SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
TENDER OFFER STATEMENT
PURSUANT TO SECTION 14(d)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND
STATEMENT ON
SCHEDULE 13D
UNDER THE SECURITIES EXCHANGE ACT OF 1934

PITTWAY CORPORATION
(NAME OF SUBJECT COMPANY)

HII-2 ACQUISITION CORP.
HONEYWELL INTERNATIONAL INC.
(BIDDERS)

COMMON STOCK, $1.00 PAR VALUE
CLASS A STOCK, $1.00 PAR VALUE
(TITLE OF CLASS OF SECURITIES)

725790 10 9
725790 20 8
(CUSIP NUMBERS OF CLASSES OF SECURITIES)

PETER M. KREINDLER, ESQ.
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
HONEYWELL INTERNATIONAL INC.
101 COLUMBIA ROAD
MORRIS TOWNSHIP, NEW JERSEY 07962
TELEPHONE: (973) 455-2000
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO RECEIVE
NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDERS)

COPY TO:
DAVID J. FRIEDMAN, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 735-3000

CALCULATION OF FILING FEE

Transaction Valuation:*	Amount of Filing Fee:**
$2,054,435,975	$410,887.20

* Estimated for purpose of calculating the filing fee only. The calculation assumes the purchase of 7,877,664 shares of Common Stock of the par value of $1.00 per share, and 37,274,775 shares of Class A Stock of the par value of $1.00 per share, of Pittway Corporation (the 'Company'), at a price per Share of $45.50 in cash. Such number of Shares represents all the Shares outstanding as of December 1, 1999, and assumes the exercise of all existing options to acquire Shares from the Company which may be issued on or prior to June 30, 2000.

** The amount of the filing fee, calculated in accordance with rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by HII-2 Acquisition Corp. for such number of Shares.

[ ] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not Applicable	Filing Party: Not Applicable
Form or Registration No.: Not Applicable	Date Filed: Not Applicable

COMMON STOCK CUSIP NO. 725790 10 9

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSON Honeywell International Inc. IRS ID No.: 22-2640650		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:		(a) [ ] (b) [ ]
3.	SEC USE ONLY		
4.	SOURCE OF FUNDS* WC		
5.	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		[ ]
6.	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER	0
	8.	SHARED VOTING POWER	4,165,978
	9.	SOLE DISPOSITIVE POWER	0
	10.	SHARED DISPOSITIVE POWER	4,165,978
11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,165,978		
12.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		[ ]
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 52.9%		
14.	TYPE OF REPORTING PERSON CO		

* On December 20, 1999, Honeywell International Inc., a Delaware corporation ('Parent'), and HII-2 Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Parent ('Purchaser'), entered into a Stockholders Agreement (the 'Stockholders Agreement') with members of the Harris Family (collectively, the 'Harris Family Stockholders'), pursuant to which the Harris Family Stockholders, among other things, agreed to tender, in accordance with the terms of the Offer, all shares of Common Stock of the par value of $1.00 per share, and Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and, together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'), beneficially owned by them other than up to an aggregate of approximately 428,000 shares which are reserved for charitable contributions. In addition, pursuant to the Stockholders Agreement, the Harris Family Stockholders granted to Parent an option to purchase all such Shares under certain circumstances after the initial expiration date of the Offer. The Shares reflected above are all Shares beneficially owned by the Harris Family Stockholders. Parent and Purchaser disclaim beneficial ownership of such Shares. The Stockholders Agreement is described more fully in Section 11 of the Offer to Purchase, dated December 23, 1999.

CLASS A STOCK CUSIP NO. 725790 20 8

1. NAME OF REPORTING PERSON
   S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSON
   Honeywell International Inc.
   IRS ID No.: 22-2640650

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP: (a) [ ] (b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS*
   WC

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION
   Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
7.	SOLE VOTING POWER	0
8.	SHARED VOTING POWER	6,413,321
9.	SOLE DISPOSITIVE POWER	0
10.	SHARED DISPOSITIVE POWER	6,413,321

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
    6,413,321

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
    18.4%

14. TYPE OF REPORTING PERSON
    CO

* SEE FOOTNOTE ON PRIOR PAGE.

This Tender Offer Statement on Schedule 14D-1 and Statement on Schedule 13D (the 'Schedule 14D-1/13D') relates to the offer by HII-2 Acquisition Corp., a Delaware corporation ('Purchaser') and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ('Parent'), to purchase all outstanding shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'), at a purchase price of $45.50 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated December 23, 1999 (the 'Offer to Purchase'), a copy of which is attached hereto as Exhibit (a)(1), and in the related Letter of Transmittal (the 'Letter of Transmittal') (which, as amended or supplemented from time to time, together constitute the 'Offer'), a copy of which is attached hereto as Exhibit (a)(2).

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Pittway Corporation. The information set forth in Section 8 ('Certain Information Concerning the Company') of the Offer to Purchase is incorporated herein by reference.

(b) The exact title of the class of equity securities being sought in the Offer is Common Stock of the par value of $1.00 per share, and Class A Stock of the par value of $1.00 per share, of the Company. The information set forth in the Introduction of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in Section 6 ('Price Range of Shares; Dividends') of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a) - (d) and (g) This Statement is filed by Purchaser and Parent. The information set forth in Section 9 ('Certain Information Concerning Parent and Purchaser') of the Offer to Purchase and in Schedule I thereto is incorporated herein by reference.

(e) and (f) During the last five years, neither Purchaser nor Parent and, to the best knowledge of Purchaser or Parent, none of the persons listed in Schedule I to the Offer to Purchase, have (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) and (b) The information set forth in Section 9 ('Certain Information Concerning Parent and Purchaser') and Section 11 ('Background of the Offer; Purpose of the Offer and the Merger; the Merger Agreement and Certain Other Agreements') of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) The information set forth in the Introduction and Section 10 ('Source and Amount of Funds') of the Offer to Purchase is incorporated herein by reference.

(b) and (c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a) - (e) The information set forth in the Introduction, Section 11 ('Background of the Offer; Purpose of the Offer and the Merger; the Merger Agreement and Certain Other Agreements') and

Section 12 ('Plans for the Company; Other Matters') of the Offer to Purchase is incorporated herein by reference.

(f) - (g) The information set forth in the Introduction and Section 7 ('Effect of the Offer on the Market for the Shares; NYSE Listing; Exchange Act Registration; Margin Regulations') of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) and (b) The information set forth in the Introduction, Section 9 ('Certain Information Concerning Parent and Purchaser') and Section 11 ('Background of the Offer; Purpose of the Offer and the Merger; the Merger Agreement and Certain Other Agreements') of the Offer to Purchase and in Schedule I thereto is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES

The information set forth in the Introduction, Section 9 ('Certain Information Concerning Parent and Purchaser'), Section 11 ('Background of the Offer; Purpose of the Offer and the Merger; the Merger Agreement and Certain Other Agreements') and Section 16 ('Fees and Expenses') of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Introduction and Section 16 ('Fees and Expenses') of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

Not applicable.

ITEM 10. ADDITIONAL INFORMATION.

(a) Except as disclosed in Items 3 and 7 above, there are no present or proposed material contracts, arrangements, understandings or relationships between Purchaser or Parent, or to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to the Offer to Purchase, and the Company, or any of its executive officers, directors, controlling persons or subsidiaries.

(b) - (c) The information set forth in the Introduction, Section 14 ('Conditions to the Offer') and Section 15 ('Certain Legal Matters') of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Section 7 ('Effect of the Offer on the Market for the Shares; NYSE Listing; Exchange Act Registration; Margin Regulations') and Section 15 ('Certain Legal Matters') of the Offer to Purchase is incorporated herein by reference.

(e) None.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, to the extent not otherwise incorporated herein by reference, is incorporated herein by reference.

ITEM 11. MATERIALS TO BE FILED AS EXHIBITS.

