

**HOUSEHOLD**

**News Release**

**INTERNATIONAL**

IMMEDIATELY -- September 21, 1984

Glan O. Fick  
Vice President - Investor Relations

(Prospect Heights, Illinois, September 21, 1984) -- Household International, Inc., reported today that its directors rejected a proposal for a special shareholders' meeting requested by John A. Moran, a director. Donald C. Clark, chairman and chief executive officer of Household International, said that "The proposal for a special shareholders' meeting for the sole purpose of voting on the redemption of the Preferred Share Purchase Rights Plan totally ignores the climate in which Household operates today--a climate of 'bust-up' takeovers and 'greenmail'--and further ignores the threat posed by Mr. Moran's activities."

The board reaffirmed its intention that if anyone makes an attractive acquisition offer that treats all shareholders equally and fairly and asks that the board redeem the outstanding rights, it would do so. Additionally, the board said it would ask the opinion of independent investment bankers in determining whether an offer is fair and equitable. Clark added that "The board is willing to agree to have all lawsuits dropped that pertain to the Preferred Share Purchase Rights Plan, but we would be negligent in our responsibility if we were to interfere with the protection that the board deems necessary to protect all shareholders."

In explaining its action, the board said that because directors are elected annually on the basis of their record of service to the shareholders, it is the directors' responsibility between shareholder meetings to serve as the shareholders' representatives on this and other issues. It would be a breach of its fiduciary duties for the board to defer matters for which it is responsible.

"While on the surface the Moran proposal appears reasonable, shareholders must remember that it was Mr. Moran himself who, having access to inside information, developed for management's consideration a 'bust-up' of Household to make what he called 'a bundle of money' for his group and a select group of management," Clark continued.

The rights plan, which was fully disclosed in a letter to Household shareholders,

- does NOT change shareholder voting rights,
- does NOT prevent a proxy contest or tender offer,
- does NOT entrench management.

It DOES provide protection, however, against takeovers that would not be in the best interests or give fair value to all shareholders of Household International.

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# **HOUSEHOLD INTERNATIONAL**

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

September 21, 1984

Dear Fellow Shareholders:

In our continuing efforts to keep you informed about developments concerning Household's Preferred Share Purchase Rights Plan, I'd like to use this letter to discuss three issues critical to you as investors, specifically:

- (1) John Moran's *real* interests versus his publicized interests;
- (2) Your management and your Board's actions to discourage a "bust-up" takeover;
- (3) Your Board's position on a proposal recently made by Mr. Moran, as well as the actual protection your Preferred Share Purchase Rights Plan provides.

## **JOHN MORAN'S FIRST PROPOSAL: A BUY-OUT AND "BUST-UP"**

Several months ago, John Moran of Dyson-Kissner-Moran Corporation proposed for our consideration a buy-out of Household that involved a "bust-up" of Household: that is, selling off parts of Household to pay for the buy-out so that Dyson-Kissner-Moran would end up owning what was left at no cost or at a bargain price. Mr. Moran told me that if a select group of Household's management participated in this scheme, a "bundle of money" could be made. Mr. Moran and the "bust-up" group would therefore have profited handsomely at your expense.

Mr. Moran did not want the Board of Directors informed of his discussion with me. However, I immediately informed the Chairman of the Executive Committee of the Board and other members of that committee. Mr. Moran's concept was not acceptable to me or any other Board member. We leave it to you to judge Mr. Moran's real interests . . . were they in your best interests or his?

## **THE PREFERRED SHARE PURCHASE RIGHTS PLAN: A WAY TO DISCOURAGE A "BUST-UP"**

You have probably read that a "bust-up" takeover was recently launched against Avco, one of our competitors in the financial services industry. Avco ended up paying \$100 million to ransom their stock and terminate the "bust-up" attack. Indeed, Goldman Sachs, our investment bankers, have advised us that diversified financial services companies are especially likely to be the targets of such "bust-up" attempts or "greenmail" attacks involving the threat of a "bust-up." Your Board does not want Household subjected to such tactics.

We studied the problem very carefully, obtaining the best legal, financial and investment advice we could, and determined that while we could not prevent such attacks,

we could deter them by adopting a Preferred Share Purchase Rights Plan. For that reason, on August 14, 1984, your Board of Directors adopted the Rights Plan and the Rights Dividend became effective on August 28. Since we adopted the Plan another major corporation, Owens-Illinois, adopted an almost exact duplicate of our Plan. They, like we, are obviously convinced of the Plan's legality and that it is in the best interests of shareholders.

