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Section 240.14a-12

AMP Incorporated

(Name of Registrant as Specified In Its Charter)

ALLIEDSIGNAL INC.
PMA ACQUISITION CORPORATION

(Name of Person(s) Filing Consent Statement, if other than Registrant)

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4) Date filed:

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

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ALLIEDSIGNAL INC.,      :
                        :
                        : Plaintiff,      :
                        :
- against -            : C.A. No. 98-CV-4058
                        :
AMP INCORPORATED,      :
                        :
                        : Defendant.     :
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ALLIEDSIGNAL INC.'S REPLY MEMORANDUM OF LAW IN SUPPORT OF ITS
MOTION AND SUPPLEMENTAL MOTION FOR SUMMARY JUDGMENT AND FOR AN
IMMEDIATE DECLARATORY JUDGMENT AND PRELIMINARY INJUNCTION

This is a case about the fundamental division of power between the shareholders -- the owners of a corporation -- and their elected representatives, the board of directors. It is not a case about the latitude given to directors in exercising the powers properly vested in them; nor is it about a breach of fiduciary duties. It is a case about shareholder rights.

AlliedSignal's Opening
Brief at 2-3(FN1)

1 Memorandum in Support of AlliedSignal's Motion for Summary Judgment and for an Immediate Declaratory Judgment and Preliminary Injunction filed September 14, 1998, hereinafter "AlliedSignal's Opening Brief." The Memorandum in Support of AlliedSignal's Supplemental Motion for Summary Judgment and for an Immediate Declaratory Judgment and Preliminary Injunction filed September 18, 1998 is hereinafter "AlliedSignal's Supplemental Brief."

In each of its Complaints and in its Motion for Summary Judgment, AlliedSignal Inc. ("AlliedSignal") explicitly alleged and has consistently argued that the acts of AMP Incorporated's ("AMP") incumbent directors were illegal and ultra vires; yet, AMP devotes its entire 33 page brief to fending off imagined allegations of a breach of fiduciary duty, a claim not made, and a matter not at issue in this motion or in this case. While AMP's brief has aggressively attacked the straw man of fiduciary duties, it has failed to provide any justification for its directors' seizure of the corporate governance machinery and suspension of shareholder voting rights in violation of Pennsylvania law and its own charter.

I. ALLIEDSIGNAL NEITHER ALLEGES NOR SEEKS RELIEF FOR A BREACH OF FIDUCIARY DUTY

This case is about AMP's directors' manipulation of corporate governance machinery in violation of Pennsylvania law and the subversion of AMP's own shareholders' rights in contravention of AMP's Articles of Incorporation and Bylaws. It is not about a breach of the directors' fiduciary responsibility in evaluating AlliedSignal's tender offer. While Pennsylvania law gives AMP's directors broad authority to adopt anti-takeover provisions and to reject AlliedSignal's, or any other, tender offer, it does not give AMP's directors the right to violate Pennsylvania law authorizing shareholder democracy, nor the right to sabotage shareholders' rights explicitly granted by the board as a quid pro quo for reincorporation in Pennsylvania.(FN2) Similarly, Pennsylvania law does not give AMP's directors the right to jettison the consent process through which shareholders are authorized by the Pennsylvania Business Corporation Law ("PBCL") and AMP's own charter to express their views concerning corporate governance.(FN3)

2 When AMP changed its state of incorporation in 1989 from New Jersey to Pennsylvania, the AMP board, in its proxy statement inducing shareholders to consent to that change, explicitly assured shareholders that the new Articles of Incorporation and Bylaws would "continue provisions presently applicable to the Corporation under New Jersey law" and noted that the new Articles specifically preserved the right given AMP's shareholders under New Jersey law to act by written consent

through a consent solicitation. 1989 AMP Proxy Statement at 15, Ex. B to AlliedSignal's Supplemental Brief.

- 3 To assist the Court, AlliedSignal has attached as Exhibit A a one-page listing of the relevant statutory and charter provisions that guarantee the AMP shareholders' rights.

It is not enough for AMP to claim that in the exercise of their fiduciary duties the directors have broad latitude to defend against unsolicited tender offers, and that the directors did not breach their fiduciary duties. Even if true, this claim would not immunize the directors' conduct from the charge of manipulating the corporate governance process and abrogating shareholders' right to participate in a consent solicitation to determine (1) who serves as a director, and (2) what group of persons shall exercise corporate powers with respect to the poison pill. It is because of the AMP directors' derogation of these fundamental rights in violation of Pennsylvania law and AMP's own charter -- not because the directors exercised their discretion to reject AlliedSignal's tender offer or proposed merger -- that AlliedSignal is seeking relief from this Court.

Although AMP goes to great pains to avoid the issue, there is a distinction between a fiduciary duty claim, and a claim that a board is interfering with the shareholder franchise. Indeed, in the Norfolk Southern case relied on so heavily by AMP, Judge VanArtsdalen, applying Pennsylvania law, rejected Norfolk's fiduciary duty claims but enjoined conduct that "effectively disenfranchised" Conrail shareholders because such conduct was a fundamentally unfair interference with shareholders' right to vote. *Norfolk Southern Corp. v. Conrail, Inc.*, Civ. Act. No. 96-7167 (E.D. Pa. Dec. 17, 1996). AlliedSignal's Opening Brief, App. Ex. A-6 at 68.(FN4)

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- 4 Notwithstanding AMP's protestations, *IBS Financial Corp. v. Seidman & Assocs., L.L.C.*, 136 F.3d 940 (3d Cir. 1998), also supports this point. Although decided under New Jersey law (which has also rejected the "heightened security" standard applied in the takeover context in Delaware), the Third Circuit there recognized the importance of the shareholder franchise in enjoining an action by the directors motivated by a desire to frustrate that franchise.

AMP can point to no authority suggesting that Pennsylvania law protects a shareholder's fundamental right to vote -- which is guaranteed by statutory and charter provisions -- with any less vigor than other jurisdictions. Pennsylvania law permits a board of directors to "just say no" to a tender offer. However, none of the arguments made, or cases cited, by AMP supports the proposition that the directors can "just say no" to a consent solicitation (which is what the directors' adoption of the nonredemption and nullification provisions does by frustrating the intent of the proposals and rendering the shareholders' vote a nullity).

On the contrary, the AMP shareholders' right to act by written consent is expressly authorized under Pennsylvania law and AMP's Articles of Incorporation.(FN5) There is no authority under Pennsylvania law, express or implied, that the directors acting by themselves may deprive the shareholders of that right in the face of an unsolicited tender offer or otherwise.(FN6) The fact that Pennsylvania law permits the directors to take certain defensive measures prior, or in response, to an unsolicited tender offer, is not a guarantee that the outcome of such tender offer will conform to the will of the incumbent directors.

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- 5 As discussed in AlliedSignal's Supplemental Brief at 9, in 1989 AMP's board (4 of whom are on the current board) recommended to the shareholders that the right to act by written consent be added to AMP's Articles of Incorporation as an inducement to reincorporating in Pennsylvania.

- 6 On the contrary, pursuant to PBCL section 1914, the right to act by written consent may be removed from AMP's Articles of Incorporation only by a vote of the shareholders.

II. THE PBCL DOES NOT GIVE AMP THE AUTHORITY TO ADOPT THE NONREDEMPTION AND NULLIFICATION PROVISIONS

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AMP suggests that PBCL sections 1525 and 2513 give the current directors unfettered discretion to take any and all actions with regard to AMP's poison pill. AMP argues that those provisions and the accompanying Committee Comments give its directors broad latitude to define the terms of the poison pill and to design the pill so that it can be amended only with

the approval of certain designated persons. Nothing in sections 1525 or 2513, however, permits the board to do what it has done here: amend the poison pill so that, if shareholders vote contrary to the board's view, no one -- not current directors, not new directors, not shareholders -- can redeem the pill regardless of the merits of doing so.

To the contrary, although section 2513 permits a board of directors to adopt a poison pill, and affords directors latitude regarding redemption of a pill, the Committee Comment explains that any decision of "a board of directors in connection with a shareholder rights plan . . . WILL BE SUBJECT TO THE STANDARD OF CARE PROVIDED IN SECTION 1721[NOW 1712]." Committee Comment to PBCL section 2513 (emphasis added). Section 1712 makes clear that directors are obligated to consider each offer put before them. See AlliedSignal's Opening Brief at 21-22. This duty applies equally to future AMP boards. Yet, if the nonredemption and nullification provisions are allowed to stand, the current AMP directors will have taken from themselves and any future directors the ability to fulfill this duty.

Nor can AMP argue that section 2513 somehow "trumps" the provisions of section 1721 authorizing AlliedSignal's Shareholder Rights Proposal. PBCL section 1721 unambiguously provides that corporate powers are exercisable by a board of directors "[u]nless otherwise provided by statute OR IN A BYLAW ADOPTED BY THE SHAREHOLDERS," PBCL section 1721 (emphasis added). The statute provides further that a shareholder bylaw may dictate which person or persons, including but not limited to the board of directors, may exercise such powers.(FN7)

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7 For this reason, AMP's attempt to compare the Pennsylvania statute with the Georgia statute under which a court upheld a continuing director provision is misplaced. See *Invacare Corp. v. Healthdyne Technologies, Inc.*, 968 F. Supp. 1578 (N.D. Ga. 1997). Unlike the Georgia statute, the Pennsylvania statute does not give the board of directors "authority to determine IN ITS SOLE DISCRETION, the terms and conditions of [shareholder rights plans]." O.C.G.A. section 14-2-624(c). Nor does Georgia permit shareholders of registered corporations to adopt bylaws controlling the exercise of corporate powers. *Id.* at 1582 (noting that while O.C.G.A. section 14-2-801(b) of the Georgia statute allows shareholder bylaws in general, O.C.G.A. section 14-2-731(c) precludes such bylaws for registered corporations). In contrast, section 1721 has a broad carve-out authorizing non-board members to exercise or perform the power and duties conferred or imposed on the board of directors by law.

