, all parties understand that you will also use the Work Product to evaluate Household's procedures, and recommend adjustments and/or improvements, as necessary. As such, it is of paramount importance to you to keep all Work Product confidential and that you will be strictly monitoring the flow of any and all information relating to or arising from the Work Product. To the extent that the Work Product qualifies for protection under the self-test privilege established pursuant to Section 704A of the Equal Credit Opportunity Act (15 U.S.C. Section 1691, *et seq.*) or the self-evaluation privilege enunciated under certain case law, we understand that Household intends to assert that privilege.

Finally, in performing this work for Household, E&Y understands that it will have access to information regarding Household as well as third parties that is highly confidential and may be personal in nature. Therefore, all communications or evidence of communications, including without limitation work papers, correspondence, reports, analyses, spreadsheets, checklists, or similar materials, or documents that we produce or

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 2
July 1, 2002

come to be in our possession or the possession of our agents with respect to this matter, shall be kept strictly confidential. All Work Product shall be marked "Privileged and Confidential Attorney Work Product and Attorney-Client Communication". For purposes of this letter, whenever the terms work papers, correspondence, reports, documents or analysis or similar terms are used they shall include electronically stored data, computer programs and structures for the retention, organization and communication of data. In no event shall we or any of our agents reveal any information or opinions relating to or arising from the Work Product to any person or entity other than Household without Household's prior written consent. E&Y acknowledges that a breach of its confidentiality obligations hereunder could cause irreparable injury to Household, entitling it to seek equitable relief solely for the purpose of enjoining such breach.

Project Scope

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 3
July 1, 2002

REDACTED

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION**

Mr. Kenneth Robin and Ms. Kathleen Curtin

**Page 4
July 1, 2002**

REDACTED

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 5
July 1, 2002

RELEASED

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 6
July 1, 2002

RECEIVED

Before finalizing our analysis, we will discuss preliminary findings in a conference call with appropriate Household personnel to obtain Household's feedback and insights. At your request, we will provide a draft report summarizing our findings, once they have been finalized. Upon delivering the draft report, we will schedule a conference call to solicit feedback on the draft report. Once we have received your feedback on the draft report, we will incorporate any comments and provide a final version.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 7
July 1, 2002

Project Timing, Fees, and Personnel

Assuming timely availability of [REDACTED], we anticipate completing the fact-finding within three weeks of the start date. Upon receiving the electronic data for statistical analysis, we anticipate developing the statistical models within six to eight weeks.

Since the scope of issues to be analyzed and products to be evaluated is not clear at this time, we are unable to provide you with firm fee estimates. However we have developed a general sense of your needs based on our meeting on June 14th and 26th, and are able to provide a range of fee estimate for the purposes of this engagement letter. The estimated professional fees for conducting various phases of this project including fact-finding, data assembly, modeling, and report preparation are likely to range between \$375,000 and \$450,000, exclusive of out of pocket expenses. This estimate is based upon our prior experiences with similar projects, anticipated deliverables, assumptions identified in this letter, and on the scope of the engagement described above. If these estimates are likely to be exceeded due to changes in the circumstances or assumptions herein or due to a significant increase in the scope of the project as a result of unexpected factors uncovered in the interviews or problems with data accessibility, we will inform you as soon as possible and discuss the appropriate course of action. This engagement letter assumes no meetings beyond those necessary for execution of the interviews as discussed above, periodic status updates, and conference calls to discuss the findings from the fact-finding phase and recommendations for next steps and to discuss the findings from the statistical analysis. Professional fees for any additional meetings or presentations to discuss the project results will be billed separately.

E&Y will bill Household as follows:

Initial Billing, due upon execution of this letter	\$150,000 - 21554125
July 15, 2002	150,000 - 21554125
August 15, 2002	75,000 - 21578655
August 31, 2002	Remaining balance
	14,000 exp - 21600525
	570,000 - 21657825
	50,000 - 21699785

Other Matters

Our services are advisory in nature only, and we cannot predict how any regulatory agency, court, prosecutor or jury may act in any particular case, and cannot provide any assurance that our services will identify all issues, possibilities, omissions, or problems that might exist and Household assumes the responsibility for the use of and results obtained from our services.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 8
July 1, 2002

Except for any breach of confidentiality by E&Y relating to any aspect of this proposal, in which case Household may seek injunctive and other equitable relief in any court of competent jurisdiction, any controversy or claim arising out of or relating to the services covered by this letter or hereafter provided by us to Household (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of Household, or of Ernst & Young LLP) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Appendix A of this letter. Judgment on any arbitration award may be entered in any court having proper jurisdiction.