(a)(1) -- Offer to Purchase dated December 23, 1999.
(a)(2) -- Letter of Transmittal.
(a)(3) -- Notice of Guaranteed Delivery.
(a)(4) -- Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(5) -- Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a)(6) -- Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(7) -- Joint Press Release of Parent and the Company dated December 20, 1999.
(a)(8) -- Press Release of Parent dated December 23, 1999.
(a)(9) -- Summary Advertisement dated December 23, 1999.
(b) -- None.
(c)(1) -- Agreement and Plan of Merger, dated as of December 20, 1999, by and among Parent, Purchaser and the Company.
(c)(2) -- Stockholders Agreement, dated as of December 20, 1999, by and among Parent, Purchaser and the stockholder which are signatories thereto.
(c)(3) -- Letter Agreement, dated December 20, 1999, by and between Parent and King Harris, individually, for the Company, and on behalf of the Harris Family.
(d) -- None.
(e) -- Not applicable.
(f) -- None.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: December 23, 1999

HONEYWELL INTERNATIONAL INC.

By: /s/ RICHARD F. WALLMAN
.....
Name: Richard F. Wallman
Title: Senior Vice President and
Chief Financial Officer

HII-2 ACQUISITION CORP.

By: /s/ GEORGE VAN KULA
.....
Name: George Van Kula
Title: Secretary

EXHIBIT INDEX

EXHIBIT	DESCRIPTION	PAGE
(a)(1)	Offer to Purchase dated December 23, 1999.	
(a)(2)	Letter of Transmittal.	
(a)(3)	Notice of Guaranteed Delivery.	
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(a)(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.	
(a)(7)	Joint Press Release of Parent and the Company dated December 20, 1999.	
(a)(8)	Press Release of Parent dated December 23, 1999.	
(a)(9)	Summary Advertisement dated December 23, 1999.	
(b)	None.	
(c)(1)	Agreement and Plan of Merger, dated as of December 20, 1999, by and among Parent, Purchaser and the Company.	
(c)(2)	Stockholders Agreement, dated as of December 20, 1999, by and among Parent, Purchaser and the stockholders which are signatories thereto.	
(c)(3)	Letter Agreement, dated December 20, 1999, by and between Parent and King Harris, individually, for the Company, and on behalf of the Harris Family.	
(d)	None.	
(e)	Not applicable.	
(f)	None.	

STATEMENT OF DIFFERENCES

The section symbol shall be expressed as..... 'SS'
The trademark symbol shall be expressed as..... 'TM'

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND CLASS A STOCK
OF
PITTWAY CORPORATION
AT
$45.50 NET PER SHARE
BY
HII-2 ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
HONEYWELL INTERNATIONAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS BEING MADE PURSUANT TO AN AGREEMENT AND PLAN OF MERGER, DATED AS OF DECEMBER 20, 1999 (THE 'MERGER AGREEMENT'), BY AND AMONG HONEYWELL INTERNATIONAL INC. ('PARENT'), HII-2 ACQUISITION CORP. ('PURCHASER') AND PITTWAY CORPORATION (THE 'COMPANY'). THE BOARD OF DIRECTORS OF THE COMPANY (THE 'BOARD') HAS APPROVED THE MERGER AGREEMENT, THE OFFER AND THE MERGER (EACH AS DEFINED HEREIN), AND HAS DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY'S STOCKHOLDERS AND RECOMMENDS THAT STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES (AS DEFINED HEREIN) PURSUANT TO THE OFFER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED HEREIN) THAT NUMBER OF SHARES WHICH REPRESENTS, AT THE TIME OF ACCEPTANCE FOR PAYMENT OF ANY SHARES PURSUANT TO THE OFFER, AT LEAST (I) TWO-THIRDS OF THE OUTSTANDING SHARES (DETERMINED ON A FULLY DILUTED BASIS (AS DEFINED HEREIN)) AND (II) SHARES ENTITLED TO CAST AT LEAST TWO-THIRDS OF THE VOTES THAT MAY BE CAST BY ALL HOLDERS OF SHARES ON THE MERGER (COUNTING THE CLASS A STOCK AS ENTITLED TO CAST 1/10TH OF A VOTE PER SHARE AND DETERMINED ON SUCH FULLY DILUTED BASIS). THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE. THE OFFER IS NOT SUBJECT TO A FINANCING CONDITION. SEE SECTION 14.

IMPORTANT

Any stockholder desiring to tender all or any portion of such stockholder's Shares should either (i) complete and sign the enclosed Letter of Transmittal (or a facsimile thereof) in accordance with the Instructions in the Letter of Transmittal, have such stockholder's signature thereon guaranteed (if required by Instruction 1 to the Letter of Transmittal), mail or deliver the Letter of Transmittal (or a facsimile thereof) and any other required documents to the Depositary (as defined herein) and either deliver the certificates for such Shares to the Depositary or tender such Shares pursuant to the procedure for book-entry transfer set forth in Section 3 of this Offer to Purchase or (ii) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. Any stockholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee to tender such Shares.

Any stockholder who desires to tender Shares and whose certificates evidencing such Shares are not immediately available, or who cannot comply with the procedures for book-entry transfer on a timely basis, or who cannot deliver all required documents to the Depositary prior to the expiration of the Offer, may tender such Shares by following the procedures for guaranteed delivery set forth in Section 3 of this Offer to Purchase.

Questions and requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other tender offer materials may be directed to the Dealer Manager or the Information Agent or brokers, dealers, commercial banks or trust companies.

THE DEALER MANAGER FOR THE OFFER IS:
LEHMAN BROTHERS

December 23, 1999

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TO THE HOLDERS OF SHARES OF COMMON STOCK AND CLASS A STOCK OF PITTWAY CORPORATION:

INTRODUCTION

HII-2 Acquisition Corp., a Delaware corporation ('Purchaser') and wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ('Parent'), hereby offers to purchase all outstanding shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock,' and, together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'), at a price of $45.50 per Share, net to the seller in cash, without interest (such price, or any such higher price as may be paid in the Offer, the 'Offer Price'), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended or supplemented from time to time, collectively constitute the 'Offer').

Tendering stockholders of record who tender Shares directly will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a bank or broker should check with such institution as to whether they will charge any service fees. Purchaser will pay all fees and expenses of Lehman Brothers Inc. ('Lehman Brothers'), which is acting as the dealer manager for the Offer (in such capacity, the 'Dealer Manager'), The Bank of New York, which is acting as the depositary for the Offer (in such capacity, the 'Depositary'), and Georgeson Shareholder Communications Inc., which is acting as information agent for the Offer (in such capacity, the 'Information Agent'), incurred in connection with the Offer and in accordance with the terms of the agreements entered into between Purchaser and/or Parent and each such person. See Section 16.

THE BOARD OF DIRECTORS OF THE COMPANY (THE 'BOARD') HAS APPROVED THE MERGER AGREEMENT, THE OFFER AND THE MERGER, AND HAS DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY AND THE COMPANY'S STOCKHOLDERS AND RECOMMENDS THAT STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

William Blair & Company, L.L.C., financial advisor to the Company, has delivered to the Board its opinion, dated December 18, 1999 (the 'Financial Advisor Opinion'), to the effect that, as of such date and based upon and subject to the considerations set forth in the Financial Advisor Opinion, the cash consideration to be paid in the Offer and the Merger is fair to the holders of Shares, from a financial point of view. A copy of the Financial Advisor Opinion is attached as an exhibit to the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the 'Schedule 14D-9'), which has been filed by the Company with the Securities and Exchange Commission (the 'Commission') in connection with the Offer and which is being mailed to holders of Shares herewith. Holders of Shares are urged to, and should, read the Financial Advisor Opinion carefully.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES WHICH REPRESENTS, AT THE TIME OF ACCEPTANCE FOR PAYMENT OF ANY SHARES PURSUANT TO OFFER (THE 'SHARE PURCHASE DATE'), AT LEAST (I) TWO-THIRDS OF THE OUTSTANDING SHARES (DETERMINED ON A FULLY DILUTED BASIS) AND (II) SHARES ENTITLED TO CAST AT LEAST TWO-THIRDS OF THE VOTES THAT MAY BE CAST BY ALL HOLDERS OF SHARES ON THE MERGER (COUNTING THE CLASS A STOCK AS ENTITLED TO CAST 1/10TH OF A VOTE PER SHARE AND DETERMINED ON SUCH FULLY DILUTED BASIS) (THE 'MINIMUM CONDITION'). THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE. THE OFFER IS NOT SUBJECT TO A FINANCING CONDITION. SEE SECTION 14. As used in this Offer to Purchase, 'fully diluted basis' takes into account Shares subject to issuance at the discretion of the holders under stock options and other stock based awards outstanding at the Share Purchase Date, but excluding any portions of such options or awards surrendered to the Company pursuant to the Merger Agreement.