AMP appears to suggest that section 2513 should control over section 1721 because it is a more "specific provision" and section 2501 provides that the specific provisions of Chapter 25 control over general provisions elsewhere in the PBCL. This notion of the specific controlling over the general only comes into play, however, if the statutory provisions conflict with each other. There is no need to decide which provision controls here because section 1721 and section 2513 do not conflict with one another. Although section 2513 grants certain powers to the board, it does not do so exclusively, and nothing in the provision suggests that the powers it grants to the board cannot be vested in another group of persons under section 1721.(FN8) Hence, there is no reason to believe that the shareholders' right under section 1721's to authorize non-board members to exercise or perform the power and duties which otherwise would be conferred or imposed on the board of directors does not apply to section 2513, just as it would to any other statutory power.

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8 Similarly, many sections of the PBCL give the directors authority to manage the affairs of the corporation. Under AMP's logic, the PBCL would prevent anyone but the board of directors from acting in any of these situations. This logic would render meaningless the provision in section 1721 allowing shareholders to delegate the powers of the directors to third parties such as rights agents.

AMP's arguments that PBCL section 1715, Pennsylvania's "constituency statute," somehow allows it to interfere with a corporate election are similarly off the mark. PBCL section 1715 permits directors to consider the interests of constituencies other than shareholders (such as employees, customers and creditors) in making decisions, and provides that consideration of such interests is not a breach of fiduciary duty. AlliedSignal, however, has not alleged a breach of fiduciary duty, and section 1715 is therefore irrelevant to the current issue.

Moreover, the fact that Pennsylvania has a constituency statute underscores the importance of protecting the shareholders' fundamental

right to vote for new directors; a right which is nullified by the nonredemption provision. Indeed, as one of the draftsmen of the PBCL has observed, constituency statutes such as Pennsylvania's are reconcilable with principles of corporate governance only because shareholders retain the ultimate power to "replace corporation-focused directors with those who focus on current share value." See Steven M.H. Wallman, *The Proper Interpretation of Corporate Constituency Statutes and Formulation of Director Duties*, 21 *Stetson L. Rev.* 163, 190 (1991) (noting that "[i]f the shareholders do not agree with how the corporation is run, they are empowered to replace the directors").

III. THE EXPIRATION OF THE POISON PILL AT THE END OF 1999 DOES NOT LEGITIMIZE THE NONREDEMPTION OR NULLIFICATION PROVISIONS

AMP argues that the nonredemption and nullification provisions are not as onerous as AlliedSignal claims because they only preclude tender offers for fourteen months. The AMP brief notes further that its directors have passed a resolution providing that they will not adopt a new poison pill for six months after the current pill expires, and suggests that this factor makes the nonredemption and nullification provisions more palatable. AMP's argument ignores at least three key points.

First, AMP's directors have no right to deny the shareholders their right to vote even for one day. The fourteen month limit does nothing to cure this fatal flaw. The AMP board has effectively said to its shareholders that they are free to vote, but if they vote in favor of a proposal that is contrary to the position taken by the directors, their vote will result in exactly the opposite of what it is intended to achieve. A vote in favor of the Shareholder Rights Proposal which is designed to effect an amendment to AMP's poison pill would result in the pill becoming non-amendable by any person; and a vote in favor of director-Nominees who intend (subject to their fiduciary duties) to provide shareholders with the opportunity to accept a merger or tender offer proposal worth \$44.50 per share would also result in the pill becoming non-redeemable (and hence frustrating any change in control transaction until expiration of the pill).

Second, the cases AMP relies upon, which uphold "no-shop" or "lockup" restrictions, are entirely distinguishable from this case.(FN9) As a preliminary matter, no-shop and lockup provisions only arise when management of the target company has decided to put the company up for sale and has entered into an agreement with a prospective buyer. AMP relies most heavily on the Norfolk Southern decision, in which the trial court refused to enjoin the enforcement of a 720-day no-shop provision in the merger agreement between Conrail and CSX. Pursuant to that provision, the Conrail board agreed to take no action on any other bid that might be made during the period after the merger agreement was signed but prior to the closing date or expiration date of the deal. See *Norfolk Southern Corp. v. Conrail, Inc.*, CA No. 96-7167, 1997 U.S. Dist. LEXIS 978, at *17 (E.D. Pa. Jan. 9, 1997), *aff. mem.*, 111 F.3d 127 (3d Cir. 1997). In relying on that decision, AMP misses the key differences that distinguish it from the present situation.

9 A no-shop provision is an agreement by a target company not to solicit and/or consider competing bids for (i.e., shop) the company in the period after a merger or sale agreement is signed and prior to the closing of the merger or sale. A lockup usually takes the form of an option granted to the buyer to acquire newly issued stock or certain assets of the target company in the event that the merger fails to close as a result of certain conditions beyond the control of the buyer.

In *Norfolk Southern*, the no-shop provision was part of a merger agreement providing for the acquisition by CSX of all of the outstanding shares of Conrail, and was insisted upon by CSX. The court concluded that when parties enter into a merger agreement, "it is expected that the parties will act in good faith and will not deliberately go out and attempt to shop the contract, if you will, with some other party or to see if they can get a better deal after having entered into a valid contract." *Id.* at *5. None of these concerns appears here -- AMP is trying to prevent not preserve a merger.

Moreover, in *Norfolk Southern*, CONRAIL'S SHAREHOLDERS WERE TO BE GIVEN THE OPPORTUNITY TO VOTE ON THE PROPOSED DEAL. That is ultimately what legitimized the no-shop provision. If the shareholders decided, in the exercise of their franchise, that they agreed with the board's actions in entering into the merger agreement, then the no-shop could be enforced. But the board could not override shareholder will and force them to vote in favor of the merger agreement and, hence, accept the no-shop, as AMP is

attempting to do here. When Conrail's board attempted to interfere with the shareholder vote, Judge VanArtsdalen issued a preliminary injunction preventing such action, ruling that a Pennsylvania board of directors may not "effectively disenfranchise[] those shareholders who may be opposed to [a] proposal." Norfolk Southern Corp. v. Conrail, Inc. Civ. Act. No. 96-7167 (E.D. Pa. Dec. 17, 1996). (AlliedSignal's Opening Brief, App. Ex. A-6 at 68).(FN10) Here, the AMP board should not be permitted effectively to disenfranchise those shareholders who may be opposed to the board's proposed restructuring plan.

Finally, AMP's reliance on the limited duration of the poison pill and the "six month window" following its expiration does not redeem the otherwise illegal amendments. Indeed, AMP could adopt a new poison pill in November 1999, or extend its current poison pill beyond its expiration date. On August 20, 1998, the board adopted a resolution stating that it would not adopt a new poison pill for six months after the end of the current pill. This action by a simple resolution may be superseded at any time by a new resolution of the board. Indeed, the AMP board may feel compelled to change its mind yet again, and either extend the current pill or adopt a new one as soon as the current one expires.(FN11)

10 The other cases AMP relies on are also easily distinguishable. In Keyser v. Commonwealth National Financial Corporation, 644 F. Supp. 1130 (M.D. Pa 1986), a breach of fiduciary duty case, the shareholders were given the opportunity to approve the merger agreement. Id. at 1147. Enterra Corp. v. SGS Associates, 600 F. Supp. 678 (E.D. Pa. 1985), actually supports AlliedSignal's position. In that case, the court considered whether a "standstill agreement" between Enterra's board and SGS, its largest shareholder, that prevented SGS from commencing a tender offer for all of the stock of Enterra was a breach of fiduciary duty by Enterra's board. Although the court in Enterra recognized that the agreement's voting provisions were not at issue, it noted that it would "be inclined to challenge the validity of any provision in a standstill agreement requiring the shareholder to vote with management on any material matter." Id. at 688.

11 AMP has changed its mind about poison pills before and could do so again. In March, 1989, in connection with its reincorporation of AMP in Pennsylvania, the AMP board stated that it had no intention of adopting a poison pill. 1989 Notice of Annual Meeting and Proxy Statement ("1989 AMP Proxy Statement") at 30, attached as Exhibit B to AlliedSignal's Supplemental Brief. Six months later, in October, 1989, AMP adopted its current poison pill. Since then, it has amended its poison pill at least four times.

IV. AMP'S FIXING OF NOVEMBER 16 AS THE RECORD DATE FOR THE SHAREHOLDER RIGHTS PROPOSAL IS ILLEGAL AND INEQUITABLE

On September 14, 1998, in response to AMP's enactment of the nonredemption provision, AlliedSignal amended its consent solicitation to add the Shareholder Rights Proposal. AlliedSignal also asked AMP to confirm or set an October 15, 1998 "record date" --the date on which the shareholders who are entitled to vote would be determined -- for the amended consent solicitation. AlliedSignal requested October 15 because that is the date AMP's board had previously set for AlliedSignal's consent solicitation. Third Am. Compl. paragraph 69. Instead, on September 22, 1998, AMP's board fixed November 16, 1998 as the record date for consents to the Shareholder Rights Proposal. Id. paragraph 71. No explanation or justification was given for that action.

