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# HOUSEHOLD INTERNATIONAL

PLF DEPT. FLYNN	EX REVISED
DATE 9/5/84	
NEWROCK REPORTING SERVICE	

D. C. Clark  
Chairman of the Board and  
Chief Executive Officer

August 14, 1984

Dear Fellow Shareholders:

Your Board of Directors today increased the cash dividend on Household's common stock, raising the annual rate per share to \$1.75 from \$1.70. The new quarterly rate of \$0.4375 is payable October 15, 1984, to shareholders of record on September 28, 1984.

Cash dividends paid in 1984 will mark a 32-year record of annual increases in the amount paid each year per share of common stock.

Also declared were the regular quarterly dividends of \$0.59375 per share on the \$2.375 convertible preferred stock, \$0.625 on the \$2.50 convertible preferred stock and \$1.5625 on the \$6.25 convertible preferred stock, payable October 15, 1984, to shareholders of record on September 28, 1984.

Additionally, your Board of Directors declared a dividend of one preferred stock purchase right on each outstanding share of Household International common stock effective August 28, 1984. Each right will entitle shareholders until August 31, 1994 to buy one one-hundredth of a share of a newly-created series of Household International participating preferred stock having the principal terms described below at an exercise price of \$100.00 for each one one-hundredth of a share. The rights will trade with the common stock certificates. The rights will not be exercisable, or transferable apart from the common stock, until 10 days after someone acquires 20% of the common stock or makes an offer for 30% of the common stock. Separate certificates for the rights will be mailed to common stockholders as of such date.

The rights are designed to permit shareholders to benefit from the long-term value of the company and to assure that all shareholders receive fair and equal treatment in the event of an unsolicited takeover of the company. In the event that Household International is acquired in a merger or other business combination transaction, each right will entitle its holder to purchase, at the then current exercise price of the right, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right. Thus, for example, if the market value of the acquiring company's common stock at the time of the transaction is \$50.00 per share and the exercise price of the rights is \$100.00 per right, each right would entitle the holder to receive upon exercise four shares of the acquiring company's common stock.

In the event that Household International was the surviving corporation in the merger and its common stock was not changed, each right would become exercisable for that number of shares of Household International preferred stock having a market value of two times the exercise price of the right.

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You, the company's shareholders, are the direct beneficiaries of this program and of Household International's growing strength and future earnings potential. The distribution that has been declared today is designed to enhance your opportunity to realize what your Board of Directors believes is the long-term value of Household International. The rights dividend treats all shareholders equally and does not in any way weaken the financial strength or burden the operations of your company.

In fashioning the rights, your Board was concerned with protecting shareholders against being stampeded into selling their shares or being forcibly squeezed out of their equity investment in the event of an unsolicited takeover attempt. While we are not aware that Household International is currently the target of a takeover attempt, the rights dividend is designed to protect against a third party seeking to take advantage of short-term market conditions and speculation, which, if successful, could reduce the return Household International could and should provide all of its shareholders. At the same time, the Board wanted to preserve for all shareholders the right to determine the destiny of Household International and their investment in the company.

The rights will not prevent a takeover of Household International, but should deter any attempt to acquire your company in a manner or on terms not approved by the Board. Since the company may elect to redeem the rights, on 10 days' notice at \$0.50 per right prior to a person acquiring beneficial ownership of at least 20% of Household International's stock, they will not interfere with any business combination approved by your Board. The rights will expire on August 31, 1994. They will not have any voting rights. Harris Trust and Savings Bank is the Rights Agent.

The preferred stock purchasable upon exercise of the rights will be nonredeemable and subordinate to other series of the company's preferred stock. Each share of preferred stock will have a minimum preferential quarterly dividend rate of \$25 per share, but will be entitled to an aggregate dividend of 100 times the dividend declared on the common stock. In the event of liquidation, the holders of the preferred stock will receive a preferred liquidation payment of \$100 per share, but will be entitled to receive an aggregate liquidation payment equal to 100 times the payment made per share of common stock. Each share of preferred stock will have 100 votes, voting together with the common stock. Finally, in the event of any merger, consolidation or other transaction in which shares of common stock are exchanged for or changed into other stock or securities, cash or other property, each share of preferred stock will be entitled to receive 100 times the amount received per share of common stock. The foregoing rights of the preferred stock are protected against dilution in the event additional shares of common stock are issued. Fractional shares of preferred stock in integral multiples of 1/100 of a share of preferred stock will be issuable; however, to facilitate trading of such fractional interests we expect that depositary receipts will be made available. Because of the nature of the preferred stock's dividend, liquidation and voting rights, the value of the interest in a share of preferred stock purchasable with each right should approximate the value of one share of common stock.


The present distribution of these rights is not taxable to you or Household International. Upon the rights becoming rights to purchase a raider's common stock or, in the event of a reverse merger, additional preferred stock, holders of rights will probably recognize taxable income. The rights are not dilutive and will not affect reported earnings per share.

Earlier this month, Household International announced that second quarter fully diluted earnings per share were 24% higher than the same period last year and an all-time quarterly high. I continue to be confident that 1984 will be a year of record earnings for Household, surpassing our previous record established just last year. Plans have been put together over the past two years that are greatly enhancing profitability today, and more importantly, that will contribute significantly to the future growth of your company.

Your Board of Directors and management are most enthusiastic about the long-term potential for your company and feel deeply our responsibility to serve the best interests of our shareholders. You can be certain we will continue to implement and pursue those programs which are consistent with this responsibility. Meanwhile, we take great satisfaction in providing these new rights to preserve the long-term value of your investment in Household International.

In closing, I reaffirm my commitment to you, our shareholders, to manage your company for consistent long-term improvement in the real return of your investment.

On behalf of the Board of Directors,

A handwritten signature in cursive script, appearing to read "J. B. ...", is written in black ink.

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