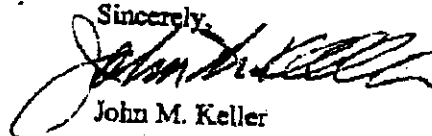
To the fullest extent permitted by applicable law, the total aggregate liability of E&Y, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, under this Agreement or with respect to the Services shall be limited to the fees paid by Household to E&Y under this Agreement. In no event will E&Y or Household be liable for consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill), regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, and even if advised of the likelihood of such damages.

If any portion of this letter is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect.

If these arrangements are acceptable, please sign one copy of this letter and return it to me.

We appreciate the opportunity to serve you and look forward to working with you in the future. Should you have any questions regarding this proposal or would like to discuss it further, please call Balvinder Sangha at (202) 327-8373 or me at (312) 879-2029.

Sincerely,



John M. Keller

Attachments

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 9
July 1, 2002

Approval to initiate the project described in this engagement letter.

Signature




Kenneth H. Robin

Title:

Senior Vice President, General Counsel, Household International, Inc.

Signature



Kathleen K. Curtin

Title:

General Counsel, Household Finance Corporation

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Mr. Kathleen Curtin

Page 10
July 1, 2002

Appendix A

Dispute Resolution Procedures

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in our engagement letter of July 1, 2002. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. The mediator shall be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the CPR Institute for Dispute Resolution at the request of a party. Any mediator so designated must be acceptable to all parties.

The mediation shall be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and therefore shall be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party shall bear its own costs in the mediation. The fees and expenses of the mediator shall be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution ("Rules") as in effect on the date of the engagement letter, or such other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom are to be designated by the parties from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 11
July 1, 2002

procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration panel shall have no power to non-monetary or equitable relief of any sort. It shall also have no power to award (a) damages inconsistent with any applicable agreement between the parties or (b) award punitive damages or any other damages not measured by the prevailing party's actual damages; and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION**

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 12
July 1, 2002

Appendix B

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY/CLIENT COMMUNICATION
ATTORNEY WORK PRODUCT**

MEMORANDUM FOR ERNST & YOUNG LLP

**RE: PROCEDURES TO BE FOLLOWED TO PROTECT DOCUMENTS AND
OTHER MATERIALS FROM FUTURE DISCOVERY**

Pursuant to the engagement letter between Ernst & Young LLP and Kenneth H. Robin, General Counsel, Household International, Inc. and Kathleen K. Curtin, General Counsel, Household Finance Corporation (hereinafter the "Attorneys") dated July 1, 2002, the Attorneys have retained Ernst & Young to assist the Attorneys rendering legal advice to Household Finance Corporation and certain of its affiliates (hereinafter the "Company"). The following guidelines are provided for Ernst & Young to use in connection with this engagement to ensure that oral and written communications between Ernst & Young, the Company and the Attorneys remain privileged and confidential under the attorney-client privilege and attorney-work product privilege doctrines. Strict adherence to the guidelines below is required. As a general rule, Ernst & Young should address all communications in connection with this engagement to either of the Attorneys, except as otherwise authorized by either of the Attorneys.

**I. WRITTEN AND ORAL COMMUNICATIONS WITH EITHER OF THE
ATTORNEYS**

All communications (written and oral) between Ernst & Young and either of the Attorneys in connection with this engagement are privileged and confidential and shall be treated as such.

Ernst & Young may not disclose to any person a copy or the contents of any communication from the Attorneys in connection with this engagement at any time (including during and after this engagement) without express prior consent from either of the Attorneys.

Ernst & Young may not disclose any legal theories, opinions or conclusions or other information provided by either of the Attorneys in connection with this

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 13
July 1, 2002

engagement to any person without express prior consent from either of the Attorneys.

All written communications for or sent to either of the Attorneys must be marked as privileged with the language set forth in Exhibit I unless another description is specifically approved by either of the Attorneys. All materials referring or relating to such communications shall be destroyed pursuant to Section IX below.