One of the primary advantages of action by written consent pursuant to section 2524 of the PBCL is to permit shareholders to take action without the delay often entailed by waiting for a shareholder meeting to be scheduled and convened (especially given the ability of entrenched management to refuse to convene a special meeting and shareholders' inability to call a special meeting themselves).(FN12) The November 16 record date is over TWO MONTHS after AlliedSignal notified AMP and publicly announced its amendment of the consent solicitation to include the Shareholder Rights Proposal. The board has not even attempted to proffer a justification for imposing such extreme delay on the shareholders' statutory right to take "immediate" action by consent.(FN13) See PBCL 2524(b). Delay past October 15 is a fundamentally unfair manipulation of the voting process both because of the sheer length of the delay and because it requires separate record dates, and in effect completely separate consent solicitations, for AlliedSignal's Nominee Election Proposals and the Shareholder Rights Proposal.(FN14)

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- 12 Section 2524 of the PBCL provides that action "may be authorized by the shareholders of a registered corporation without a meeting by less than unanimous written consent . . . if permitted by [the corporation's] articles." Article IX of AMP's Articles expressly authorizes shareholder action by non-unanimous written consent.
- 13 This is not the first time AMP has manipulated the consent solicitation process by delaying the record date. On August 21, the AMP board fixed the initial record date as October 15, 45 days after the date AlliedSignal had requested, August 31. The board's stated grounds for selecting October 15 were (a) to ensure that "adequate information is available" to AMP's shareholders, and (b) to give AMP "sufficient time to comply with the broker search card requirements of Rule 14a-13 under the Securities Exchange Act of 1934, as amended." Third Am. Compl. paragraph 61. Neither of those justifications warranted putting off the record date until October 15. There will have been more than enough time for the shareholders to become familiar with the issues, and more than enough time for the AMP board to secure SEC clearance for consent revocation materials that address the Shareholder Rights Proposal as well as the board election proposals.
- 14 As the framers of the PBCL noted in a similar context, "abuses of the record date procedure . . . will be dealt with under the fraud and fundamental unfairness test." 15 Pa. Cons. Stat. section 1763, Historical and Statutory Notes: Amended Committee Comment -- 1990. Failure to select a record date that is reasonably prompt under the circumstances constitutes precisely such fraud and fundamental unfairness. See *Norfolk Southern Corp. v. Conrail, Inc.*, Civ. Act. No. 96-7167 (E.D. Pa. Dec. 17, 1996) (enjoining company under fundamental unfairness test from delaying, adjourning, or refusing to convene special meeting of shareholders) (App. Ex. A-6 at 65, 68-70); *Danaher v. Chicago Pneumatic Tool Co.*, Nos. 86 Civ. 3499, 86 Civ. 3638, 1986 WL 7001, at *15 (S.D.N.Y. June 19, 1986) (granting injunction against entrenched board which sought to delay shareholder action by written consent by refusing to set a record date).

The Shareholder Rights Proposal has the same objective and effect as the Nominee Election Proposals AlliedSignal presented in August -- to make it possible for AMP's poison pill to be redeemed and/or amended so that AMP's shareholders are free to accept or reject AlliedSignal's tender offer and merger proposals on their merits.(FN15) Similarly, the crucial issues about the future of AMP and the performance of its current board that underlie the Shareholder Rights Proposal were not novel on September 14. They are the same issues that underlie the Nominee Election Proposals about which the shareholders have been educating themselves since early August.

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- 15 Moreover, the Shareholder Rights Proposal was only made in response to the AMP board's addition of the nonredemption provision. The AMP board itself created the necessity for the Shareholder Rights Proposal, it cannot now seize on its own maneuvering as a pretext for further delay. Since AlliedSignal had already requested a record date for its consent solicitation and the AMP board had already fixed it as October 15, that record date should cover the Shareholder Rights Proposal as well.

IV. CONCLUSION

AMP's directors, like AMP's shareholders, are entitled to the process provided for by Pennsylvania law. That process provides for shareholder participation in the critical decisions embodied in AlliedSignal's consent solicitation proposals. While AMP's directors have considerable latitude in managing AMP, they cannot suspend authorized shareholder rights in order to dictate a specific result. Both AMP's board and AlliedSignal have to abide by the decisions that the shareholders make with respect to the proposals now before them. UNDER PENNSYLVANIA LAW, THE SHAREHOLDERS MUST RECEIVE THAT OPPORTUNITY TO DECIDE.

Respectfully submitted,

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DATED: September 25, 1998

EXHIBIT A

SHAREHOLDER RIGHTS GUARANTEED BY THE PBCL AND AMP'S OWN CHARTER AND BYLAWS

SHAREHOLDERS' RIGHT TO VOTE FOR DIRECTORS

PBCL SS. 1725

- providing "directors of a business corporation...shall be elected by the shareholders."
- in part, "patterned after Delaware General Corporation Law ss. 223(b)." Official Source Note --1988.

SECTION 1.11 OF AMP'S BYLAWS

- stating that "[e]lection of directors shall be by ballot. At such elections every shareholder entitled to vote at such election shall have the right to vote the number of shares" he or she holds.

SHAREHOLDERS' RIGHT TO PASS A BYLAW TRANSFERRING THE POWER OF THE BOARD OF DIRECTORS TO ANOTHER GROUP

PBCL SS. 1721

- providing that "[u]nless otherwise provided...in a bylaw adopted by shareholders, all powers...vested by law in a business corporation shall be exercised by...a board of directors"

ARTICLE VII OF AMP'S ARTICLES OF INCORPORATION

- stating that "all corporate powers may be exercised by the Board of Directors" "[e]xcept as otherwise provided...by Bylaws as the same may be amended from time to time."

SHAREHOLDERS' RIGHT TO ACT BY NON-UNANIMOUS WRITTEN CONSENT

PBCL SS. 1766(b)

- providing that "[i]f the bylaws so provide, any action...permitted to be taken at a meeting of the shareholders...may be taken without a meeting upon the written consent of shareholders."
- the subsection is "patterned after Delaware General Corporation Law ss.228 and N.J.S.A.ss.14A:5- 6(2)." Official Source Note -- 1988.

PBCL SS. 2524(a)

- permitting shareholder action "without a meeting by less than unanimous written consent...if permitted by [the] corporation's articles."
- the "section conforms to the approach of the Delaware General Corporation Law which does not require a delay in consummating action approved by partial written consent of stockholders." Amended Committee Comment - 1990.

ARTICLE IX OF AMP'S ARTICLES OF INCORPORATION

- stating that "[a]ny action that may be taken at a meeting of the shareholders...may be taken without a meeting upon the written consent of shareholders...."

SHAREHOLDERS' RIGHT TO HAVE DIRECTORS SET A RECORD DATE FOR A SHAREHOLDER VOTE

PBCL SS. 1763(a)

- providing that the board of directors is to "fix a record date for the determination of shareholders" for a shareholder vote.
- subsection b and last sentence of subsection (a) are "patterned after Delaware General Corporation Law" ss. 213(b)-(c). Official Source Note -- 1988.

SECTION 1.7.2 OF AMP'S BYLAWS

- stating that the "Board shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date" for a consent solicitation.

SHAREHOLDERS' RIGHT TO ENJOIN FRAUD OR FUNDAMENTAL UNFAIRNESS

PBCL SS. 1105

- shareholders have the right to obtain "an injunction against any proposed plan...authorized under any provision of this subpart" to prevent "fraud or fundamental unfairness." See *In re Jones & Laughlin Steel Corp.*, 412 A.2d 1099, 1103-04 (Pa. 1980)
- the provision is "[s]ubstantially a reenactment of [the] act of May 5, 1933." Official Source Note --1988.

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

-----X
ALLIEDSIGNAL INC.,
a Delaware Corporation,
P.O. Box 3000
Morristown, NJ 07962-2496

Plaintiff,

- against -

AMP INCORPORATED,
a Pennsylvania Corporation,
470 Friendship Road
Harrisburg, PA 17111

Defendant.
-----X

C.A. No. 98-CV-4058

VERIFIED THIRD AMENDED COMPLAINT FOR
DECLARATORY AND INJUNCTIVE RELIEF

Plaintiff AlliedSignal Inc. ("AlliedSignal"), by its undersigned attorneys, as and for its Verified Third Amended Complaint, alleges upon knowledge with respect to itself and its own acts, and upon information and belief as to all other matters, as follows:

Nature of the Action

1. This action arises out of AMP Incorporated's ("AMP's") illegal attempt to thwart the fundamental right of AMP shareholders -- including AlliedSignal -- to vote to change the leadership and direction of AMP, the corporation they own.

2. In contravention of Pennsylvania and federal law, and its own governing articles of incorporation ("Articles") and bylaws ("Bylaws"), AMP has attempted to nullify the shareholder voting process by taking actions to delay and interfere with the ability of AMP's shareholders to cast a meaningful vote in AlliedSignal's current consent solicitation and to accept the benefits of the tender offer and merger proposed by AlliedSignal.

3. In particular, in response to AlliedSignal's consent solicitation, AMP has twice amended its defensive shareholder rights plan, or "poison pill," to create a new form of poison pill with anti-shareholder-vote provisions that would effect a fundamental change in corporate governance in the midst of a takeover contest.

4. First, AMP amended the poison pill to deprive AMP shareholders of a voice in important economic decisions by (a) making any merger or tender offer that is not approved by AMP's current board of directors ("board") impossible to complete, even if supported by a majority of shareholders, and (b) preventing any directors -- old or newly elected to AMP's board by the shareholders -- from redeeming the poison pill once a new majority of directors is elected to the board (the "nonredemption provision").

5. Following AMP's amendment of its poison pill, AMP shareholders holding 72% of AMP's outstanding shares tendered into AlliedSignal's original premium cash tender offer for all AMP shares.

6. In order to effectuate the will of AMP's shareholders, AlliedSignal announced an additional bylaw proposal, authorized under AMP's Articles and Pennsylvania law, to permit AMP shareholders to vote on whether to exercise their right to control the poison pill (the "shareholder rights proposal"). AlliedSignal also amended its tender offer to permit AMP shareholders to tender up to 40 million shares at \$44.50 cash per share for a total of \$1.8 billion, if they chose, an amount which AlliedSignal could purchase without triggering AMP's then 20%-trigger poison pill.

