

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
OF HOUSEHOLD INTERNATIONAL, INC.

August 14, 1984

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A meeting of the Board of Directors was held on August 14, 1984, commencing at 9:30 a.m., in Prospect Heights, Illinois. All Directors were present. Also present were R. F. Dammyer, J. R. Hull, and J. D. Pirkerton.

Report of the Nominating Committee

On behalf of the Nominating Committee, Mr. Whitehead recommended that Messrs. B. F. Brennan and G. G. Dillon be elected to the Board. The Board, upon motion duly made and seconded, adopted the following resolution:

"RESOLVED, that the authorized number of Directors is hereby increased from fourteen to sixteen and B. F. Brennan and G. G. Dillon are hereby elected to the Board of Directors."

Messrs. Brennan and Dillon then joined the meeting.

Upon the recommendation and motion of Mr. Whitehead, on behalf of the Nominating Committee, seconded by Mr. Clark, the Board unanimously approved a new retirement plan for non-management Directors, a copy of which the Secretary was instructed to mark for identification and file with the minutes to the meeting.

Approval of Minutes

The minutes of the Directors' meetings held on May 8 and June 12, 1984, and the Executive Committee's meeting on July 10, 1984, were approved.

Management Reports

Mr. Clark discussed the profit plan, noting the current status of the planned disposition of the furniture division, changes in tax laws affecting insurance operations, and the anticipated impact on the profit plan of the savings and loan acquisitions. Mr. Clark also stated the Corporation's expectations on interest rates.

Mr. Hendry discussed the status of Household Finance Corporation's planned savings and loan acquisitions. He was then joined by Mr. David Zeitlin of the Beaumont Organization and Mr. John Corsiglia of Arthur Andersen & Co. Mr. Zeitlin discussed his company's market and customer research study on the concept and name of Household Bank fsb. Mr. Corsiglia summarized Arthur Andersen's study on management information planning for HFC.

Presentation by Martin Lipton and Goldman, Sachs & Co.

The Board was joined by Martin Lipton and Steven Rosenblum of the law firm of Wachtell, Lipton, Rosen & Katz, and Gordon McMahon and Peter Fahey of Goldman, Sachs & Co. Mr. Lipton and Mr. McMahon discussed the current market and regulatory environment regarding takeovers, and Mr. Lipton commented on management's recommendations that the Board take several actions to protect the long-range interests of Household's shareholders and to assure fair and equal treatment of shareholders and proper Board consideration in the event of an unsolicited tender or other offer for Household shares.

The Board discussed a proposed policy statement (previously sent to the Board). Following the discussion, and reflecting changes proposed by Dr. Upton, the Board unanimously adopted the following policy statement:

The Board of Directors hereby reiterates its belief that the Corporation has a bright future and reaffirms its belief that the investment of the Corporation's shareholders will be maximized and that the long-term interests of the Corporation as a whole will best be served if the Corporation continues as an independent company. Accordingly, business decisions will continue to be made with a view toward achieving that objective, which contemplates the impact of such decisions on its shareholders, the Corporation's employees, its customers and suppliers, the communities in which it and its subsidiaries operate and the public in general.

Management recommended and Mr. Hull reviewed the proposed amendments to the Corporation's Bylaws distributed to the Board prior to the meeting. After discussion, on motion duly made and seconded, the Board unanimously adopted amendments to the Bylaws, which are included in Appendix A to the minutes to this meeting.

Mr. Lipton discussed proposed amendments to Household's employee benefit plans to provide that shares of Household stock held for the benefit of employees be tendered or voted only pursuant to directions of the employee-participants. After discussion, on motion duly made and seconded, the Board unanimously adopted the following resolution:

"RESOLVED, that the Board hereby authorizes and directs the General Officers of the Corporation to amend the Corporation's tax-qualified employee benefit plans to provide that, in the event of a tender or exchange offer for shares of the Corporation's Common Stock, each employee-participant in any such plan will be entitled to indicate individually whether or not the participant's shares in such plans shall be tendered or exchanged; specifically, no participant's shares will be tendered or exchanged without instructions to do so from the participant. Such plans shall also be amended to permit each employee-participant to vote shares of Household stock held in such plans for the employee's benefit. The General Officers may also make such other technical amendments to accomplish the foregoing as they deem necessary or advisable."

