

**HOUSEHOLD  
INTERNATIONAL**

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

February 23, 1984

*Full  
Review Frank Rasmussen  
not background on him & his Co.*

TO: Arthur E. Rasmussen  
John T. Gurash  
George W. Rauch  
John C. Whitehead

Subject: Proxy Issues

We have conducted an informal survey among our largest institutional shareholders to determine any predisposition toward a fair price charter amendment (copy attached). Those polled represented approximately 15 percent of the common shares outstanding. Although there were varying degrees of receptivity, the end-line reaction was uniformly negative.

We also consulted with the firm of Georgeson & Company, a well known proxy solicitation firm. They expressed the preliminary belief that if we sought a fair price amendment, the outcome would be too close to call. This was based on our high level of institutional concentration and the increasingly negative reaction to shareholder protective amendments by institutions. They also predicted that an increased number of these proposals would be in proxy statements this spring which could result in an additional backlash effect among institutional holders.

Although we will continue to work with Georgeson to come up with a more definitive projection of the outcome of a shareholder vote on a fair price amendment, it appears that the timing is not right for such a proposal. I thought it appropriate to give you this early warning. I'll pass on the results of our more detailed study as soon as they are available which should be no later than two weeks.

Sincerely,



Donald C. Clark

DCC/emj  
Attachment  
cc: J.D. Pinkerton

HC7220

FAIR PRICE CHARTER AMENDMENT  
BACKGROUND INFORMATION

o RESULTS OF A SURVEY OF 15% OF THE COMMON SHARES

	<i>Policy</i> Proxy Es- tablished To Vote "No"	No Policy, But Unlikely To Vote Positively	No Policy, No Predis- position	Shares	%
Delaware Management		X		2,615,822	5.3
FMR Corporation	X			1,889,300	3.8
Lord Absett		X		1,209,000	2.5
California Public Employees	X			900,000	1.8
J.P. Morgan & Company	X			<u>648,000</u>	<u>1.3</u>
				7,262,122	14.7

o GEORGESONS'S "RULE OF THUMB"

Assume a no vote from all 13(f) institutions (\$100 million or more in assets) and a positive vote from the remainder of the shares equal to that of the prior year. (In our case 77%)

EXAMPLE: For HI a majority of all shares entitled to vote (not just voting) is required which somewhat reduces the influence of the 13(f) institutions which hold 46% of the common, but 42% of all shares.

NO vote 42%  
 YES vote 45% (77% of 58%)

(Assumes major preferred holders such as DKM would be supportive.)

This method indicates that the amendment would fail to pass but given the nature of this approach it is too close to call.

- o There were 91 supermajority amendments known to have passed in 1983 and 5 known to have failed. Among the failures were:

Black & Decker, supermajority to remove directors

Enstar, supermajority to amend charter

Pogo Producing, supermajority/fair price

Sherwin Williams, supermajority/fair price

Tech-Sym Corp., supermajority/fair price

- o Arguments that fair price amendments are/are not in shareholders' interest.

in best interest

- discourages front-end loaded takeover bids
- statistics have shown these amendments have no effect on stock price
- statistics have shown that when a front-end loaded deal falls through the stock price decline exceeds the run up from the initial offer

not in best interest

- discourages a takeover attempt

HC7222