7. In defiance of the landslide 72% vote against them, AMP's directors again changed its corporate rules in midstream, amending the poison pill to further disenfranchise AMP shareholders. That amendment seeks to nullify any shareholder vote in favor of AlliedSignal's shareholder rights proposal by an illegal attempt to repeal Article VII of AMP's Articles and PBCL Section 1721 by board fiat. The amendment provides,

in effect, that the affirmative vote of holders of a majority of AMP's shares in favor of the shareholder rights proposal will cause the poison pill to become nonredeemable and nonamendable, thus voiding the very purpose of the shareholder rights proposal (the "nullification provision"). AMP's board has also attempted to delay the consent solicitation on the shareholder rights proposal by purporting to fix November 16 as the consent record date, when October 15 had already been fixed as the record date for AlliedSignal's planned consent solicitation.

8. At the same time, reflecting its utter disdain for its shareholders' rights and interests, AMP's board also amended the poison pill trigger from 20% to 10% of the outstanding shares. The effect of that amendment was to reduce the number of shares which AlliedSignal could purchase under its amended offer from 40 million to 20 million. That amendment left AlliedSignal with no choice but to offer to purchase only 20 million AMP shares, thus depriving AMP shareholders of the opportunity to obtain approximately \$900 million for the other 20 million shares for which AlliedSignal had tendered.

9. In order to protect the fundamental voting and corporate governance rights of AMP's shareholders, AlliedSignal seeks relief: (a) invalidating the nonredemption provision and the nullification provision of AMP's poison pill; (b) declaring that October 15, 1998 is the record date for AlliedSignal's consent solicitation, including the shareholder rights proposal or, in the alternative, ordering AMP's board to fix October 15, 1998 as the consent record date for that proposal; and (c) preventing AMP from manipulating the corporate machinery or taking other steps to delay and obstruct the consent solicitation.

Parties

10. Plaintiff AlliedSignal is a Delaware corporation with its principal executive offices in Morristown, New Jersey. AlliedSignal is an advanced technology and manufacturing company with worldwide operations in the aerospace, automotive and engineered materials businesses. AlliedSignal is the beneficial and record owner of 100 shares of AMP common stock.

11. Defendant AMP is a Pennsylvania corporation with its principal executive offices in Harrisburg, Pennsylvania. AMP designs, manufactures and markets electronic, electrical and electro-optic connection devices, interconnection systems and connector-intensive assemblies.

Jurisdiction and Venue

12. This Court has jurisdiction over this action pursuant to 28 U.S.C. ss.ss. 1331, 1332 and 1367. The amount in controversy is in excess of \$75,000.

13. Venue is proper in this District under 28 U.S.C. ss. 1391 (b) and (c).

AlliedSignal and its Proposal

14. AlliedSignal wishes to acquire AMP because it believes that a business combination with AMP will provide an attractive business opportunity for both AlliedSignal and AMP.

15. Accordingly, after AMP rejected Allied Signal's overtures for a negotiated transaction, on August 4, 1998, AlliedSignal announced that it would commence a tender offer for all of the outstanding shares of the common stock of defendant AMP at \$44.50 in cash per share (the "Tender Offer"), pursuant to federal securities laws. AlliedSignal's proposed \$44.50 tender offer price represented a premium of more than 55% over the trading price of AMP common stock immediately prior to the announcement of the Tender Offer. AlliedSignal would acquire, through a second-step merger for the same \$44.50 per share in cash (the "Merger"), any shares of AMP that are not tendered.

16. AlliedSignal's Tender Offer gives AMP shareholders the opportunity to accept it if they determine that it is in their best interests as the owners of AMP, and, alternatively, to reject the Tender Offer if they do not believe it is in their best interests.

17. AlliedSignal believes that a combined company under AlliedSignal's strong management will permit AlliedSignal to offer a broader range of products to a more diverse customer base in a wider variety of markets than either company could achieve alone. Lawrence

Bossidy, AlliedSignal's chief executive officer since 1991, is a highly respected corporate manager who, together with his management team, has produced an almost fourfold increase in AlliedSignal's stock price since 1991. Mr. Bossidy was named "Chief Executive of the Year" in Chief Executive magazine's July/August, 1998 issue, and Fortune magazine recently named AlliedSignal, under Mr. Bossidy's leadership, to its lists of the "Most Admired Companies" and "100 Best Companies To Work For." AlliedSignal believes that Mr. Bossidy would provide similarly strong leadership to a combined company.

18. For all of AMP's shareholders, a transaction with AlliedSignal will provide the opportunity to be rewarded today for the future value AlliedSignal believes it can create if it merges with AMP.

19. As of midnight on September 11, 1998, the expiration date for the Tender Offer, shareholders owning approximately 157 million shares of AMP common stock, or approximately 72% of AMP's total outstanding shares, had tendered their shares to AlliedSignal. These figures are exceptionally high for a hostile tender offer for the shares of a publicly held company, particularly considering AMP's intense opposition and the short time frame. The 72% tender response expressed the will of AMP shareholders and demonstrated their overwhelming support to have a choice whether to tender and to vote on the proposed Merger.

20. On September 14, 1998, AlliedSignal amended the Tender Offer (the "Amended Offer") to permit it to acquire for \$44.50 per share in cash 40 million AMP shares, approximately the number of shares it could acquire without triggering AMP's poison pill.

21. In response to the Amended Offer, on September 18, 1998 AMP amended its poison pill by lowering the percentage of shares necessary to trigger the poison pill from 20% to 10%. As a result, on that day, AlliedSignal announced a revision of its Amended Offer under which AlliedSignal would acquire for \$44.50 per share in cash only 20 million AMP shares, approximately the number of shares AlliedSignal can acquire without exceeding the 10% trigger, instead of 40 million shares as originally planned. Following completion of the Amended Offer, AlliedSignal intends to proceed with a new tender offer for all remaining AMP shares outstanding at the \$44.50 per share cash price, with the intention of then consummating the proposed Merger.

The Shareholder Franchise and Limitations on Directors

22. Pennsylvania statutory law and AMP's Articles and Bylaws explicitly vest in AMP's shareholders, not AMP's board, the ultimate authority to decide whether to accept AlliedSignal's offer and whether to approve the proposed Merger with AlliedSignal. Moreover, federal law mandates disclosure so that shareholders can make an informed choice. Thus, corporate governance rules under Pennsylvania law and the federal securities laws together are designed to let informed shareholders decide the future of the corporations they own.

23. Shareholder voting rights are fundamental under Pennsylvania law. Pennsylvania's Business Corporations Law ("PBCL") Section 1758(a) provides in pertinent part that "every shareholder of a business corporation shall be entitled to one vote for every share standing in his name on the books of the corporation."

24. Section 1.10(a) of AMP's Bylaws similarly provides that each shareholder shall be entitled to one vote for each outstanding share of AMP.

25. Pennsylvania statutory law sanctifies a shareholder's right to vote because, ultimately, the shareholders, as the corporation's owners, have the right and ability to direct the actions of the corporation through that vote. PBCL Section 1757(a), for example, provides that, "[e]xcept as otherwise provided in [the PBCL] or in a bylaw adopted by the shareholders, whenever any corporate action is to be taken by vote of the shareholders of a business corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon. . . ." Section 1.10(b) of AMP's Bylaws embodies this majority-vote principle.

26. The PBCL is structured to recognize and effectuate Pennsylvania's underlying goal of preserving for shareholders the ultimate authority to control the affairs of the corporations they own. For example, PBCL Section 1521(c) provides that shareholders may adopt bylaws setting forth "provisions regulating or restricting the exercise of corporate powers."

27. Shareholders of Pennsylvania corporations are also entitled to use their voting power to effect corporate action by written consent. PBCL Section 2524(a) provides that, if a registered corporation's articles of incorporation permit it, corporate "action may be authorized by the shareholders [of such corporation] without a meeting by less than unanimous written consent."

28. Under PBCL Sections 1504(c), 1766(b) and 2524(a), if permitted by a corporation's articles or bylaws, the corporation's shareholders may take "any action" permitted to be taken at a shareholders' meeting "upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting." PBCL ss. 1766(b).

29. Article IX of AMP's Articles authorizes shareholder action by written consent. When AMP changed its state of incorporation in 1989 from New Jersey to Pennsylvania, the AMP board in its proxy statement assured shareholders that the new Articles of Incorporation and Bylaws would "continue provisions presently applicable to the Corporation under New Jersey law" and noted that the new Pennsylvania Articles of Incorporation specifically preserved the right given AMP's shareholders under New Jersey law to act by written consent through a consent solicitation.

30. One of the most basic rights held by shareholders is the right to elect a corporation's directors. PBCL Section 1725 and Section 1.11 of AMP's bylaws vest the right to elect directors in AMP's shareholders.

31. The directors serve and execute their powers pursuant to the will of the shareholders. PBCL Section 1721 provides that "a bylaw adopted by the shareholders" can modify, limit, or even eliminate the authority of a board of directors to exercise corporate powers.

32. Article VII of AMP's Articles explicitly provides that: "Except as otherwise provided . . . by By-Laws . . . , all corporate powers may be exercised by the Board of Directors. . . ."

33. The federal securities laws, by providing for informed voting and tendering decisions by shareholders, also recognize that shareholders have the ultimate choice in contests for corporate control and in deciding whether to accept or reject proposed corporate transactions.

34. All these state and federal laws are designed to give shareholders the right to make an informed decision concerning the future of the corporations which they own, in an environment of full disclosure.

AMP's Efforts to Frustrate Shareholder Will

35. Despite Pennsylvania's clear mandate in favor of shareholder choice and corporate flexibility, and the policies underlying the federal securities laws, AMP has taken illegal and manipulative actions designed to frustrate the will of its shareholders.

