

CONFIDENTIAL

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PLF. DEPT.	EX# 1
WIT. <i>H. J. W.</i>	IN BUREAU ID
DATE <i>9/21/84 HJK</i>	
MEMORANDUM REPORTING SERVICE	

August 28, 1984

Household International, Inc.
 2700 Sanders Road
 Prospect Heights, IL 60070

Gentlemen:

You have requested our opinion as special Delaware counsel to Household International, Inc. (the "Company"), a Delaware corporation, with respect to the proposed issuance as a dividend by the Company of preferred stock purchase rights to a new Series A Junior Participating Preferred Stock (the "Rights" and the "Preferred Stock"). You have furnished, and we have reviewed, copies of the Certificate of Designation, Preferences and Rights of the Preferred Stock as filed with the Secretary of State of Delaware on August 20, 1984 (the "Certificate of Designation"), the Certificate of Incorporation and the By-Laws of the Company, and the Rights Agreement dated as of August 14, 1984, as supplemented by a Supplemental Agreement dated as of August 28, 1984 (together the "Rights Agreement"), between the Company and Harris Trust and Savings Bank, an Illinois banking corporation.

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You have informed us that the Certificate of Designation has been duly authorized, executed and filed by the Company, that the Rights Agreement has also been duly authorized and executed by the Company, and that the execution and filing by the Company of the Certificate of Designation and the execution of the Rights Agreement do not violate any provision of any order, writ, injunction or decree of any court or governmental authority, or result in the breach of or constitute a default or require any consent under any agreement or instrument to which the Company is a party or by which the Company is bound.

Section 151 of the General Corporation Law of the State of Delaware authorizes the issuance of preferred stock containing, in general, such preferences, voting powers, redemption, conversion, liquidation, or other general or special rights as may be set forth in a certificate of designation adopted by the board of directors pursuant to authority granted to it by the certificate of incorporation.

Section 157 of the General Corporation Law of the State of Delaware authorizes the creation and issuance of rights entitling the holders thereof to purchase from the corporation any shares of its capital stock of any class. The terms upon which, including the time or times, which may be limited or unlimited in duration, as well as the price at which such shares may be purchased upon the exercise of any such rights shall be

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such as shall be stated in the certificate of incorporation or in any resolution adopted by the board of directors providing for the creation and issuance of such rights, and, in every case, shall be set forth or incorporated by reference in the instrument or instruments evidencing such rights. The statute goes on to provide, "in the absence of actual fraud in the transaction, the judgment of the directors as to the consideration for the issuance of such rights or options and the sufficiency thereof shall be conclusive."

We have assumed that the Board of Directors of the Company, in adopting the resolutions set forth in the Certificate of Designation and in adopting the resolutions approving the creation and issuance of the Rights, and in approving the Rights Agreement, exercised the authority granted to them by the Company's Certificate of Incorporation and by the General Corporation Law of the State of Delaware in the good faith exercise of their business judgment and in furtherance of the best interests of the shareholders.

You have asked us for our opinion as to whether the Rights, when properly and duly issued, will be validly issued under the General Corporation Law of the State of Delaware. The issuance of these Rights and their payment as a dividend on the common stock would, if challenged, present a case of first impression in our courts. The closest analogy in recent history

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for the issuance of these Rights would be the issuance of preferred stock, which came to be called "poison pill preferred" in the popular press, by several corporations. However, the issuance of this preferred stock presented certain legal questions as to permissible terms of the preferred stock which are not presented by the issuance of the rights in question. Nevertheless, the Court's opinions in National Education Corporation v. Bell & Howell Company, et al., Del.Ch., C.A. No. 7278, Brown, Ch., (August 25, 1983), and Roy M. Huffington, et al. v. Enstar Corporation, et al., Del.Ch., C.A. No. 7543, Longobardi, V.C. (April 25, 1984), provide some guidance.

In National Education Corporation v. Bell & Howell Company, et al. the Court declined to enjoin the issuance of the preferred stock, but in doing so he failed to resolve a number of legal and equitable issues, some of which might be raised with respect to the Rights offering here. In Bell & Howell the plaintiff argued that the issuance of the preferred stock was an anti-takeover scheme and thus "an improper attempt by members of the defendant's incumbent management to tamper with the corporate voting machinery so as to entrench themselves." The plaintiff also argued in Bell & Howell that even assuming a good faith exercise of business judgment by what it conceded for purposes of its motion to be an independent board of directors, and even if the issuance of the preferred stock there complied

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with the legal requirements of the Delaware statutes, that nevertheless the effect of the issuance of the preferred stock was so inequitable that the Court should strike it down under its broad equity powers alone. As noted above, the Court in Bell & Howell failed to resolve these and other issues and merely held that the plaintiff had failed to sustain the burden of proof cast upon any plaintiff seeking to establish a right to a preliminary injunction.

In Roy M. Huffington, et al. v. Enstar Corporation, et al. the Court was presented with a question as to whether or not the action of Enstar's Board of Directors in postponing its annual meeting for a little less than a month was proper. The Court held that it was. By way of background, in an attempt to convince the Court of the defendant board's improper motives, the plaintiffs in Enstar complained of the earlier issuance of "poison pill" preferred stock. While the Court in Enstar was not presented with detailed legal or equitable arguments with respect to the validity of the issuance of the preferred stock, it did state in dicta that, "This Board could be viewed as having acted contrary to the wishes of its stockholders on at least one occasion. Viewed fairly, however, the 'poison pill' amendments, a measure enacted by the Board when 'take-over' fever gripped the industry, could be considered legitimate exercises of Board discretion designed to protect the

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stockholders against a less than arms-length sale." Slip op.
at 7.

Although in the light of Bell & Howell and Enstar,
and in the absence of any case closely on point, the matter
cannot be considered free from doubt, nevertheless, based upon
the foregoing and upon the review of such matters of law as we
deem necessary, we are of the opinion that, when properly and
duly issued, the Rights will constitute validly issued and
outstanding rights to subscribe to the Preferred Stock of the
Company.

The foregoing opinion is limited to the General
Corporation Law of the State of Delaware. We express no
opinion as to the effect of the laws of any other jurisdic-
tion, including federal laws regulating securities or other
federal laws, or the rules and regulations of stock exchanges
or of any regulatory body.

Very truly yours,

Richards, Layton & Finger

CERjr/DAB/mrf

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