II. ORAL COMMUNICATIONS WITH COMPANY EMPLOYEES

Communications with Company's non-legal employees

Ernst & Young shall not discuss its findings or the status of the investigation with any non-legal employees without express prior consent from either of the Attorneys.

Ernst & Young shall not disclose any legal theories, opinions or conclusions, any attorney-work product or any other privileged information to any non-legal employees without express prior consent from either of the Attorneys.

Interviews of Company Employees

All interviews should be conducted in private and outside the listening range of others.

If third persons must be present during an interview, then notes of the interview shall indicate the purpose and need for those persons' presence.

Ernst & Young shall read the script attached as Exhibit II prior to interviewing any employee.

During the course of this engagement, Ernst & Young shall retain notes of communications with Company employees. All notes shall be marked as privileged with the language set forth in Exhibit I unless other designation is specifically approved.

Ernst & Young shall prepare memorandum summarizing each interview of Company employees. Interview memoranda shall be marked as privileged with the language set forth in Exhibit I unless another designation is specifically approved by either of the Attorneys. Interview memoranda shall be submitted to either of the Attorneys in draft form for review and approval. Once reviewed and approved by either of the Attorneys, Ernst & Young shall provide a copy to either of the Attorneys and retain a copy of such interview memoranda in the file system.

*PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION*

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 14
July 1, 2002

Appendix B

described in Section VII below. All materials, other than the approved version of the interview memoranda, shall be destroyed pursuant to Section IX below.

V. WRITTEN COMMUNICATIONS TO COMPANY

Ernst & Young shall discuss the nature and the scope of all proposed written communications to Company that contain analyses of information obtained in connection with this engagement with either of the Attorneys, prior to transmission to Company.

A copy of all written communications to Company shall also be addressed to the Attorneys. All written communications to Company must be marked as privileged with the language set forth in Exhibit I unless other designation is specifically approved. At the conclusion of this engagement, all materials relating or referring to such communications shall be destroyed pursuant to Section IX below.

V. COMMUNICATIONS WITH THIRD PARTIES

Ernst & Young shall not communicate or disclose any matter concerning this engagement, with third parties without express prior consent from either of the Attorneys.

V. WORK PRODUCT OF ERNST & YOUNG

All documents and other materials provided to or written, generated or prepared by Ernst & Young in connection with this engagement shall be marked as privileged with the language set forth in Exhibit I unless another designation is specifically approved.

All materials written, generated or prepared by or for Ernst & Young shall be segregated and maintained in secure and separate files as described in Section VII below.

All materials written, generated or prepared by or for Ernst & Young other than that which is appended or referred to in the Final Report or is otherwise to be retained in accordance with Section IX below shall be destroyed pursuant to the instructions contained in Section IX at the conclusion of this engagement.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 15
July 1, 2002

Appendix B

VI. DOCUMENT REVIEW

Ernst & Young may be required to assemble documents and other materials currently possessed by Company for review by either of the Attorneys. In such event, Ernst & Young shall make a copy of such materials and maintain them in the file system described in Section VII below. Ernst & Young shall maintain a log of such materials and their source. Originals of such materials will be retained by Company. At the conclusion of this engagement, copies of such materials retained by Ernst & Young shall be destroyed pursuant to Section IX below.

VII. FILES

Segregation

All materials provided to or written, prepared or generated by or for Ernst & Young in connection with this engagement shall be retained in separate files or a separate room apart from materials associated with previous or ongoing assignments for Company.

Access

Only persons specifically assigned to the team designated to this engagement shall have access to the files retained for this project.

Ernst & Young will create a list of persons authorized to have access to the files retained for Company on this project. Such list shall include names of Ernst & Young employees and subcontractors and Company employees who have permission to review files. Ernst & Young shall inform its employees and subcontractors of the confidential nature of these files and the need to adhere to these procedures.

To the extent that it is necessary to circulate files, the circulation will be limited to those persons on the access list.

During the period of this engagement and after, Ernst & Young shall not provide or disclose any documents or other materials provided to it or written, generated or prepared by or for it to any person other than the Attorneys without specific prior written consent from either of the Attorneys.

If any person to whom disclosure has not been authorized by the Attorneys, request to obtain any documents or information relating to any legal theories, opinions or conclusions or other materials within Ernst & Young's possession

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 16
July 1, 2002

Appendix B

which have been written, prepared or generated by or for the Attorneys or provided to the Attorneys in connection with this engagement, Ernst & Young shall immediately inform either of the Attorneys and obtain the advice and consent of either of the Attorneys before taking any action.