36. First and foremost, AMP has a shareholder rights plan (embodied in a Rights Agreement), commonly known as a "poison pill," which was adopted by the AMP board in 1989 without shareholder approval. On August 20, 1998, AMP amended that poison pill in response to AlliedSignal's offer and consent solicitation and, again on September 18, 1998, amended the poison pill (as amended, the "Poison Pill") in response to AlliedSignal's shareholder rights proposal and the Amended Offer. AMP's Poison Pill, if enforceable, makes it economically prohibitive to acquire control of AMP in a transaction opposed by the current AMP board, even if the requisite majority of AMP shareholders and a majority of a future board favor the acquisition. The Poison Pill thus effectively frustrates and prevents an effort by AlliedSignal or any other hostile bidder to place into office a new majority of directors supported by the requisite majority of AMP shareholders.

37. AMP's Poison Pill is designed to work as follows: In the event that any person acquires more than 10% (as amended on September 18, 1998, to reduce the original 20% threshold) of AMP's stock, all other AMP shareholders have the right to buy additional shares at half-price, causing a massive dilution of the value of the holdings of the unwanted acquirer (the "Flip-In Provision"). In addition, if AMP subsequently is acquired in a merger, all AMP shareholders other than the acquiring corporation have the right to buy shares of the acquiring corporation at a bargain price, subjecting that corporation to a massive discount sale of its own stock (the "Flip-Over Provision").

38. One function of a poison pill is to furnish a board of directors with bargaining power to negotiate with a prospective acquirer. To facilitate those negotiations, a board typically retains the right to "redeem" -- or eliminate the effect of -- a poison pill, by paying rights holders a nominal value. This permits directors on a continuing and case-by-case basis to evaluate corporate opportunities according to their fiduciary duties.

39. In most poison pills, a change in the composition of a corporation's board, standing by itself, has no effect on a poison pill. This feature protects shareholder democracy while giving any board -- whether long-incumbent or newly elected -- maximum flexibility to accept a transaction that is in the best interests of the corporation. Indeed, a critical aspect of the judicial acceptance of poison pills has been the basic precept that they would not inhibit proxy contests, including those involving a change of control of a company.

40. Until August 20, 1998, AMP's poison pill contained a particularly draconian feature not typically found in poison pills -- a so-called "Dead Hand" provision. Under the Dead Hand provision, if there were a change in a majority of AMP's directors, the poison pill would have been redeemable only by a majority of the "continuing directors" -- i.e., the present directors of AMP or their hand-picked successors. The Dead Hand provision thus eliminated the authority of new directors, who would have been elected by a majority of shareholders, to redeem the poison pill. For these very reasons, comparable Dead Hand provisions have been held illegal under the corporate law of Delaware and New York.

41. In order to avoid the impact of AMP's Dead Hand Poison Pill, AlliedSignal commenced a consent solicitation to obtain the consent of AMP's shareholders for certain proposals.

42. On August 12, 1998, AlliedSignal filed a preliminary consent statement with the Securities and Exchange Commission (the "SEC"), publicly disclosing the precise terms of proposals upon which AlliedSignal intended to seek shareholder approval.

43. AlliedSignal's initial consent proposals provided AMP's shareholders with the opportunity to elect to AMP's board AlliedSignal nominees who, subject to their fiduciary duties, would support a business combination with AlliedSignal. These new directors could have persuaded a majority of AMP's continuing directors that the merits of AlliedSignal's offer and Merger proposal warranted redemption of the Dead Hand poison pill.

The "Nonredemption" Amendment of AMP's Poison Pill

44. In light of AlliedSignal's offer and consent solicitation, the AMP board concluded that its Dead Hand poison pill might not prove draconian enough to thwart the will of its shareholders. On August 20, 1998, AMP therefore amended its poison pill to include an unprecedented, outrageous and self-destructive feature.

45. In total disregard of shareholder voting rights generally, and of the shareholder voting rights contained in its own Articles and Bylaws, AMP's board amended its Poison Pill by eliminating the Dead Hand provision and replacing it with the nonredemption provision. This action by AMP's board made the Poison Pill nonredeemable by any directors, including "continuing" directors and even disinterested directors, if a new majority of directors is elected to the board. Once this nonredemption provision is triggered, no tender offer or merger can be completed until November 6, 1999, the expiration date of the Poison Pill.

46. The AMP board also changed the poison pill to make it nonamendable as soon as it becomes nonredeemable, which makes the nonredemption provision, once triggered, irreversible.

47. Moreover, the AMP board changed the definition of a "Qualifying Offer" -- i.e., an offer that, because it is favored by the board, does not trigger the Poison Pill -- so that once the Poison Pill is nonredeemable, no offer can be deemed a Qualifying Offer.

48. Since AlliedSignal's offer and Merger proposal would be of no effect without, at a minimum, support of the holders of a majority of AMP's shares, the AMP board could have had no motive to take these actions other than to strip the AMP shareholders of their right to elect new directors who would act in the shareholders' interests and, subject to their fiduciary duties, would support the offer and Merger.

49. The nonredemption provision purports to prevent newly elected

directors -- whether elected through the consent solicitation or at AMP's next annual meeting -- from redeeming the Poison Pill, even though that is the very purpose for their election by the shareholders. This board action was designed to deny AMP's shareholders the opportunity to decide for themselves whether to approve a change in control or sale of the corporation.

50. The AMP board's nonredemption provision also removes from a newly constituted board of directors any ability to approve extraordinary transactions -- such as a merger or sale of assets -- until the Poison Pill expires, no matter how beneficial those transactions may be to AMP and its constituents. Unilateral removal of this authority, responsibility and discretion is an illegal encroachment on the power of the board of directors as set forth under PBCL Sections 1502(18), 1525, 1712, 1715, and 1721.

AlliedSignal's Consent Solicitation

51. On September 14, 1998, AlliedSignal amended its consent solicitation to include a proposal pursuant to PBCL Section 1721 and Article VII of AMP's Articles (the "shareholder rights proposal") which, if approved by AMP's shareholders, will remove from AMP's board all powers with respect to AMP's Rights Agreement, and will vest those powers in a group of agents (the "Rights Agreement Managing Agents").

52. The Rights Agreement Managing Agents will cause the Rights Agreement to be amended to make the Poison Pill inapplicable to (i) any tender or exchange offer (including AlliedSignal's Tender Offer), if as a result of completion of the offer, the offeror would own a majority of outstanding shares of AMP common stock, and (ii) any merger that either does not require shareholder approval or is approved by the requisite vote of AMP shareholders.

53. The shareholder rights proposal affords AMP shareholders an opportunity to control AMP's Poison Pill in accordance with their own determination of what is in the best interests of AMP and its shareholders.

The Nullification Provision

54. In response to the shareholder rights proposal and Amended Offer, on September 18, 1998, AMP again amended the Poison Pill to block its own shareholders' ability to support AlliedSignal's proposals and to tender up to 40 millions shares under the Amended Offer.

55. Under Amendment No. 4 to AMP's Rights Agreement, if holders of majority of AMP's shares adopt a bylaw limiting the AMP board's powers regarding the Poison Pill, the Poison Pill immediately would become nonamendable and nonredeemable (the "nullification provision"). Therefore, the shareholders' very purpose for adopting such a bylaw -- to hold the Poison Pill inapplicable to the AlliedSignal offer or any other offer deemed favorable by holders of a majority of AMP's shares -- would be entirely undermined.

56. If AMP's shareholders decide to exercise their right to control the terms of the Poison Pill, the decision itself will trigger the very features of the Poison Pill that are repulsive to AMP shareholders.

57. The effect of the nullification provision is to attempt to repeal Article VII of AMP's Articles by AMP board fiat without a vote of AMP shareholders -- in fact, to defeat a vote of AMP shareholders -- and to attempt to repeal PBCL ss. 1721 by AMP board fiat without a vote of Pennsylvania lawmakers.

58. Therefore, the nullification provision is ultra vires and constitutes yet another attempt by AMP's board to change the rules in midstream -- to attempt to render meaningless the consent solicitation and to overrule the lawful exercise by AMP's shareholders of rights specifically granted to them under the PBCL and AMP's Articles.

AMP's Other Manipulations of the Corporate Machinery

59. In addition to the amendments of its Poison Pill, AMP's board has initiated several other entrenchment maneuvers.

AMP's Delay of the Record Date

60. On August 11, 1998, AlliedSignal formally requested in

writing that AMP fix August 31, 1998 as the record date for the consent solicitation. On August 21, 1998, the AMP board fixed the record date for the AlliedSignal consent solicitation, not on August 31, 1998, but forty-five days later, on October 15, 1998 (the "October 15 Record Date").

61. The purported grounds for the board's fixing the October 15 Record Date, as publicly stated by the AMP board, were (a) to ensure that "adequate information is available" to AMP's shareholders, and (b) to give AMP "sufficient time to comply with the broker search card requirements of Rule 14a-13 under the Securities Exchange Act of 1934, as amended" (the "Search Provision"). Neither of those purported justifications warranted putting off the record date beyond August 31, let alone delaying it until October 15.

62. There was no basis for the AMP board's stated concerns because the requested August 31 record date was suitable to provide adequate information to AMP's shareholders. Moreover, the SEC proxy rules, which govern the consent solicitation, are designed to ensure that AMP's shareholders would have all material information to make an informed decision before they gave their written consents. The AMP shareholders will not be pressured or hurried to make a decision; the decision can be made whenever they believe themselves properly knowledgeable.

63. In fact, on August 13, even before the AMP board fixed the record date, AMP filed with the SEC a preliminary Consent Revocation Statement, pursuant to Section 14(a) of the Exchange Act, and the information was publicized and made available to AMP shareholders. That filing, which was amended on August 26, 1998 (as amended, "the preliminary Schedule 14A"), was made for the purpose of commencing a solicitation campaign to obtain consent revocations from AMP shareholders and thereby seek to block AlliedSignal's consent solicitation.

64. Similarly, the notice period contemplated by the Search Provision was effectively satisfied by AlliedSignal's request for the fixing of an August 31 record date, since the request was made and widely publicized on August 11, twenty days in advance of AlliedSignal's requested record date.

65. AMP's fixing of the October 15 Record Date was arbitrary and unnecessary for the orderly functioning of the consent process.