Mr. Lipton then explained the proposed preferred share purchase rights plan described in materials distributed to the Board in advance of the meeting. He explained how the plan would protect the long-range value of the Company, provide fair and equal treatment of shareholders, and would be in the best interests of the shareholders in the event of an unsolicited offer to acquire control of the Company. Mr. Lipton expressed the legal opinion of his firm and that of Delaware counsel, Richards, Layton & Finger, that the rights plan was valid under all applicable laws. After full discussion, on motion duly made and seconded, the Board approved and adopted the plans, Messrs. Moran and Whitehead dissenting. Mr. Whitehead explained that while he favored the concept of the plan, he felt that Household should defer taking a lead position in its adoption among companies. Mr. Moran alone questioned the merits of the plan.

Dividend Declaration

Mr. Dammyer discussed the recommendation of management and the Finance Committee to increase the annual rate of cash dividend on common shares from \$1.70 to \$1.75 per share. On motion duly made and seconded, the Board declared the following cash dividends out of the last available undistributed net earnings accrued prior to the record date for such dividends, which dividends shall be payable October 15, 1984, to the stockholders of record on the books of the Corporation at the close of business September 28, 1984:

<u>Class of Stock</u>	<u>Amount Per Share</u>
Common	\$0.4375
\$2.375 Preferred	\$0.59375
\$2.50 Preferred	\$0.625
\$6.25 Preferred	\$1.5625

Approval of Resolutions Pertaining to Preferred Share Purchase Rights Plan

Messrs. Moran, Lipton, Rosenblum, McMahon and Fahey left the meeting following an adjournment for lunch. When the meeting reconvened, Mr. Hull reviewed in detail the resolutions pertaining to the adoption of the preferred share purchase rights plan, and the resolutions contained in Appendix B to the minutes were adopted by the Board.

Management Reports (continued)

Mr. Brennan summarized second quarter and semi-annual results for Household Merchandising. He noted the renegotiated contract of Vons with its retail clerks and the status of the furniture stores' disposition. He remarked on recent improvement in the results at T. G. & Y. and the appointment of Richard Rasthoven as the new Chief Executive Officer at T. G. & Y. Mr. Brennan concluded by discussing Household Merchandising's revised profit plan for the full year.

Financial Review

Mr. Dammeier stated that the Corporation's major 1984 financing objectives had been achieved. He recommended a technical amendment to the charter of the Finance Committee. Upon motion duly made and seconded, the following resolution was approved by the Board:

"RESOLVED, that the first numbered paragraph of the charter of the Finance Committee is amended to read as follows:

- '1. Exercise the powers and authority of the Board of Directors with regard to the creation, offering, sale and issuance of debt securities of the Corporation and authorize the redemption by the Corporation of any of its debt securities.'

Mr. Dammeier then noted benefit plan investments and funding, as summarized in a report previously distributed to the Board.

Audit Committee Report

Mr. Flynn, on behalf of the Audit Committee, noted the regular distribution of Audit Committee minutes to the full Board. He commented on the Corporation's high standards in accounting and financial reporting. He also noted the restructuring of the internal audit department, including the search for a new director of internal auditing.

General Counsel's Report

Mr. Hull commented on pending litigation and expressed his opinion that the Corporation's litigation would not, either individually or collectively, have a material effect on the Corporation's financial statements.

Miscellaneous

Mr. James recommended that the Board approve a capital expenditure of \$5.8 million for the expansion of the La Guardia Airport operating site for National Car Rental System, Inc. (as described in material previously distributed to the Board). Upon motion duly made and seconded, the Board approved this capital expenditure proposal.

Pursuant to prior Board authorization, Dr. Upton reported that the Compensation Committee had approved the execution of employment contracts with certain senior executives of the Corporation.

Mr. Clark noted the 3:30 p.m. estimated time of adjournment contained in the Board notebook previously distributed to Directors and requested that in the future Directors continue to base their travel plans on such estimates.

The meeting thereupon adjourned at 3:30 p.m.

Secretary