

HOUSEHOLD INTERNATIONAL, INC.

Discussion Outline
Raid Preparedness
August 2, 1984

- 1. Background review - reasons for project
 - a. Importance of preparedness
 - i. Organized in advance for rapid but thoughtful response to situations
 - ii. Alleviate time constraints which arise under actual raid conditions
 - iii. Review in advance and in a thoughtful way possible structural changes
 - iv. Be thoroughly prepared to deliver well researched opinions on adequacy, alternatives, etc.
 - b. Takeover trends
 - i. Trend away from outright tender offer
 - ii. Trend toward
 - Open market purchases
 - "Greenmail"
 - Bust up proxy fights
 - Leveraged buyouts
 - iii. Other means of approach
 - "Friendly" inquiry
 - Bear hug
 - Exchange offer
- 2. Factors affecting HI vulnerability
 - a. Stock price
 - b. Stock ownership profile
 - c. Degree of diversification
 - d. Nature of main business - finance
- 3. Goldman Sachs role
 - a. Orientation: advise as to alternatives; execute strategies chosen by Company
 - b. Follow and analyze accumulations in stock
 - c. Study and maintain awareness of valuation, developments in components of Company
 - i. Basis for opinions
 - ii. Find hidden values
 - d. Assist in prevention
 - i. Assemble team
 - ii. Board presentation
 - iii. Review financial restructuring alternatives
 - iv. Best defense: high stock price

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- e. Advice on handling approaches
 - i. Obligations to stockholders
 - ii. Extreme importance of decisive response
- f. White knights
- g. Assist in reviewing structural matters
- 4. Structural matters
 - a. Authorized stock
 - b. Charter provisions
 - c. Poison pill variations
 - d. Available credit lines
 - e. Employee benefit programs
 - Option plans
 - Bonus plans
 - Employment agreements
 - f. Review of regulatory impediments to change in control
- 5. Board presentation
 - a. Wachtel Lipton
 - b. Goldman Sachs
- 6. Alternative responses under actual raid
 - a. Accept offer
 - b. Negotiate with initial bidder
 - c. Legal "show stopper"
 - d. Structural defenses
 - i. Counter tender
 - ii. Sell crown jewel
 - iii. Plan of liquidation
 - iv. Severance arrangements
 - v. Charter amendments
 - vi. Poison pill
 - e. Seek white knights
- 7. Continuing periodic follow up

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