66. Nevertheless, AlliedSignal agreed not to contest the October 15 Record Date in a letter agreement, dated September 4, 1998, which provided for notice to be given by AMP before it took certain actions.

67. On September 14, 1998, AlliedSignal gave AMP written notice of its decision to amend its consent solicitation to include the shareholder rights proposal as a result of AMP's adoption of the nonredemption provision.

68. The amended consent solicitation gave AMP's shareholders a means to remove the obstacles confronting AlliedSignal's Tender Offer and proposed Merger despite AMP's adoption of the nonredemption provision.

69. Because the shareholder rights proposal is an integral part of AlliedSignal's consent solicitation and was necessitated by the AMP board's attempt to render the consent solicitation meaningless, the October 15, 1998 record date that was originally fixed for the consent solicitation applies to the shareholder rights proposal. AlliedSignal noted this fact in the September 14 notice to AMP, but, in the alternative, AlliedSignal requested that AMP fix October 15, 1998 as the consent record date for the shareholder rights proposal.

70. AlliedSignal noted that the October 15 Record Date provided AMP shareholders with more than 30 days notice of the amended consent solicitation and allowed ample time for AMP to comply with all applicable SEC and New York Stock Exchange rules.

71. Nevertheless, on September 22, 1998, AMP fixed November 16, 1998 as the record date for AlliedSignal's amended consent solicitation.

AMP's Frivolous Lawsuit Against AlliedSignal

72. On August 21, 1998, AMP filed a complaint against AlliedSignal, alleging that if "the seventeen AlliedSignal nominees to AMP's board were elected, they could not fulfill their fiduciary duties both to AlliedSignal and its shareholders and to AMP" because "the AlliedSignal officers and directors have already determined that AMP should be combined with AlliedSignal . . ." AMP further alleges in its complaint that "[w]hile committed to this course of action on behalf of AlliedSignal,

the AlliedSignal nominees could not fully and completely discharge their fiduciary duty to AMP."

73. AMP'S allegations are specious as a matter of law. First, Pennsylvania law safeguards the right of shareholders to elect directors of their own choosing, provided that such directors meet the minimal qualifications set forth in the PBCL and AMP's Bylaws, as do all of AlliedSignal's nominees. Nothing in Pennsylvania law or AMP's Articles or Bylaws remotely suggests that the shareholders' right to elect the directors of the corporation they own does not apply to the election of a director nominee who may have an outside interest in a proposed transaction and/or has publicly taken a position in support of a proposed transaction prior to the election.

74. Second, under PBCL Section 1728(a)(2) and section 2.12 of AMP's Bylaws, "Interested Directors" are clearly permitted to submit a proposed transaction to shareholders for approval. So long as the shareholders have the right to decide whether a transaction is in their best interests, Pennsylvania laws permit its adoption by interested Directors.

75. Thus, PBCL Section 1728(a)(2) permits a transaction between AMP and a second corporation, like AlliedSignal, "in which one or more of its directors or officers are directors or officers or have a financial or other interest" (an "Interested Director"), as long as the "material facts as to [the Interested Director's] relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders" (the "Interested Director Statute"). Section 2.12 of AMP's Bylaws substantially mirrors the provisions of the interested Director Statute.

76. Third, unless the merger partner owns 80% or more of the outstanding AMP shares, any merger must be approved by holders of two-thirds of the outstanding AMP shares in accordance with Article X of the AMP charter; this is even greater than the majority vote required under Section 1924 of the PBCL. Moreover, if a proposed merger is consummated involving all or part cash consideration, dissenters' rights would be provided in accordance with Section 1930(a) of the PBCL.

77. Finally, in any event, there is no basis whatsoever for suggesting that the nominees, who are persons of outstanding abilities, experience and integrity, will not conduct themselves in full compliance with their fiduciary duties to AMP. nor will consideration of any of AlliedSignal's proposals prevent an AMP director -- new or old -- from acting in a manner consistent with his or her fiduciary duty.

78. In a separate claim for relief, AMP alleges in its complaint that AlliedSignal has violated its disclosure obligations under Section 14 of the Securities Exchange Act and the rules adopted thereunder because AlliedSignal failed to disclose that its consent solicitation is (allegedly) unlawful. This disclosure claim is equally frivolous. It is well-established law that an entity is under no obligation to characterize its consent solicitation proposals as unlawful. This is particularly true where, as here, AlliedSignal has fully disclosed the underlying facts giving rise to the proposals' alleged unlawfulness -- the nominees' affiliation with AlliedSignal and their position with respect to the Tender Offer.

AMP's Schedule 14D-9 and Public Statements

79. On August 21, 1998, AMP announced that it opposes the Tender Offer and Merger, and filed with the SEC a Schedule 14D-9, which has since been amended (the "Schedule 14D-9"), describing the AMP board's opposition to AlliedSignal's Tender Offer.

80. AMP's Schedule 14D-9 states that AlliedSignal's Tender Offer is "not in the best interests of AMP and its relevant constituencies" because AMP's "current strategic initiatives and business plans offer the potential for greater benefits for AMP's various constituencies, including its shareholders." AMP's so-called current restructuring and AMP's "initiatives" and "business plans," however, are merely the latest iteration of AMP management's past unsuccessful efforts to improve AMP's operations -- efforts which have done nothing to improve the value of AMP. Indeed, AMP acknowledges that, prior to AlliedSignal's announcement of the Tender Offer, AMP's share price was the lowest it has been in twelve years, despite the prior announcement of its restructuring plan.

81. AMP's Schedule 14D-9 also describes the AMP board's "belief that [AMP's] new management team is well suited to implement the profit

improvement program" it allegedly has instituted. But AMP's purported "new management" consists of the very same individuals who have attempted, without success, to improve AMP's operations over the past several years.

82. AMP apparently has no intention of ceasing its campaign to keep control of AMP in the hands of current management despite the will of AMP's shareholders. AMP's Chairman Robert Ripp was reported in a Wall Street Journal article, dated September 11, 1998, as stating that, even if 75% of AMP's shares are tendered, he still plans to fight AlliedSignal's offer until AMP's Poison Pill expires in November 1999.

AMP's Reduction of the Poison Pill Trigger

83. Despite the overwhelming response to its Tender Offer, AlliedSignal could only purchase up to 20% of AMP's outstanding shares without triggering AMP's Poison Pill (as originally adopted). As a result, AlliedSignal announced that it intended to purchase 40 million AMP shares pursuant to its Amended Offer.

84. In response to AlliedSignal's Amended Offer, on September 18, 1998, AMP, in Amendment No. 4 to the Rights Agreement, also amended the Poison Pill to reduce the trigger percentage from 20% to 10%.

85. That action by AMP again changed the rules applicable to AlliedSignal's offer and consent solicitation in derogation of AMP shareholders' rights, constituted an impermissible manipulation of the corporate machinery, and violated the Pennsylvania public policy embedded in the PBCL's antitakeover provisions, which consistently permit offerors to acquire up to 20% of a company's stock before those provisions become applicable.

86. In order to avoid triggering the Poison Pill, AlliedSignal has been forced to reduce its commitment to purchase, from 40 million shares to 20 million shares, pursuant to the Amended Offer.

87. The effect of this latest amendment to AMP's Poison Pill is to deprive AMP's shareholders of nearly \$900 million by preventing them from tendering 20 million shares to AlliedSignal.

88. While AMP has admitted that one reason for amending the Poison Pill was to prevent AlliedSignal from becoming an 18% minority shareholder, the other primary purpose that the amendment serves is to set up yet another obstacle in the way of AlliedSignal's offer and consent solicitation, without regard to the will of AMP's shareholders. Again, AMP's board changed the rules to prevent stockholder choice.

Risk of Irreparable Harm

89. Both the proposed offer and the proposed Merger will afford enormous benefits to AlliedSignal and AMP shareholders.

90. Consummating the Merger with AMP will give AlliedSignal an important new business segment that will complement its current businesses. AlliedSignal will be irreparably harmed if, because of the AMP board's actions, it is not permitted to complete its Tender Offer and Merger within a reasonable period of time.

91. AMP's conduct effectively disenfranchises AMP's shareholders by depriving them of the ability to control the affairs of their corporation and to obtain desired representation on AMP's board.

92. Through the actions described above, AMP has attempted to deny shareholders the right to remove the critical obstacle -- the Poison Pill -- to consummation of the Tender Offer and the proposed Merger by either electing directors who can remove it or authorizing Rights Agreement Managing Agents to amend it in a manner that would render it inapplicable to offers that are supported by holders of a majority of the outstanding shares. Furthermore, the uncertainties created by AMP's actions in adopting a nonredeemable poison pill adversely affect the consent process, since shareholders do not know what actions AlliedSignal may take to implement the proposed Merger, the timing of the Merger, or whether AlliedSignal would withdraw the Tender Offer and proposed Merger if the Poison Pill were not defused. AMP's interference with the shareholder franchise will cause shareholders irreparable harm.

93. Moreover, while interference with shareholder voting rights under ANY circumstances will cause shareholders irreparable harm, the right to vote in favor of, or against, a fundamental corporate change like AlliedSignal's Merger proposal, is one of the quintessential issues for

which voting rights are intended to be protected.

94. The Tender Offer and Merger also provide AMP's shareholders the opportunity to realize a more than 55% premium for their AMP stock based on AMP's market price immediately prior to the announcement of the offer on August 4, 1998. Presumably, AlliedSignal's offer represents an even greater premium value today in view of the substantial stock market decline since that date. AMP's shareholders will lose the opportunity presented by the offer and proposed Merger, if the AMP board is permitted to frustrate the rights of AMP shareholders.

First Claim for Relief

(Declaratory Judgment and Injunctive Relief with Respect to
Illegal Nonredemption and Nullification Provisions of AMP's Poison Pill)

95. Plaintiff repeats and realleges the allegations contained in each of the preceding paragraphs as if fully set forth herein.