The Company has represented and warranted to Parent and Purchaser that, as of December 1, 1999, (i) 7,877,664 shares of Common Stock were issued and outstanding, and (ii) 34,877,405 shares of Class A Stock were issued and outstanding. In addition, the Company has informed Purchaser that, as of December 1, 1999, there are outstanding options or other stock based awards pursuant to which up to 3,727,539 Shares may be issued at the discretion of the holders of all such options or awards and up to 2,397,370 Shares may be issued at the discretion of the holders of such options or awards which are presently exercisable.

Pursuant to a Stockholders Agreement (as defined herein) entered into by Parent and Purchaser with certain members of the Harris Family (the 'Harris Family Stockholders'), the Harris Family Stockholders have agreed to tender, in accordance with the terms of the Offer, all Shares beneficially owned by them (other than up to an aggregate of approximately 428,000 Shares reserved for charitable contributions) (the 'Harris Family Shares') and not to withdraw any Shares so tendered unless and until the Merger Agreement has been terminated. Pursuant to the Stockholders Agreement, the Harris Family Stockholders have granted Parent an option to purchase such Shares at a price of $45.50 per share or any higher price paid pursuant to the Offer. The option is exercisable under certain circumstances following February 3, 2000, the initial expiration date of the Offer. See Section 11. The Harris Family Stockholders beneficially own an aggregate of 4,165,978 shares of Common Stock (approximately 52.9% of the outstanding Common Stock) and 6,413,321 shares of Class A Stock (approximately 18.4% of the outstanding Class A Stock), which, in the aggregate, constitute approximately 24.7% of the outstanding Shares and are entitled to cast on matters other than the election of directors approximately 42.3% of the votes that may be cast by all holders of Shares.

Based on the foregoing and assuming the surrender of all outstanding options and other stock based awards, which are or may become exercisable prior to the Share Purchase Date, Purchaser believes that the Minimum Condition will be satisfied if an aggregate of 28,503,380 shares of Common Stock and Class A Stock (including shares of Common Stock and Class A Stock subject to the Stockholders Agreement), as well as a number of Shares entitled to cast at least two-thirds of the votes that may be cast by all holders of Shares on the Merger, are validly tendered and not withdrawn prior to the Expiration Date. Accordingly, Purchaser believes that if 18,352,081 shares of Common Stock and Class A Stock are validly tendered and not withdrawn prior to the Expiration Date by holders of Shares other than the Harris Family Stockholders, as well as a number of Shares which when added to the Harris Family Shares will be entitled to cast at least two-thirds of the votes that may be cast by all holders of Shares on the Merger, the Minimum Condition will be satisfied.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 20, 1999 (the 'Merger Agreement'), by and among Parent, Purchaser and the Company. Pursuant to the Merger Agreement and the Delaware General Corporation Law, as amended (the 'DGCL'), as soon as practicable, but not later than the second business day, after the completion of the Offer and satisfaction or waiver, if permissible, of all conditions to the Merger (as defined below), including the purchase of Shares pursuant to the Offer (sometimes referred to herein as the 'consummation' of the Offer) and the approval and adoption of the Merger Agreement by the stockholders of the Company (if required by applicable law), Purchaser shall be merged with and into the Company (the 'Merger') and the Company will be the surviving corporation in the Merger (the 'Surviving Corporation'). At the effective time of the Merger (the 'Effective Time'), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held by (i) the Company or any of its subsidiaries, (ii) Parent or any of its wholly owned subsidiaries, including Purchaser, and (iii) stockholders ('Dissenting Stockholders') who properly perfect their appraisal rights under the DGCL) will be converted into the right to receive $45.50 in cash or any higher price per Share paid in the Offer, without interest. The Merger Agreement is more fully described in Section 11.

The Merger Agreement provides that, prior to the Share Purchase Date, the Company will take all action so that, immediately following the Share Purchase Date, the size of the Board shall be reduced to eight, all directors, other than two of the directors (as shall be designated by the Board) shall resign and six persons designated by Parent shall be elected to fill the vacancies so created. Notwithstanding the foregoing, Purchaser, Parent and the Company have agreed that at least two of the members of the Board shall, at all times after the Share Purchase Date and prior to the Effective Time, be persons who

were non-employee directors of the Company on the date of the Merger Agreement (the 'Independent Directors') and that following the Share Purchase Date, neither Parent nor Purchaser may take any action to cause any Independent Director to be removed except for cause. In addition, from and after the Share Purchase Date and prior to the Effective Time, the affirmative vote of a majority of the Independent Directors shall be required to (a) amend or terminate the Merger Agreement by the Company, (b) exercise or waive any of the Company's rights, benefits or remedies thereunder, or (c) take any other action by the Board under or in connection with the Merger Agreement; provided, that if one of the Independent Directors shall no longer continue to serve for any reason whatsoever, the other Independent Director shall be entitled to designate a person to fill such vacancy who shall be deemed to be one of the Independent Directors for purposes of the Merger Agreement; or if there is no Independent Director for any reason, the other directors, pursuant to the Company's Restated Certificate of Incorporation, as amended (the 'Certificate of Incorporation'), and the Company's Bylaws, shall designate two persons to fill such vacancies who shall not be stockholders, affiliates or associates of Parent or the Purchaser and such persons shall be deemed to be Independent Directors for purposes of the Merger Agreement.

Consummation of the Merger is conditioned upon, among other things, the approval and adoption by the requisite vote of stockholders of the Company of the Merger Agreement, if required by the DGCL or other applicable law. Under the DGCL and pursuant to the Certificate of Incorporation, the only vote that would be necessary to approve the Merger Agreement and the Merger at any required meeting of the Company's stockholders is the affirmative vote of the holders of two-thirds of the votes the outstanding Shares are entitled to cast other than for the election of directors. If the Minimum Condition is satisfied as a result of the purchase of Shares by Purchaser pursuant to the Offer, Purchaser and its affiliates will own at least two-thirds of the outstanding votes and Shares, and Purchaser will be able to effect the Merger without the affirmative vote of any other stockholder. Pursuant to the Merger Agreement, Parent and Purchaser have agreed to vote the Shares beneficially owned by them on the Share Purchase Date in favor of the Merger. See Section 12. The Merger Agreement is more fully described in Section 11.

Under Section 253 of the DGCL, if a corporation owns at least 90% of the outstanding shares of each class of a subsidiary corporation, the corporation holding such stock may merge such subsidiary into itself, or itself into such subsidiary, without any action or vote on the part of the board of directors or the stockholders of such subsidiary (a 'short-form merger'). In the event that Purchaser acquires in the aggregate at least 90% of the outstanding shares of the Common Stock and the Class A Stock, respectively, pursuant to the Offer or otherwise, then, at the election of Parent, a short-form merger could be effected without any further approval of the Board or the stockholders of the Company. The Company has agreed in the Merger Agreement that, in the event that Purchaser or any other subsidiary of Parent acquires at least 90% of the outstanding shares of each class in the Offer, it will, at the request of Parent, take all necessary actions to cause the Merger to become effective as soon as practicable after the expiration of the Offer, without a meeting of the stockholders of the Company. Even if Purchaser does not own 90% of the outstanding shares of each class following consummation of the Offer, Parent or Purchaser could seek to purchase additional Shares in the open market or otherwise in order to reach the 90% threshold and employ a short-form merger. The per Share consideration paid for any Shares so acquired in open market purchases may be greater or less than the Offer Price. Parent presently intends to effect a short-form merger, if permitted to do so under the DGCL, pursuant to which Purchaser will be merged with and into the Company. See Section 12.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

THE OFFER

1. TERMS OF THE OFFER.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), Purchaser will accept for payment

and promptly pay for all Shares validly tendered prior to the Expiration Date and not withdrawn in accordance with Section 4. The term 'Expiration Date' shall mean 12:00 Midnight, New York City time, on Thursday, February 3, 2000, unless and until Purchaser, in accordance with the terms of the Merger Agreement, shall have extended the period of time during which the Offer is open, in which event the term 'Expiration Date' shall mean the latest time and date at which the Offer, as so extended by Purchaser, shall expire. In the Merger Agreement, Parent and Purchaser have agreed that if all conditions to Purchaser's obligation to accept for payment and pay for Shares pursuant to the Offer are not satisfied on the scheduled Expiration Date, Purchaser may, in its sole discretion, extend the Offer for additional periods.