A complete and accurate description of the Rights was sent to Household shareholders. In simplest terms, the Rights Plan:

- does NOT change your voting rights in any way.
- does NOT stop a proxy contest.
- does NOT stop a tender offer.
- does NOT entrench management.

The Rights could have an adverse financial effect on someone who makes a tender offer at a price that does not reflect the fair value of Household. This is deliberate. The purpose of the Rights Plan is to convince anyone who wants to acquire Household either to negotiate with the Board and obtain its approval or to make an offer directly to the shareholders that is sufficiently attractive that a large percentage of our shareholders would readily tender both their shares and their Rights.

It is important to understand that the Rights Plan enables the Board to support any attractive acquisition offer, but at the same time, to deter an inadequate or unfair tender offer. Should a responsible person or company approach the Board with a fair and equitable offer, the Board would simply redeem the Rights (which it can do for \$.50 per Right). The offer could then be made to all shareholders without consideration of any outstanding Rights.

#### **THE SUIT AGAINST HOUSEHOLD: JOHN MORAN'S SELF INTEREST**

John Moran, while a Director and insider of Household, voted against the Rights Plan. He initiated a lawsuit against Household and some of its Directors, attacking the Plan. He claims he did this because he believed that the Rights Plan was not in the shareholders' best interests.

This is the same John Moran who, having access to all of the Corporation's inside information, developed for management's consideration a "bust-up" of Household to enrich his group. We leave it to you to judge Mr. Moran's real motivation in filing his suit. Was it in your best interests or his?

Because Mr. Moran voted against the Rights Plan and initiated a lawsuit to invalidate the only protection Household had against a "bust-up" or the threat of that accompanied by "greenmail," Household filed a lawsuit against Mr. Moran in U.S. District Court to prevent him, as a Director of Household, from breaching his fiduciary duties to you.

#### **JOHN MORAN'S SECOND PROPOSAL: RESCISSION OF THE SHAREHOLDER PROTECTION**

At a meeting on September 11, 1984, the Household Directors sued by Mr. Moran reviewed and discussed the Rights Plan and Mr. Moran's actions. The Directors again

concluded that the Rights Plan was, and is, in the true best interests of Household's shareholders. Mr. Moran, who also attended a portion of the meeting, proposed that both lawsuits be dropped and that the Household Board call a "special" meeting of shareholders to vote on a redemption of the Rights.

### YOUR BOARD'S POSITION

Your Directors carefully considered this proposal and found that it totally ignored the climate in which Household operates today—a climate of "bust-up" takeovers and "greenmail." Further, your Directors rejected Mr. Moran's position that a "special" shareholders' meeting should be held concerning the Rights Plan. The Directors are elected annually on the basis of their record of service to you, the shareholder. Between elections, it is the Directors' responsibility to serve as your representatives on this and other issues. Shareholders have the right every year to elect Directors whom they think best serve their interests. It remains inappropriate, either generally or in this case, for the Board to defer matters for which it is responsible. The Board's position is that we are willing to agree to have all lawsuits dropped, but we are unwilling in today's environment to interfere with the protection the Board decided is necessary to protect *all* shareholders.

The Board reconfirms its intention that if anyone makes an attractive acquisition offer that treats *all* shareholders equally and fairly and asks that the Board redeem the outstanding Rights, the Board *will do so*. In considering whether an offer is fair and equitable, the Board will consult with independent investment bankers and take their opinion into account.

As explained earlier, the Rights are not intended to, nor do they, interfere with any acquisition that your Board determines to be equitable and fair. That is why we adopted the Rights Dividend Plan, why the Rights were made redeemable by the Board, and why Mr. Moran had no choice but to vote against the Plan and commence litigation if he was to pursue his "bust-up" scheme.

We regret that Mr. Moran is trying to substitute his personal judgment for the judgment of the Board. He apparently does not want your interests protected from a "bust-up" takeover or a "greenmail" attack. Unfortunately, the Rights are not full protection against such attacks, but they are the best we can do at this time.

In closing, I want to assure you that your Board will continue to act in what it believes to be the best interests of all shareholders. In these cynical times there will be those who scoff at that statement. I ask you to judge us on our record and on the progress we have been making and regularly reporting to you. In 1983, net income was up 65% to a record \$206.4 million. This year we will establish a new record.

Your continued support is requested.

Sincerely,

A handwritten signature in black ink, appearing to be "J. B. ...", written in a cursive style.