96. The nonredemption provision -- which effectively strips duly elected directors of the ability to redeem the Poison Pill -- undermines the mandate embedded in Pennsylvania law, including PBCL Section 1725, that (a) only those directors validly elected by shareholders are entitled to manage the corporation; and (b) once directors are elected, they cannot be prevented from acting to manage the corporation.

97. By denying the board ANY ability, "following a majority change of disinterested directors," to redeem the Poison Pill, the nonredemption provision also violates Section 1.11 of AMP's Bylaws, which provides for the election of AMP directors by AMP's shareholders, and Section 2.1 of AMP's Bylaws, which provides that directors duly elected by the shareholders have the authority to manage AMP's business and affairs.

98. The nonredemption provision and the nullification provision both violate PBCL Section 1721. This section requires that, unless otherwise provided by statute or in a bylaw ADOPTED BY THE SHAREHOLDERS, all powers vested in a corporation "shall be exercised" by, or at the direction of, a corporation's directors. One such power expressly vested in the corporation under PBCL ss. 1502(18), is the power to "accept, reject, respond to, or take no action in respect of an actual or potential . . . tender offer." Since the shareholders of AMP have not (as yet) adopted a bylaw restricting their directors' ability to exercise this power, AMP's board cannot by itself so limit the discretion of future directors through adoption of the nonredemption provision. This section also provides that "a bylaw adopted by the shareholders" can modify, limit, or even eliminate the authority of a board of directors to exercise corporate powers. The nullification provision provides that the Poison Pill becomes nonamendable and nonredeemable immediately upon the adoption of a bylaw attempting to limit the board's authority, rights and duties with respect to the Poison Pill. Therefore, because the nullification provision effectively prevents AMP's shareholders from modifying, limiting or eliminating the authority of AMP's board with respect to the Poison Pill, the nullification provision violates PBCL Section 1721.

99. The nonredemption provision is illegal under PBCL Sections 1525, 1712 and 1715, because it restricts the board from redeeming the Poison Pill even if that is required or permitted by the board members' fiduciary duties.

100. Shareholders have fundamental voting rights that cannot be contravened by a corporation's board of directors. In an election contest, the adoption of a nonredeemable poison pill like AMP's is a patently unreasonable and disproportionate defensive measure, because it is designed to eradicate the AMP shareholders' rights to receive tender offers and wage proxy contests and consent solicitations to replace the AMP board. And, because the nonredemption provision is specifically intended to take effect when shareholders have voted or consented to a change in control of the board, it is inherently suspect as an entrenchment mechanism of the current AMP board and AMP management. Similarly, because the nullification provision effectively forecloses any possibility for AMP's shareholders to approve of a business combination without the board's approval, it, too, is inherently suspect as an entrenchment device.

101. The nonredemption provision and the nullification provision thus purposefully interfere with the shareholder voting franchise without any reasonable justification.

102. In violating the PBCL and AMP's Bylaws, the adoption of the nonredemption provision and the nullification provision exceed the powers granted to the corporation and its directors under PBCL Section 1502. This act is, therefore, ULTRA VIRES and of no effect.

103. AMP's adoption of the nonredemption provision and the nullification provision also constitute fraud and/or fundamental unfairness on the part of AMP, entitling AlliedSignal to declaratory relief, and to injunctive relief invalidating the nonredemption provision and the nullification provision under PBCL Section 1105.

Second Claim for Relief

(Declaratory Judgment
for Commerce Clause Violation)

104. Plaintiff repeats and realleges the allegations contained in each of the preceding paragraphs as if fully set forth herein.

105. To the extent that the nonredemption provision, the nullification provision and other anti-takeover devices that preclude tender offers and consent solicitations are permitted under Pennsylvania law, such law is unconstitutional under the Commerce Clause because it impermissibly burdens interstate commerce far in excess of local benefits.

106. The nonredemption provision and the nullification provision render futile the consent solicitation and other contests for corporate control, because the shareholders will be powerless to elect a board that is both willing and able to accept an insurgent's bid. If Pennsylvania law is deemed to permit the nonredemption provision and the nullification provision, such law gives a Pennsylvania corporation's pre-existing board of directors a DE FACTO veto power over tender offers and mergers, thwarts shareholder democracy and the rights of all AMP shareholders located throughout the United States, and impermissibly burdens interstate commerce.

107. To the extent the nonredemption provision and the nullification provision are permissible under Pennsylvania law, such law injures and will continue to injure AlliedSignal and all AMP shareholders because it creates an absolute barrier to the proposed Tender Offer and Merger, or any other similar transaction proposed by anyone else, even if the holders of a majority -- or, indeed, all -- of AMP's shares support the proposed transaction.

Third Claim for Relief

(Declaratory Judgment
for Supremacy Clause Violation)

108. Plaintiff repeats and realleges the allegations contained in each of the preceding paragraphs as if fully set forth herein.

109. To the extent that the nonredemption provision, the nullification provision and other anti-takeover devices that preclude tender offers and consent solicitations are permitted under Pennsylvania law, such law is preempted by the federal securities laws and thereby violates the Supremacy Clause of the United States Constitution. It frustrates the purposes and objectives of Congress in enacting the Williams Act and proxy laws by: (a) giving intransigent management the ability to defeat a noncoercive proposal without a vote by shareholders; (b) impermissibly tilting the balance between management and a potential acquirer in the context of a noncoercive proposal; and (c) creating an absolute barrier to the right of AMP shareholders to exercise their voting rights in favor of the proposed Tender Offer and Merger.

110. To the extent the nonredemption provision and the nullification provision are permissible under Pennsylvania law, such law injures and will continue to injure AlliedSignal because it creates an absolute barrier to the proposed Tender Offer and Merger, or any other similar transaction proposed by anyone else, even if the holders of a majority of AMP's shares support the proposed transaction.

Fourth Claim for Relief

(Declaratory Judgment and Injunctive Relief
for Record Date Abuse or Other Manipulation of AMP's Corporate Machinery)

111. Plaintiff repeats and realleges the allegations contained in each of the preceding paragraphs as if fully set forth herein.

112. AMP should be enjoined from using the time prior to the October 15 Record Date to take additional action that has the effect of interfering with the rights of AMP's shareholders to vote on the consent solicitation proposals.

113. In particular, AMP should be enjoined from: (a) amending its Bylaws or Poison Pill in any way to impede the effective exercise of the shareholder franchise; or (b) utilizing the delay caused by AMP's fixing of the October 15 Record Date to interfere with the AMP shareholders' right to vote on matters presented by AlliedSignal's consent solicitation.

114. AlliedSignal has no adequate remedy at law.

Fifth Claim for Relief

(Declaratory Judgment and Injunctive Relief
Fixing October 15, 1998 as the Record Date for the
Amended Consent Solicitation)

115. Plaintiff repeats and realleges the allegations contained in each of the preceding paragraphs as if fully set forth herein.

116. AMP should not be able to interfere with its shareholders' right to vote on AlliedSignal's consent solicitation by unlawfully fixing the record date in an attempt to delay shareholder's action on AlliedSignal's consent solicitation.

117. This Court should declare October 15, 1998 as the record date for the amended consent solicitation, including the shareholder rights proposal or, in the alternative, should order AMP to fix October 15, 1998 as the consent record date for that proposal.

WHEREFORE, plaintiff respectfully requests that this Court enter judgment against defendant, as follows:

A. Declaring pursuant to the Declaratory Judgment Act, 28 U.S.C. ss. 2201(a) and Fed. R. C. P., Rule 57, that:

(a) the nonredemption provision and the nullification provision are in violation of Pennsylvania law;

(b) to the extent Pennsylvania law authorizes the nonredemption provision and the nullification provision, such law (i) constitutes an impermissible burden on interstate commerce in violation of the Commerce Clause of the United States Constitution, and (ii) is preempted by the Williams Act and therefore unconstitutional under the Supremacy Clause of the United States Constitution; and

(c) the record date for the amended consent solicitation, including the shareholder rights proposal, is October 15, 1998.

B. Enjoining enforcement of the nonredemption provision and the nullification provision of AMP's Poison Pill.

C. Preliminarily and permanently enjoining the defendant, its directors, officers, partners, employees, agents, subsidiaries and affiliates, and all other persons acting in concert with or on behalf of the defendant directly or indirectly, from taking any steps to impede or frustrate the ability of AMP's shareholders to consider or make their own determination as to whether to accept the terms of AlliedSignal's tender offers and the proposals in AlliedSignal's consent solicitation, or taking any other action to manipulate the corporate machinery or thwart or interfere with AlliedSignal's tender offers or consent solicitation, including, among other things, (i) amending its bylaws or Rights Agreement in any way to impede the effective exercise of the shareholder franchise; (ii) utilizing the delay caused by AMP's fixing of the October 15 Record Date to interfere with the AMP shareholders' right to vote on matters presented by AlliedSignal's consent solicitation; or (iii) fixing a consent record date other than October 15, 1998 for the shareholder rights proposal.

D. Granting compensatory damages for all incidental injuries suffered as a result of defendant's unlawful conduct.

E. Awarding plaintiff the costs and disbursements of this action, including attorney's fees.

F. Granting plaintiff such other and further relief as the court deems just and proper.

/s/ Alexander R. Sussman

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DATED: September 25, 1998

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ALLIEDSIGNAL COMMITS TO MAINTAINING FOR AT LEAST ONE YEAR
 THE EMPLOYMENT OF ALL PENNSYLVANIA AMP EMPLOYEES
 WHO EARN UP TO \$50,000

MORRIS TOWNSHIP, New Jersey, September 27, 1998 - AlliedSignal Inc. [NYSE: ALD] announced today that if it succeeds in acquiring AMP Incorporated [NYSE: AMP], it will maintain for at least one year the employment of all Pennsylvania AMP employees whose annual base wage or salary is up to \$50,000.