The Offer is conditioned upon the satisfaction of the Minimum Condition, the expiration or termination of all waiting periods imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the 'HSR Act'), and the other conditions set forth in Section 14. If such conditions are not satisfied prior to the Expiration Date, Purchaser reserves the right, subject to the terms of the Merger Agreement and subject to complying with applicable rules and regulations of the Commission, to (i) decline to purchase any Shares tendered in the Offer and terminate the Offer and return all tendered Shares to the tendering stockholders, (ii) waive any or all conditions to the Offer (except the Minimum Condition) and, to the extent permitted by applicable law, purchase all Shares validly tendered, (iii) extend the Offer and, subject to the right of stockholders to withdraw Shares until the Expiration Date, retain all Shares which have been tendered during the period or periods for which the Offer is extended, or (iv) subject to the next paragraph, amend the Offer.

The Merger Agreement provides that, without the prior written consent of the Company, Purchaser shall not (i) decrease the Offer Price or decrease the number of Shares sought pursuant to the Offer, (ii) extend the expiration date of the Offer beyond the initial Expiration Date of the Offer, except (A) that if, immediately prior to the Expiration Date of the Offer (as it may be extended), the Shares tendered and not withdrawn pursuant to the Offer equal less than 90% of the outstanding Shares of each class, Purchaser may extend the Offer for one or more periods not to exceed seven business days in the aggregate, notwithstanding that all conditions to the Offer are satisfied as of such Expiration Date of the Offer, and (B) that if any condition to the Offer has not been satisfied or waived, Purchaser may, in its sole discretion, extend the Expiration Date of the Offer for one or more periods, (iii) waive the Minimum Condition, or (iv) amend any term or other condition of the Offer; provided, however, that, except as set forth above and subject to applicable legal requirements, Purchaser may waive any condition to the Offer other than the Minimum Condition in its sole discretion; and provided, further, that the Offer may be extended in connection with an increase in the consideration to be paid pursuant to the Offer so as to comply with applicable rules and regulations of the Commission.

The Merger Agreement requires Purchaser to accept for payment and promptly pay for all Shares validly tendered and not withdrawn pursuant to the Offer if all conditions to the Offer are satisfied on the Expiration Date. As used in this Offer to Purchase, 'business day' has the meaning set forth in Rule 14d-1 under the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), provided that Parent and the Company have agreed that each of Christmas Eve and New Years Eve shall not be deemed to be 'business days.'

Any extension, amendment or termination of the Offer will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with Rules 14d-4(c), 14d-6(d) and 14e-1(d) under the Exchange Act. Without limiting the obligation of Purchaser under such Rules or the manner in which Purchaser may choose to make any public announcement, Purchaser currently intends to make announcements by issuing a press release to the Dow Jones News Service.

If Purchaser extends the Offer, or if Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its purchase of, or payment for, Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to withdrawal rights as described in Section 4. However, the ability of Purchaser to delay the payment for Shares which Purchaser has accepted for

payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by, or on behalf of, holders of securities promptly after the termination or withdrawal of the Offer.

If, in accordance with the terms of the Merger Agreement, Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. In a public release, the Commission has stated its view that an offer must remain open for a minimum period of time following a material change in the terms of the Offer and that waiver of a material condition, such as the Minimum Condition, is a material change in the terms of the Offer. The release states that an offer should remain open for a minimum of five (5) business days from the date a material change is first published, or sent or given to security holders and that, if material changes are made with respect to information not materially less significant than the offer price and the number of shares being sought, a minimum of ten (10) business days may be required to allow adequate dissemination and investor response. The requirement to extend the Offer will not apply to the extent that the number of business days remaining between the occurrence of the change and the then-scheduled Expiration Date equals or exceeds the minimum extension period that would be required because of such amendment. If, prior to the Expiration Date, Purchaser increases the consideration offered to holders of Shares pursuant to the Offer, such increased consideration will be paid to all holders whose Shares are purchased in the Offer whether or not such Shares were tendered prior to such increase.

The Company has provided Purchaser with the Company's stockholder lists and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and will promptly pay for, as soon as practicable after the Expiration Date, all Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with Section 4.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to Purchaser and not withdrawn, if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to tendering stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or a timely Book Entry Confirmation (as defined below) with respect thereto), (ii) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined below), and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may be made to tendering stockholders at different times if delivery of the Shares and other required documents occur at different times. The per share consideration paid to any holder of Shares pursuant to the Offer will be the highest per share consideration paid to any other holder of such Shares pursuant to the Offer. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE TO BE PAID BY PURCHASER FOR THE

SHARES, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

Purchaser expressly reserves the right, in its sole discretion, to delay acceptance for payment of, or payment for, Shares in order to comply in whole or in part with applicable law as contemplated by clause (b) of Section 14. If Purchaser is delayed in its acceptance for payment of, or payment for, Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer (including such rights as are set forth in Sections 1 and 14) (but subject to compliance with Rule 14e-1(c) under the Exchange Act), the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to exercise, and duly exercise, withdrawal rights as described in Section 4.

If any tendered Shares are not purchased pursuant to the Offer for any reason, or if certificates are submitted representing more Shares than are tendered, certificates evidencing Shares not tendered or not accepted for purchase will be returned to the tendering stockholder, or such other person as the tendering stockholder shall specify in the Letter of Transmittal, as promptly as practicable following the expiration, termination or withdrawal of the Offer. In the case of Shares delivered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility (as defined in Section 3) pursuant to the procedures set forth in Section 3, such Shares will be credited to such account maintained at the Book-Entry Transfer Facility as the tendering stockholder shall specify in the Letter of Transmittal, as promptly as practicable following the expiration, termination or withdrawal of the Offer. If no such instructions are given with respect to Shares delivered by book-entry transfer, any such Shares not tendered or not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated in the Letter of Transmittal as the account from which such Shares were delivered.

Purchaser reserves the right to transfer or assign, in whole or, from time to time, in part, to one or more of its affiliates, the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender. For Shares to be validly tendered pursuant to the Offer, either (i) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees, or in the case of a book-entry transfer, an Agent's Message, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either certificates evidencing tendered Shares must be received by the Depositary at one of such addresses or such Shares must be delivered to the Depositary pursuant to the procedures for book-entry transfer set forth below and a Book-Entry Confirmation (as defined below) must be received by the Depositary, in each case prior to the Expiration Date, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures described below.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at The Depository Trust Company (the 'Book-Entry Transfer Facility') for purposes of the Offer within two (2) business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with such Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility, the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message, and any other required documents must, in any case, be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedures described below. The confirmation of a book-entry transfer of

Shares into the Depositary's account at the Book-Entry Transfer Facility as described above is referred to herein as a 'Book-Entry Confirmation.' DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

The term 'Agent's Message' means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

THE METHOD OF DELIVERY OF SHARES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER. SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal (i) if the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in the Book Entry Transfer Facility's system whose name appears on a security position listing as the owner of the Shares) of Shares tendered therewith and such registered holder(s) has not completed either the box entitled 'Special Delivery Instructions' or the box entitled 'Special Payment Instructions' on the Letter of Transmittal or (ii) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an 'Eligible Institution' and, collectively, 'Eligible Institutions'). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If the certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or certificates for Shares not tendered or not accepted for payment are to be returned, to a person other than the registered holder of the certificates surrendered, then the tendered certificates for such Shares must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as aforesaid. See Instruction 5 to the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates for Shares are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such stockholder's tender may be effected if all the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, is received by the Depositary, as provided below, prior to the Expiration Date; and

(iii) the certificates for (or a Book-Entry Confirmation with respect to) such Shares, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other required documents, are received by the Depositary within three (3) trading days after the date of execution of such Notice of Guaranteed Delivery. A 'trading day' is any day on which the New York Stock Exchange, Inc. (the 'NYSE') is open for business.

The Notice of Guaranteed Delivery may be delivered by hand to the Depositary or transmitted by telegram, facsimile transmission or mailed to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

Binding Agreement. The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering stockholder and Purchaser upon the terms and subject to the conditions of the Offer.

Appointment. By executing the Letter of Transmittal as set forth above (including delivery through an Agent's Message), the tendering stockholder will irrevocably appoint designees of Parent as such stockholder's attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser and with respect to any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect of such Shares on or after the date of the Merger Agreement (collectively, 'Distributions'). All such proxies will be considered coupled with an interest in the tendered Shares. Such appointment will be effective if, as and when, and only to the extent that, Purchaser accepts for payment Shares tendered by such stockholder as provided herein. All such powers of attorney and proxies will be irrevocable and will be deemed granted in consideration of the acceptance for payment by Purchaser of Shares tendered in accordance with the terms of the Offer. Upon such appointment, all prior powers of attorney, proxies and consents given by such stockholder with respect to such Shares (and any and all Distributions) will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such stockholder (and, if given, will not be deemed effective). The designees of Parent will thereby be empowered to exercise all voting and other rights with respect to such Shares (and any and all Distributions), including, without limitation, in respect of any annual or special meeting of the Company's stockholders (and any adjournment or postponement thereof), actions by written consent in lieu of any such meeting or otherwise, as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of stockholders.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser, in its sole discretion, which determination will be final and binding. Purchaser reserves the absolute right to reject any or all tenders of any Shares determined by it not to be in proper form or the acceptance for payment of which, or payment for which, may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right, in its sole discretion, subject to the provisions of the Merger Agreement, to waive any defect or irregularity in any tender of Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating thereto have been cured or waived. None of Purchaser, Parent, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Subject to the terms of the Merger Agreement, Purchaser's interpretation of the terms and conditions of the Offer in this regard (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Backup Withholding. Under the 'backup withholding' provisions of federal income tax law, unless a tendering registered holder, or its assignee (in either case, the 'Payee'), satisfies the conditions described in Instruction 10 of the Letter of Transmittal or is otherwise exempt, the cash payable as a result of the Offer may be subject to backup withholding tax at a rate of 31% of the gross proceeds. To prevent backup withholding, each Payee should complete and sign the Substitute Form W-9 provided in the Letter of Transmittal. See Instruction 10 to the Letter of Transmittal.

4. WITHDRAWAL RIGHTS.

Except as otherwise provided in this Section 4 or as provided by applicable law, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn pursuant to the procedures

set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by Purchaser pursuant to the Offer, may also be withdrawn at any time after February 17, 2000.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures.

Withdrawals of tendered Shares may not be rescinded, and any Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 3 at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, which determination will be final and binding. None of Purchaser, Parent, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES.

The following is a general summary of certain federal income tax consequences of the Offer and the Merger relevant to a beneficial holder of Shares whose Shares are tendered and accepted for payment pursuant to the Offer or whose Shares are converted to cash in the Merger (a 'Holder'). This discussion is for general information only and does not purport to consider all aspects of federal income taxation that may be relevant to holders of Shares. The discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the 'Code'), existing regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect). This discussion applies only to Holders that hold Shares as 'capital assets' within the meaning of Section 1221 of the Code (generally, property held for investment), and may not apply to Shares acquired pursuant to the exercise of employee stock options or otherwise as compensation, Shares held as part of a 'straddle,' 'hedge,' 'conversion transaction,' 'synthetic security' or other integrated investment, or certain types of Holders (including, without limitation, financial institutions, insurance companies, tax-exempt organizations and dealers in securities) that may be subject to special rules. This discussion does not address the federal income tax consequences to a Holder that, for federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust, nor does it consider the effect of any state, local, foreign or other tax laws.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE SALE OF THEIR SHARES, INCLUDING THE APPLICATION AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

The receipt of cash for Shares pursuant to the Offer or the Merger will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local and foreign income and other tax laws. For federal income tax purposes, a Holder who sells Shares pursuant to the Offer or receives cash in exchange for Shares pursuant to the Merger will generally recognize

capital gain or loss equal to the difference (if any) between the amount of cash received and the Holder's adjusted tax basis in Shares sold or surrendered in the Merger. Gain or loss must be determined separately for each block of Shares tendered pursuant to the Offer or surrendered for cash pursuant to the Merger (for example, Shares acquired at the same cost in a single transaction). Such capital gain or loss will be long-term capital gain or loss if the Holder has held such Shares for more than one year at the time of the consummation of the Offer or the Merger. For federal income tax purposes, net capital gain recognized by individuals (or an estate or certain trusts) from the sale of property held for more than twelve months will generally be taxed at a maximum tax rate of 20% (or 10% if the capital gain would be taxed at only a 15% tax rate if such gain were treated as ordinary income). There are limitations on the deductibility of capital losses.

Payments in connection with the Offer or Merger may be subject to 'backup withholding' at a rate of 31% unless a Holder of Shares (i) provides a correct taxpayer identification number ('TIN') (which, for an individual Holder, is the Holder's social security number) and any other required information, or (ii) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, and otherwise complies with applicable requirements of the backup withholding rules. A Holder that does not provide a correct TIN may be subject to penalties imposed by the Internal Revenue Service (the 'IRS'). Shareholders may prevent backup withholding by completing and signing the Substitute Form W-9 included as part of the Letter of Transmittal. Any amount paid as backup withholding does not constitute an additional tax and will be creditable against the Holder's federal income tax liability, provided that the required information is given to the IRS. Each Holder should consult its tax advisor as to such Holder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

Purchaser has agreed to indemnify stockholders of record of the Company at the close of business on July 31, 1998 from certain taxes in the event that such stockholders are required to recognize gain or loss with respect to the spinoff of Penton Media, Inc. ('Penton'), a former wholly owned subsidiary of the Company (the 'Spinoff') because the transactions contemplated by the Merger Agreement result in a violation of the 'device' or 'continuity of interest' requirements of Section 355 of the Code and the regulations thereunder as applied to the Spinoff. See 'Section 11. -- Background of the Offer; Purpose of the Offer and Merger; the Merger Agreement and Certain Other Agreements -- Certain Tax Indemnification.' Purchaser has received the opinion of Kirkland & Ellis, based on assumptions set forth in such opinion, as well as representations of certain officers, directors and stockholders of the Company, that the transactions contemplated by the Merger Agreement will not result in a violation of such requirements. Based on such opinion, Purchaser believes it will not be liable for any such indemnified taxes.

6. PRICE RANGE OF THE SHARES; DIVIDENDS.

The Common Stock and Class A Stock are traded on the the NYSE under the symbols 'PRY' and 'PRY.A', respectively. The spinoff of Penton was completed on August 7, 1998. The Spinoff distribution consisted of one share of Penton common stock for each Share outstanding, without distinction between Common Stock and Class A Stock. Immediately following the distribution, the price of each of the Common Stock and Class A Stock declined approximately 26% reflecting the initial market value of the new Penton common stock. Penton's initial quarterly dividend was set at $0.03 per share.

The following table sets forth, on a quarterly basis, the high and low prices for the Common Stock and Class A Stock on the NYSE, along with cash dividends declared, adjusted to reflect the two-for-one stock split paid in September 1998. Market prices after August 10, 1998 reflect the Spinoff.

	COMMON STOCK		CLASS A STOCK		DIVIDENDS DECLARED	
	HIGH	LOW	HIGH	LOW	COMMON	CLASS A
1997 QUARTER:						
First	$27.63	$24.94	$27.50	$24.25	$.033	$.042
Second	27.94	24.69	28.56	24.31	.033	.042
Third	32.25	25.13	32.50	25.00	.033	.042
Fourth	34.50	29.94	35.00	30.00	.033	.042
1998 QUARTER:						
First	$36.50	$31.63	$36.81	$31.13	$.033	$.042
Second	42.50	34.81	39.59	35.38	.033	.042
Third	38.25	21.00	37.50	21.13	.022	.030
Fourth	33.94	19.88	33.06	20.00	.022	.030
1999 QUARTER:						
First	$34.00	$21.50	$32.75	$21.25	$.022	$.030
Second	33.75	23.50	35.13	24.50	.022	.030
Third	37.75	26.31	38.00	26.94	.022	.030
Fourth (through December 22, 1999)	45.06	25.50	45.00	28.88	.022	.030

On December 17, 1999, the last full trading day prior to the public announcement of the execution of the Merger Agreement by the Company, Parent and Purchaser, the last reported sales prices of the Common Stock and Class A Stock on the NYSE were $29.00 and $29.88 per share, respectively. On December 22, 1999, the last full trading day prior to the commencement of the Offer, the last reported sales prices of the Common Stock and Class A Stock on the NYSE were $44.81 and $44.13 per share, respectively. STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

Except for the declaration and payment of regular quarterly dividends of $.022 and $.03 per share of Common Stock and Class A Stock, respectively, in a manner consistent with the Company's past practices, under the terms of the Merger Agreement, the Company is not permitted to declare or pay dividends with respect to the Shares.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; NYSE LISTING; EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS.

Market for the Shares. The purchase of Shares by Purchaser pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly, which, depending upon the number of Shares so purchased, could adversely affect the liquidity and market value of the remaining Shares held by the public. Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether it would cause future market prices to be greater or less than the Offer Price.

NYSE Listing. Depending upon the number of Shares purchased pursuant to the Offer, the Common Stock and/or Class A Stock may no longer meet the requirements of the NYSE for continued listing and may be delisted from the NYSE. According to the NYSE's published guidelines, the NYSE will consider delisting the Common Stock and/or Class A Stock if, among other things, the number of record holders of at least 100 shares of the Common Stock or Class A Stock falls below 1,200, the number of publicly held shares of Common Stock or Class A Stock (exclusive of holdings of officers, directors and their immediate families and other concentrated holdings of ten percent or more ('NYSE Excluded Holdings')) falls below 600,000 or the aggregate market value of publicly held shares of the Common Stock or Class A Stock (exclusive of NYSE Excluded Holdings) falls below $5,000,000. If, as a result of the purchase of Shares pursuant to the Offer or otherwise, the Common Stock and/or Class A Stock no longer meet the requirements of the NYSE for continued listing and the listing of such shares is discontinued, the market for such shares could be adversely affected.

If the NYSE delists the Common Stock and/or Class A Stock, it is possible that the Common Stock and/or Class A Stock would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the National

Association of Securities Dealers Automated Quotation System ('NASDAQ') or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of stockholders and/or the aggregate market value of the shares of Common Stock and/or Class A Stock remaining at such time, the interest in maintaining a market in the shares of Common Stock and/or Class A Stock on the part of securities firms, the possible termination of registration under the Exchange Act as described below and other factors. Purchaser cannot predict whether the reduction in the number of shares of Common Stock and/or Class A Stock that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of such shares or whether it would cause future market prices to be greater or less than the Offer Price.

Exchange Act Registration. The Shares are currently registered under the Exchange Act. Registration of the Common Stock and/or Class A Stock under the Exchange Act may be terminated upon application of the Company to the Commission if such shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of the Common Stock and/or Class A Stock under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and to the Commission and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement pursuant to Section 14(a) in connection with stockholders' meetings and the related requirement of furnishing an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to 'going private' transactions. Furthermore, the ability of 'affiliates' of the Company and persons holding 'restricted securities' of the Company to dispose of such securities pursuant to Rule 144 or Rule 144A promulgated under the Securities Act of 1933, as amended (the 'Securities Act'), may be impaired or eliminated.

Margin Regulations. The Shares are presently 'margin securities' under the regulations of the Board of Governors of the Federal Reserve System (the 'Federal Reserve Board'), which status has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding stock exchange listing and market quotations, it is possible that, following the Offer, the Shares would no longer constitute 'margin securities' for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers. In addition, if registration of the Shares under the Exchange Act were terminated, the Shares would no longer constitute 'margin securities.'

Purchaser currently intends to seek delisting of the Shares from the NYSE and the termination of the registration of the Shares under the Exchange Act as soon after the completion of the Offer as the requirements for such delisting and termination are met. If the NYSE listing and the Exchange Act registration of the Shares are not terminated prior to the Merger, then the Shares will be delisted from the NYSE and the registration of the Shares under the Exchange Act will be terminated following the consummation of the Merger.

8. CERTAIN INFORMATION CONCERNING THE COMPANY.

General. The information concerning the Company contained in this Offer to Purchase, including that set forth below under the caption 'Selected Financial Information,' has been furnished by the Company or has been taken from or based upon publicly available documents and records on file with the Commission and other public sources. None of Parent, Purchaser, the Dealer Manager or the Information Agent assumes responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Purchaser, the Dealer Manager or the Information Agent.

The Company manufactures and distributes burglar and commercial fire alarm equipment and other security products. The Company operates principally in two reportable segments, which are the Alarm Manufacturing segment and the Alarm Distribution segment. The Alarm Manufacturing segment designs, manufactures and sells an extensive line of burglar and commercial fire alarm

equipment and other security products for the protection of life and property. The Alarm Distribution segment distributes to third-party customers fire, security and other electrical products manufactured by the Company and by other companies. By offering a broad line of alarm and other low voltage products, the Company provides a full range of services to more than 40,000 independent alarm dealers and installers. In addition, the Company is involved in the marketing, sale and development of land near Tampa, Florida for residential and commercial use.

Selected Financial Information. Set forth on the following page is certain selected consolidated financial information with respect to the Company, excerpted or derived from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and its Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, each as filed with the Commission pursuant to the Exchange Act.

More comprehensive financial information is included in such reports and in other documents filed by the Company with the Commission. The following summary is qualified in its entirety by reference to such reports and other documents and all of the financial information (including any related notes) contained therein. Such reports, documents and financial information may be inspected and copies may be obtained from the Commission in the manner set forth below.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
PITTWAY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
CONTINUING OPERATIONS:					
Net Sales	$1,235,964	$ 974,165(a)	$1,326,646(a)	$1,143,772	$ 923,453
Operating Income	139,712(b)	32,015(b)	61,442(b)	82,501	63,705
Net Earnings	110,724	22,963	36,897(b)(c)	40,608(d)	61,692(e)
Per Share (Basic)(f)	2.59(b)	0.54(b)	.87(b)(c)	.97(d)	1.48(e)
Per Share (Diluted)(f)	2.53(b)	0.54(b)	.86(b)(c)	.96(d)	1.46(e)
Capital Expenditures	37,679(b)	26,864(b)	37,380	43,318	45,367
Depreciation and Amortization	35,190	26,192	35,694	28,141	22,288
DISCONTINUED OPERATIONS:					
Net Earnings	--	5,031	5,031	14,906	11,350
Per Share (Basic)(f)	--	0.12	.12	.35	.27
Per Share (Diluted)(f)	--	0.11	.11	.35	.27
NET INCOME:	110,724(b)	27,994(b)	41,928(b)(c)	55,514(d)	73,042(e)
Per Share (Basic)(f)	2.59(b)	.66(b)	.99(b)(c)	1.32(d)	1.75(e)
Per Share (Diluted)(f)	2.53(b)	.65(b)	.97(b)(c)	1.31(d)	1.73(e)
CASH DIVIDENDS DECLARED:					
Per Common Share(f)	.0651	.0884	.110	.133	.133
Per Class A Share(f)	.0900	.1133	.143	.167	.167

	AT SEPTEMBER 30,		AT DECEMBER 31,		
	1999	1998	1998	1997	1996
Assets of Continuing Operations	1,196,068	944,451	1,075,055	852,297	770,251
Investment in Discontinued Operations	--	--	--	58,397	47,058
Total Assets	1,196,068	944,451	1,075,055	910,694	817,309
Long-Term Debt	103,226	98,578	104,609	95,215	87,714
Stockholders' Equity	578,201	466,524	495,164	487,134	446,872

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(a) On August 7, 1998 the Company distributed its investment in Penton Media, Inc., a wholly-owned subsidiary of the Company, to stockholders in a tax-free spin-off. Net sales of the discontinued operations prior to their disposition were $14,466 and $126,137 for the quarter and nine months ended September 30, 1998, respectively.

(footnotes continued on next page)

(footnotes continued from previous page)

(b) Includes patent litigation provision in 1998 and reversed in 1999 of $43,000 or $26,875 after taxes ($.64 per share; $.62 diluted).

(c) Includes the Company's equity in the after-tax gain on the disposal by Cylink Corporation ('Cylink') of its discontinued operations of $4,154, or $.10 per share (basic and diluted).

(d) Includes the Company's equity in the after-tax gain on Cylink capital transaction of $3,997 and the after-tax expense for Cylink's write-off of 'acquired in-process technology' of $11,839. These items decreased net income by $7,842, or $.19 per share (basic and diluted).

(e) Includes the after-tax gain on the sale of investment in United States Satellite Broadcasting Company, Inc. and gain from Cylink stock offering of $8,149, or $.19 per share (basic and diluted) and $14,413, or $.34 per share (basic and diluted).

(f) Per share data reflect the 2-for-1 stock split declared in September 1998 and the 3-for-2 split declared in January 1996.

Available Information. The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information as of particular dates concerning the Company's directors and officers, their remuneration, options granted to them, the principal holders of the Company's securities and any material interests of such persons in transactions with the Company is required to be disclosed in proxy statements distributed to the Company's stockholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at Seven World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of such information should be obtainable by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission also maintains a website on the internet at http://www.sec.gov that contains reports, proxy statements and other information relating to the Company which have been filed via the Commission's EDGAR System. Certain of the materials should also be available at the offices of the NYSE, 20 Broad Street, New York, NY 10005.

9. CERTAIN INFORMATION CONCERNING PARENT AND PURCHASER.

Purchaser. Purchaser, a Delaware corporation, has not carried on any significant activities other than in connection with the Offer and the Merger. All of the outstanding capital stock of Purchaser is owned directly by Parent. Until immediately prior to the time Purchaser purchases Shares pursuant to the Offer, it is not anticipated that Purchaser will have any significant assets or liabilities or engage in any significant activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer and the Merger.

For certain information concerning the executive officers and directors of Purchaser, see Schedule I. The principal office of Purchaser is located at 101 Columbia Road, Morris Township, New Jersey 07962, and its telephone number is (973) 455-2000.

Parent. Parent, a Delaware corporation, is a diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; power generation systems; specialty chemicals; fibers; plastics; and electronic and advanced materials. Parent employs approximately 120,000 people in 95 countries. Parent's common stock is traded on the NYSE under the symbol HON, as well as on the London, Chicago and Pacific stock exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index.

On December 1, 1999 a merger involving AlliedSignal Inc. ('AlliedSignal') and Honeywell Inc. was completed. In connection with the merger, AlliedSignal changed its name to Honeywell International Inc., and a wholly owned subsidiary of AlliedSignal merged with and into Honeywell Inc. As a result, Honeywell Inc. became a wholly owned subsidiary of Parent.

For certain information concerning the executive officers and directors of Parent, see Schedule I. The principal office of Parent is located at 101 Columbia Road, Morris Township, New Jersey 07962, and its telephone number is (973) 455-2000.

Selected Historical Financial Data of AlliedSignal. Parent derived the selected historical financial data set out below for each of the years ended December 31, 1996 through 1998 from AlliedSignal's audited consolidated financial statements for those years, and derived the selected historical financial data set out below for each of the nine months ended September 30, 1999 and 1998 from AlliedSignal's unaudited consolidated financial statements for such periods. This information is only a summary and you should read it together with AlliedSignal's historical financial statements and related notes contained in the annual reports, quarterly reports and other information that we have filed with the SEC. To obtain copies of these documents, see 'Available Information' below.

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
(IN MILLIONS)	1999	1998	1998	1997	1996
STATEMENT OF INCOME DATA:					
Net sales	$11,252	$11,256	$15,128	$14,472	$13,971
Net income	1,121	979	1,331	1,170	1,020
BALANCE SHEET DATA:					
(As of the End of the Period)					
Total assets	$14,953	$14,024	$15,560	$13,707	$12,829
Long-term debt	1,287	1,459	1,476	1,215	1,317

Selected Historical Financial Data of Honeywell Inc. Parent derived the selected historical financial data set out below for each of the years ended December 31, 1996 through 1998 from Honeywell Inc.'s audited consolidated financial statements for those years, and derived the selected historical financial data set out below for each of the nine months ended October 3, 1999 and October 4, 1998 from Honeywell Inc.'s unaudited consolidated financial statements for such periods. This information is only a summary and you should read it together with Honeywell Inc.'s historical financial statements and related notes contained in the annual reports, quarterly reports and other information that we have filed with the SEC. To obtain copies of these documents, see 'Available Information' below.

	NINE MONTHS ENDED		YEARS ENDED DECEMBER 31,		
(IN MILLIONS)	OCTOBER 3, 1999	OCTOBER 4, 1998	1998	1997	1996
INCOME STATEMENT DATA:					
Sales	$ 6,324	$ 6,078	$ 8,427	$ 8,027	$ 7,312
Net income	412	368	572	471	403
STATEMENT OF FINANCIAL POSITION DATA:					
(As of the End of the Period)					
Total assets	$ 7,259	$ 6,847	$ 7,170	$ 6,411	$ 5,493
Long-term debt	1,193	1,336	1,299	1,177	715

Selected Unaudited Pro Forma Combined Financial Data of Parent. The following selected unaudited pro forma combined financial data is based on the historical consolidated balance sheet and related historical consolidated statements of income of AlliedSignal and the historical consolidated statement of financial position and the related historical consolidated income statements of Honeywell Inc., giving effect to the combination of AlliedSignal and Honeywell Inc. using the pooling of interests method of accounting for business combinations. This information is for illustrative purposes only. The companies may have performed differently had they always been combined. You should not rely on the selected unaudited pro forma combined financial data as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the Parent will experience.

(IN MILLIONS)	FIRST NINE MONTHS OF		YEARS ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
STATEMENT OF INCOME DATA:					
Net sales	$17,576	$17,334	$23,555	$22,499	$21,283
Net income	1,533	1,347	1,903	1,641	1,423
BALANCE SHEET DATA:					
(As of the End of the Period)					
Total assets	$22,212	$20,871	$22,730	$20,118	$18,322
Long-term debt	2,480	2,795	2,775	2,392	2,032

Relationships Between the Company and Parent and Purchaser. Except as set forth in this Offer to Purchase, none of Purchaser or Parent, or, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I, or any associate or majority owned subsidiary of any of the foregoing, beneficially owns or has a right to acquire any Shares, and none of Purchaser or Parent or, to the best knowledge of Purchaser or Parent, any of the persons or entities referred to above, or any of the respective executive officers, directors or subsidiaries of any of the foregoing, has effected any transaction in the Shares during the past sixty (60) days.

Except as set forth in this Offer to Purchase, neither Purchaser nor Parent has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies.

During 1996, 1997, 1998 and 1999, Parent and/or Honeywell made purchases from the Company of approximately $14 million, $15 million, $15 million and $15 million, respectively.

Except as set forth in this Offer to Purchase, none of Purchaser or Parent, any of their respective affiliates, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I, has had, since December 31, 1996, any business relationships or transactions with the Company or any of its executive officers, directors or affiliates that would be required to be reported under the rules of the Commission. Except as set forth in this Offer to Purchase, since December 31, 1995 there have been no contacts, negotiations or transactions between Purchaser or Parent, any of their respective affiliates or, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I, and the Company or its affiliates concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors or a sale or other transfer of a material amount of assets.

Available Information. Parent and Honeywell Inc. are subject to the informational filing requirements of the Exchange Act and, in accordance therewith, each is obligated to file reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information as of particular dates concerning Parent's directors and officers, their remuneration, options granted to them, the principal holders of Parent's securities and any material interests of such persons in transactions with Parent is required to be disclosed in proxy statements distributed to Parent's stockholders, and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at Seven World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of such information should be obtainable by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission also maintains a website at http://www.sec.gov that contains reports, proxy statements and other information relating to Parent which have been filed via the EDGAR System. Certain of the materials should also be available at the offices of the NYSE, 20 Broad Street, New York, NY 10005. Parent's and Honeywell Inc.'s reports, proxy statements and other information are also available upon written or oral request from Parent at the following address and telephone number: Honeywell International Inc., 101 Columbia Road, P.O. Box 2245, Morris Township, NJ 07962-2245, Attention: Corporate Publications, telephone (973) 455-5402.

10. SOURCES AND AMOUNT OF FUNDS.

If all outstanding Shares are tendered to and purchased by Purchaser pursuant to the Offer and all stock based awards which may be surrendered to the Company pursuant to Merger Agreement are surrendered, the aggregate cost, together with Parent's estimated related fees and expenses, will be approximately $2.1 billion. Purchaser intends to obtain all of such funds from Parent. Parent intends to obtain such funds by issuing commercial paper in the public or private markets at prevailing market terms. Parent expects that it will repay some or all of such commercial paper with proceeds from the sale of longer-term debt in the public or private debt markets. Parent's average cost for commercial paper is presently approximately 5.84%. Except for the issuance of commercial paper, no funds are expected to be, directly or indirectly, borrowed from any third party for the purpose of the Offer. The Offer is not conditioned on Purchaser or Parent obtaining any financing.

11. BACKGROUND OF THE OFFER; PURPOSE OF THE OFFER AND THE MERGER; THE MERGER AGREEMENT AND CERTAIN OTHER AGREEMENTS.

The following description was prepared by Parent and the Company. Information about the Company was provided by the Company and neither the Purchaser nor Parent takes any responsibility for the accuracy or completeness of any information regarding meetings or discussions in which Purchaser, Parent or their representatives did not participate.

Background of the Offer.

For many years, the Company and Honeywell Inc. ('Honeywell') have had a customer-supplier business relationship. During the course of this relationship, executives of Honeywell and the Company have met from time to time to discuss issues relating to their customer-supplier business relationship. As a result, the Company and Honeywell, as well as their executives, were familiar with each other, as well as with the respective businesses of the two companies.

On May 27, 1999, at the request of Michael Bonsignore, who was then Chairman and CEO of Honeywell, a meeting was held between Mr. Bonsignore and King Harris, President and CEO of the Company, to discuss matters of mutual interest. At this meeting, Mr. Bonsignore proposed that the Company and Honeywell explore the possibility of a business combination.

A subsequent meeting was held on July 15, 1999 among Mr. Bonsignore, Kevin Gilligan, President of Honeywell's Home and Building Control Division, another executive from Honeywell's Home and Building Control Division, Mr. Harris, Leo Guthart, the Vice Chairman of the Company and Chairman of the Pittway Security Group, and Edward Schwartz, a Vice President of the Company, to explore further the possibility of a business combination between the Company and Honeywell. Prior to this meeting, Honeywell and the Company executed a customary confidentiality agreement.

At the July 15th meeting, the parties discussed the potential benefits that might be achieved from such a business combination. Later in the month, Mr. Harris provided Honeywell with additional information to assist Honeywell in its evaluation of the Company.

On September 9, 1999, Mr. Gilligan and two other representatives of Honeywell met with Messrs. Harris, Guthart and Schwartz to continue discussions as to the potential synergies that might be generated by a combined entity. During these discussions, Mr. Gilligan indicated that based on Honeywell's preliminary review and absent the identification of additional synergistic opportunities, Honeywell could not justify a price as high as $40 per share.

These discussions were continued at a meeting held on October 27, 1999 among Mr. Gilligan, Peter D'Aloia, Vice President of Strategic Planning of AlliedSignal, another executive from Honeywell's Home and Building Control Division and Messrs. Harris, Schwartz and Guthart. At this meeting, the parties discussed, among other things, their respective operating philosophies, the rationale for, and synergies that might be generated by, a business combination and the potential price and basis for a transaction. During the course of this meeting, Mr. Gilligan indicated that, based upon Honeywell's review to date and subject to further due diligence, Honeywell was interested in pursuing a business combination at a price of $45 per share in cash.

On November 4, 1999, Mr. Harris advised Mr. Gilligan that the Company would be retaining an investment banker and that the subject of Honeywell's interest in continuing to pursue discussions with

the Company would be presented to the Company's Board of Directors at its next regular meeting, which was scheduled for November 18, 1999. Discussions also took place at this time between representatives of the Company and Honeywell with respect to the extent and scope of due diligence that would be required by Honeywell if it were to continue its efforts to determine whether a potential business combination was desirable.

On November 17, 1999, an amended confidentiality agreement was signed by AlliedSignal, Honeywell and the Company.

At its regular meeting on November 18, 1999, the Board of Directors of the Company considered Honeywell's interest in a business combination transaction and whether the executives of the Company, with the assistance of the Company's advisors, should continue their discussions with Honeywell. Representatives of William Blair & Company, L.L.C., the Company's financial advisor, including E. David Coolidge III (who is a director of the Company and the Chief Executive Officer of William Blair & Company, L.L.C.), and representatives of Kirkland & Ellis, the Company's legal advisor, were present at this meeting. After considering the matter, the Board of Directors authorized management, with the assistance of the Company's advisors, to continue to explore with Honeywell the possibility of a business combination transaction.

Following the Board meeting, Mr. Harris contacted Mr. Gilligan to inform him that the Board had authorized management to allow Honeywell to conduct due diligence provided that an acceptable framework for a transaction could be achieved. Mr. Harris indicated that he would elaborate on the Board's position at a meeting to be held on November 19, 1999. In advance of the meeting, Mr. Harris provided Mr. Gilligan with a discussion outline setting forth a possible framework for a transaction and outlining various matters, including employee-related matters. The outline did not address any employment terms for the executive officers of the Company because the Board considered it appropriate that issues relating to the Company and its stockholders be addressed first.

A meeting was held on Friday, November 19, 1999 in Chicago between representatives of Honeywell and its legal and financial advisors and representatives of the Company and its legal and financial advisors. At that meeting, Mr. Harris explained that, while the Board believed that further exploration of a business combination of the two companies was desirable, due diligence could only proceed if the parties were able to reach a common understanding as to the potential framework for a transaction. Mr. Harris also questioned whether Honeywell would be willing to increase the transaction price. Mr. Gilligan indicated that, while a final proposal would be submitted only after the completion of due diligence, Honeywell believed that the price stated in its earlier expression of interest had fairly valued the Company.

In the course of the November 19th meeting, the various representatives discussed the potential structure for a transaction, the method of announcing and minimum time period for the Offer, the terms and conditions upon which the Company would be able to respond to third party proposals, the extent to which the Harris Family might be willing to commit in connection with a potential transaction, the potential terms of the agreement to be prepared to effectuate a business combination transaction and severance, retention and incentive matters for employees generally.

Following the meeting, discussions continued between the parties and their respective representatives as to the potential terms for a transaction and additional limited due diligence was begun.

On December 1, 1999, the merger of AlliedSignal and Honeywell was completed. On Friday, December 3, 1999, the Board of Directors of Parent met and authorized management to proceed with a business combination transaction with the Company, if satisfactory terms could be negotiated.

On December 7, 1999, the Board of Directors of the Company met by telephone and authorized expanded due diligence.

Financial, legal and accounting due diligence began on December 8, 1999 and continued for the next week and a half. On Friday, December 10, 1999, Parent's legal advisors distributed to the Company and its legal advisors a draft of the Merger Agreement. A draft of the Stockholders Agreement was also presented to counsel for the Harris Family.

During the week of December 13, 1999, the parties and their legal counsel and the Harris Family and its legal counsel negotiated the terms of the Merger Agreement and the Stockholders Agreement, respectively. On the evening of December 16, 1999, Mr. