

HOUSEHOLD INTERNATIONAL

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

March 8, 1984

Mr. J. T. Gurash
Suite 1670
911 Wilshire Boulevard
Los Angeles, California 90017

Mr. G. W. Rauch
Chapman & Cutler
111 West Monroe
Chicago, Illinois 60603

Mr. J. C. Whitehead
Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Mr. A. E. Rasmussen
Suite 600
155 North Michigan Avenue
Chicago, Illinois 60601

Gentlemen:

Re: Possible Charter Amendment - Fair Price Provision

Attached is an analysis by Georgeson & Co. and an internal memorandum concerning the pros and cons of a fair price amendment. All things considered, I don't feel comfortable with the short period of time we have to do an effective job of solicitation and with the added complication of an already complex proxy statement. Therefore, I am recommending we not include a fair price amendment provision in this year's proxy statement. I'll be calling each of you to get your reaction, and we can discuss it as a group if you wish.

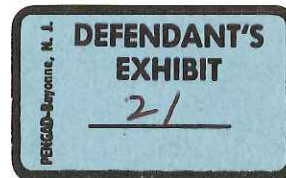
Sincerely,

Donald C. Clark
DCC/dmf

attachment

bcc: JDP
RCR
GOF

3/13
All agreed with the
Go Forward
[Signature]



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HCC6085

Memorandum

HOUSEHOLD INTERNATIONAL

DATE: March 6, 1984

SUBJECT: Charter Amendment - Pre Vote Analysis

TO: J.D. Pinkerton

Attached is a copy of the study by Georgeson & Co. analyzing the possible stockholder vote on a fair price charter amendment. We are recommending that Household defer seeking a fair price charter amendment for at least one year. Although we believe that such a charter amendment might be approved, the degree of probability of passage is not sufficiently high in comparison with the magnitude of the risk should the proposal fail. Also, the benefits of a fair price provision probably do not exceed the risks. A fair price provision would not prevent a takeover of Household by a determined and well-financed bidder.

Our concerns fall into six categories:

- Level of Risk. Should the proposal fail, it is essentially an "announcement" that our shareholders would be receptive to a takeover. Failure to adopt the fair price provision would also be a public-relations disaster and indicate a lack of faith in management.
- Georgeson Voting Scenario. We basically find the analysis by Georgeson credible. However, Georgeson's numbers are estimates, and we have some concerns that the following items would have a negative impact on their estimates which would bring the "worst case" scenario below 50%.
 - o Category II is labeled banks other than institutional investors. Actually, most of the shares in this category are owned by institutions. While it is true that these institutions are smaller and more likely to vote with management, the indicated approval percentage seems high and is more than double that of the first category.
 - o A 100% approval vote from the "friendly" preferreds is unlikely.
 - o The analysis is partially based on last year's 77% approval rate. When extraordinary items are being considered, the number of shares represented at the meeting generally declines, and there is a greater

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HC06086

March 6, 1984

number of abstentions from those shareholders represented at the meeting. In 1981, for example, when the holding company proposal and the Wallace Murray merger were on the ballot, 72.8% of the shares were represented, and 65.9% voted for the proposal. Since 1978, shares represented at the meeting have averaged 76% of total shares.

- Georgeson's analysis did not take into account that Household will be asking its stockholders to approve an executive incentive compensation plan at the annual meeting. We believe that an executive compensation plan on the same ballot is a negative which will result in a lower vote total even without a charter amendment (Georgeson agrees).
- A case could be made for an increased negative reaction to protective amendments by institutions.
- We are getting off to a very late start in putting together a solicitation effort.
- If the stock were still selling in the mid 30s, we would have a better chance of approval. Institutions that have held through the price decline would view a protective amendment as reducing the likelihood of their getting out whole. If the stock were at 35, it would be much easier for an institution to be receptive to a protective amendment in that the likelihood of a takeover bid would be more remote.

Glen O. Fick

Ronald C. Roselli

pam

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TO: J.C. Wilcox

FROM: A.M. Miller

RE: Household International, Inc.

NB

DATE: March 2, 1984

FACT:

Household International, Inc. (the "Company") is contemplating adoption of one or more extraordinary charter amendments (the "Amendments").

QUESTION:

If the stockholder vote required for adoption is the affirmative vote of a majority of the voting power of the outstanding capital stock of the Company entitled to vote generally in the election of directors, what is the likelihood of the Company's stockholders adopting the contemplated Amendments?

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ANSWER: The Company probably can obtain stockholder adoption of the contemplated Amendments. Institutional investors control approximately 32% of the Company's voting capital stock and can be expected to adhere to their established voting policies. If the Company takes all steps necessary to maximize the vote from the other stockholder categories, the low affirmative vote from institutions can, in our opinion, be overcome and adoption of the Amendments is probable. We anticipate that at least 50.8% and possibly 58.3% of the outstanding shares would be voted affirmatively on the proposal to adopt the Amendments.

ANALYSIS

This analysis was completed by our Broker, Bank, Individual and Institutional Investor solicitation departments working under my supervision. It is based on recent registered stockholder listings, securities clearing agency participant listings and filings made with the Securities and Exchange Commission by stockholders of the Company. In developing the stockholder voting assumptions used herein, we considered our experiences in recent solicitations to adopt charter amendments similar to those being considered by the Company. Whenever we had a choice of several reasonable voting assumptions, we chose to work with the most conservative assumption.

The approximate share ownership of the Company appears on the following page.

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STOCKHOLDER CATEGORIES	SHARES CONTROLLED	SHARES CONTROLLED AS A % OF OUTSTANDING SHARES (2)
I. Institutional Investors	17,375,707 (1)	32.007
II. Banks (other than Institutional Investors)	13,149,891	24.222
III. Brokers (other than Institutional Investors)	5,319,880	9.799
IV. Directors, Officers and Affiliated Persons	811,054	1.494
V. Friendly Preferred	2,621,873	4.829
VI. Company Plans	2,501,110	4.607
VII. All Others (Mainly Individuals)	12,507,600	23.039
TOTALS	54,287,115	100.000

(1) The Shares Controlled figure for Institutional Investors is based on filings made with the Securities and Exchange Commission indicating sole and shared voting authority.

(2) Assuming 54,287,115 shares outstanding.

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Two voting scenarios appear below to give you a preliminary indication of the kind of voting that we anticipate on the Amendments. The first scenario Voting Scenario A, is a worst case scenario. In voting Scenario A each stockholder category votes the lowest anticipated percentage of the shares it controls for Adoption of the Amendments. The second scenario, Voting Scenario B, is a best case scenario. In Voting Scenario B each stockholder category votes the highest anticipated percentage of the shares it controls for adoption of the Amendments. Voting scenario A and Voting Scenario B establish a range of anticipated voting which begins at 50.8% and end at 58.3% of the outstanding shares.

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VOTING SCENARIO A: WORST CASE

STOCKHOLDER CATEGORIES	SHARES CONTROLLED AS A % OF OUTSTANDING SHARES (1)	% OF SHARES CONTROLLED VOTED FOR ADOPTION	FOR VOTES AS A % OF OUTSTANDING SHARES (1)
I. Institutional Investors	32.007	15	4.801
II. Banks (other than Institutional Investors)	24.222	65	15.744
III. Brokers (other than Institutional Investors)	9.799	35	3.430
IV. Directors, Officers and Affiliated Persons	1.494	100	1.494
V. Friendly Preferred	4.829	100	4.829
VI. Company Plans	4.607	95	4.377
VII. All Others (Mainly Individuals)	23.039	70	16.127

Final Vote FOR Adoption 50.802%

(1) Assuming 54,287,115 shares outstanding.

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VOTING SCENARIO B: BEST CASE

STOCKHOLDER CATEGORIES	SHARES CONTROLLED AS A % OF OUTSTANDING SHARES (1)	% OF SHARES CONTROLLED VOTED FOR ADOPTION	FOR VOTES AS A % OF OUTSTANDING SHARES (1)
I. Institutional Investors	32.007	20	6.401
II. Banks (other than Institutional Investors)	24.222	75	18.167
III. Brokers (other than Institutional Investors)	9.799	45	4.410
IV. Directors, Officers and Affiliated Persons	1.494	100	1.494
V. Friendly Preferred	4.829	100	4.829
VI. Company Plans	4.607	100	4.607
VII. All Others (Mainly Individuals)	23.039	80	18.431

Final Vote FOR Adoption 58.339%

(1) Assuming 54,287,115 shares outstanding.

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