In an open letter to Pennsylvania AMP employees, AlliedSignal said it was announcing the commitment because it was concerned "by the misleading impressions you have received from AMP about AlliedSignal's intentions regarding your job and your benefits."

AlliedSignal said it has enormous confidence in AMP's work force and believes that they not only can help build a bigger and stronger AMP but also can assist AlliedSignal in the other businesses that AlliedSignal brings to Pennsylvania.

The commitment covers all AMP Pennsylvania employees earning up to \$50,000 base pay who are active full-time employees today and are still active full-time employees when AlliedSignal merges with AMP. It will not cover employees who have received layoff notices from AMP or who have resigned or elected early retirement at any time before the merger.

"Our commitment covers the group likely to be hardest hit by AMP's repeated rounds of layoffs in Pennsylvania, which AMP would need to continue if its management is serious about meeting its unrealistic profit estimates."

AlliedSignal also announced a commitment to all AMP Pennsylvania employees:

- . not to reduce their current pay and benefit package;
- . to honor AMP's current severance plan; and
- . to provide at least 40 hours of training per year "at our expense and on our time, to help you keep your job skills current and to help you learn new ones."

AlliedSignal said it was announcing its commitment following discussions with Pennsylvania House Majority Leader John Perzel and House Appropriations Committee Chairman John Barley, who expressed concern over the future of AMP employees and emphasized the importance of growing job opportunities in Pennsylvania.

AlliedSignal said it is a "much larger, financially stronger and more diverse company than AMP. AlliedSignal can give you the opportunity to grow in your present job and to offer you new opportunities in one of our many other growing businesses, some of which we will be looking to expand into Central Pennsylvania. If for some reason there is insufficient work available, under our Pennsylvania employment commitment you will continue to be paid and enjoy all current benefits."

The AlliedSignal message concluded, "Fortune magazine listed AlliedSignal - but not AMP - as one of the 100 best companies to work for in America. When you join AlliedSignal, you'll see why."

AlliedSignal is an advanced technology and manufacturing company serving customers worldwide with aerospace and automotive products, chemicals, fibers, plastics and advanced materials. The company employs 70,500 people worldwide. AlliedSignal is a component of the Dow Jones Industrial Average and Standard and Poor's 500 Index, and it is included in Fortune magazine's lists of the "Most Admired Companies" and "100 Best Places to Work in America." Additional information on the company is available on the World Wide Web at <http://www.alliedsignal.com/>.

CERTAIN INFORMATION CONCERNING PARTICIPANTS

AlliedSignal Inc. ("AlliedSignal"), PMA Acquisition Corporation ("Acquisition Subsidiary") and certain other persons named below may solicit the consent of shareholders (a) to elect seventeen nominees (the "Nominees") as directors of AMP Incorporated ("AMP") pursuant to a

shareholder action by written consent (the "Consent Solicitation") and (b) in favor of the adoption of five proposals to amend the By-laws of AMP. The participants in this solicitation may include the directors of AlliedSignal (Hans W. Becherer, Lawrence A. Bossidy (Chairman of the Board and Chief Executive Officer), Ann M. Fudge, Paul X. Kelley, Robert P. Luciano, Robert B. Palmer, Russell E. Palmer, Frederic M. Poses (President and Chief Operating Officer), Ivan G. Seidenberg, Andrew C. Sigler, John R. Stafford, Thomas P. Stafford, Robert C. Winters and Henry T. Yang), each of whom is a Nominee; and the following executive officers and employees of AlliedSignal: Peter M. Kreindler (Senior Vice President, General Counsel and Secretary), Donald J. Redlinger (Senior Vice President - Human Resources and Communications), and Richard F. Wallman (Senior Vice President and Chief Financial Officer), each of whom is a Nominee, and Terrance L. Carlson (Deputy General Counsel), Robert F. Friel (Vice President and Treasurer), John W. Gamble, Jr., (Assistant Treasurer), Mark E. Greenberg (Vice President, Communications), John L. Stauch (Director, Investor Relations), Robert J. Buckley (Manager, Investor Relations), G. Peter D'Aloia (Vice President, Planning & Development) Mary Elizabeth Pratt (Assistant General Counsel) and James V. Gelly (Vice President, Finance, Aerospace Marketing, Sales & Service).

As of the date of this communication, AlliedSignal is the beneficial owner of 100 shares of common stock of AMP. Mr. Greenberg is the beneficial owner of 100 shares of common stock of AMP. Other than set forth herein, as of the date of this communication, neither AlliedSignal, Acquisition Subsidiary nor any of their respective directors, executive officers or other representatives or employees of AlliedSignal, any Nominees or other persons known to AlliedSignal who may solicit proxies has any security holdings in AMP. AlliedSignal disclaims beneficial ownership of any securities of AMP held by any pension plan or other employee benefits plan of AlliedSignal or by any affiliate of AlliedSignal.

Although neither Lazard Freres & Co. LLC ("Lazard Freres") nor Goldman, Sachs & Co. ("Goldman Sachs"), the financial advisors to AlliedSignal, admits that it or any of its members, partners, directors, officers, employees or affiliates is a "participant" as defined in Schedule 14A promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission, or that Schedule 14A requires the disclosure of certain information concerning Lazard Freres or Goldman Sachs, Steven J. Golub and Mark T. McMaster (each a Managing Director) and Yasushi Hatakeyama (a Director) of Lazard Freres, and Robert S. Harrison and Wayne L. Moore (each a Managing Director) and Peter Gross and Peter Labbat (each a Vice President) of Goldman Sachs, may assist AlliedSignal in the solicitation of consents of shareholders. Both Lazard Freres and Goldman Sachs engage in a full range of investment banking, securities trading, market-making and brokerage services for institutional and individual clients. In the normal course of its business Lazard Freres and Goldman Sachs may trade securities of AMP for its own account and the accounts of its customers, and accordingly, may at any time hold a long or short position in such securities. Lazard Freres has informed AlliedSignal that as of August 6, 1998, Lazard Freres held a net long position of approximately 20,861 shares of common stock of AMP, and Goldman Sachs has informed AlliedSignal that as of August 7, 1998, Goldman Sachs held a net long position of approximately 800,000 shares of common stock of AMP.

Except as disclosed above, to the knowledge of AlliedSignal, none of AlliedSignal, the directors or executive officers of AlliedSignal, the employees or other representatives of AlliedSignal or the Nominees named above has any interest, direct or indirect, by security holdings or otherwise, in AMP.

9/27/98

Attention AMP Employees:

YOUR EMPLOYMENT IS SAFE
WITH ALLIEDSIGNAL

Will your job be one of the thousands that AMP plans to eliminate?

IF YOU ARE A PENNSYLVANIA EMPLOYEE OF AMP EARNING UP TO
\$50,000, ALLIEDSIGNAL COMMITS TO MAINTAINING YOUR
EMPLOYMENT FOR AT LEAST ONE YEAR AFTER WE MERGE WITH AMP.

This commitment covers ALL full-time, active AMP employees in Pennsylvania
whose annual base wages or salary is up to \$50,000.

AlliedSignal's commitment covers the group hardest hit by AMP's repeated
rounds of layoffs in Pennsylvania, which are likely to continue if AMP
management is serious about meeting its unrealistic profit estimates.

IN ADDITION, ALLIEDSIGNAL MAKES THE FOLLOWING
COMMITMENTS TO ALL AMP PENNSYLVANIA EMPLOYEES:

- * We will not reduce your current salary and benefit package. In addition, we will honor AMP's current severance plan.
- * We will provide you with at least 40 hours of training each year - at our expense and on our time - to help you keep your job skills current and to help you learn new ones.

WHY ARE WE DOING THIS?

- * We are concerned by the misleading impressions you have received from AMP's statements about AlliedSignal's intentions regarding your job and your benefits. We want to allay your concerns.
- * AlliedSignal is a much larger, financially stronger and more diverse company than AMP, AlliedSignal can give you the opportunity to grow in your present job and to offer you new opportunities in one of our many other growing businesses, some of which we will be looking to expand into central Pennsylvania. We're convinced your future is brighter with AlliedSignal. If for some reason there is insufficient work available, under our employment commitment you will continue to be paid and enjoy all current benefits.

FORTUNE MAGAZINE LISTED ALLIEDSIGNAL (BUT NOT AMP)
AS ONE OF THE "100 BEST COMPANIES TO WORK FOR."

WHEN YOU JOIN ALLIEDSIGNAL, YOU'LL SEE WHY.

[LOGO OF ALLIEDSIGNAL]

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Although neither Lazard Freres & Co. LLC ("Lazard Freres") nor Goldman, Sachs & Co. ("Goldman Sachs"), the financial advisors to AlliedSignal, admits that it or any of its members, partners, directors, officers, employees or affiliates is a "participant" as defined in Schedule 14A promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission, or that Schedule 14A requires the disclosure of certain information concerning Lazard Freres or Goldman Sachs, Steven J. Golub and Mark T. McMaster (each a Managing Director) and Yasushi Hatakeyama (a Director) of Lazard Freres, and Robert S. Harrison and Wayne L. Moore (each a Managing Director) and Peter Gross and Peter Labbat (each a Vice President) of Goldman Sachs, may assist AlliedSignal in the solicitation of consents of shareholders. Both Lazard Freres and Goldman Sachs engage in a full range of investment banking, securities trading, market-making and brokerage services for institutional and individual clients. In the normal course of its business Lazard Freres and Goldman Sachs may trade securities of AMP for its own account and the accounts of its customers, and accordingly, may at any time hold a long or short position in such securities. Lazard Freres has informed AlliedSignal that as of August 6, 1998, Lazard Freres held a net long position of approximately 20,861 shares of common stock of AMP, and Goldman Sachs has informed AlliedSignal that as of August 7, 1998, Goldman Sachs held a net long position of approximately 800,000 shares of common stock of AMP.

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9/27/98