VIII FINAL REPORT

The Final Report to be made in connection with this engagement will be prepared by the Attorneys. Drafts of sections of the report or appendices to the report that are provided to or written, generated or prepared by Ernst & Young at the Attorneys' request shall be provided only to the Attorneys. Following the preparation of the report and at the conclusion of this engagement, copies of all materials prepared by Ernst & Young that are not provided to the Attorneys shall be destroyed pursuant to the instructions contained in Section IX below.

IX. DOCUMENT RETENTION

All materials except documents defined below as "Final Documents", relating or referring to this engagement shall be shredded, deleted, discarded or otherwise destroyed no later than ten (10) business days after the Final Report is submitted to and accepted by Company. Notwithstanding anything in this memorandum to the contrary, Ernst & Young may retain a set of its working papers, provided that such working papers shall continue to be treated as privileged and confidential in accordance with the terms of this memorandum.

"Materials" means all written communications, notes records and other tangible forms of expression in the possession, custody or control of Ernst & Young that memorialize, evidence or contain information relating or referring to this engagement, whether drafts or finished versions, originals, copies or annotated copies, however created, produced or stored (manually, mechanically, electronically, or otherwise) including, but not limited to, analyses, reports, summaries, work papers, agendas, minutes, notes or records of conversations or meetings, in whatever form they are held including books, papers, files, notes, correspondence, memoranda, telegrams, telexes, magnetic tape, tape recordings, disks, diskettes, disk packs or other electronic media, microfilm, microfiche, and other storage devices.

"Final Documents" consist of formal correspondence with the Attorneys, interview memoranda reviewed and approved by the Attorneys and copies of documents appended to or referred to in the Final Report reviewed and approved by the Attorneys.

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION**

Mr. Kenneth Robin and Ms. Kathleen Curin

Page 17
July 1, 2002

EXHIBIT I to Appendix B

Except as indicated below, all materials written, generated or prepared by or for the Attorneys that are not copies of original Company documents shall be marked in the following language:

**DRAFT
CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

The following materials need not be marked as "DRAFT"

1. formal correspondence with the Attorneys,
2. contemporaneous notes,
3. interview memoranda reviewed and approved by the Attorneys, and
4. materials appended to or referred in the Final Report that have been reviewed and approved by the Attorneys,

but such materials must be marked as privilege with the following language:

**CONFIDENTIAL - NOT FOR DISTRIBUTION
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY-WORK PRODUCT.**

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT AND
ATTORNEY-CLIENT COMMUNICATION

Mr. Kenneth Robin and Ms. Kathleen Curtin

Page 18
July 1, 2002

EXHIBIT II to Appendix B

**Script for Use at Outset of Interviews
with Company Employees**

Ernst & Young has been retained by Attorneys of Household Finance Corporation to determine the relevant facts and to provide legal advice concerning

This interview is part of that inquiry. We have been retained by the Company to help them gather information they will need to render legal advice to the Company.

As we are advising all employees that we are interviewing for this project, it is important for you to know that the Attorneys that retained us represent Household Finance Corporation and not you personally. The Attorneys will be reporting to the Company on the information you and others provide to us. We cannot promise to maintain your confidences or to provide you advice concerning your personal interests.

Household Finance Corporation expects you to keep the fact and substance of this interview confidential. Consequently, you should not discuss the fact of this interview or any matters addressed during this interview with anyone outside or inside the Company without the prior approval of the General Counsel's office. You should not take or keep notes of this interview. In the event that the government or anyone else contacts you at any time in the future concerning this interview or information that you provide us, you should inform the General Counsel's office at once (Kay Curtin 847-564-6829).

Household Finance Corporation expects to take the position that this interview and other interviews we are conducting are protected by the attorney-client privilege and constitute attorney-work product. These privileges should entitle the Company to withhold the information received from the government or other third parties. On the other hand, the Company may ultimately determine that its interests will be best served by disclosing some or all of the information we receive. You need to understand that the decision whether or not to disclose this information will be made by Household Finance Corporation and that you will not be able to prevent the Company from disclosing the information you provide if it decides to do so.

We may call you for an additional interview or to review documents maintained by you or the Company held under your control. We and Household Finance Corporation appreciate your assistance.

Do you have any questions before we begin?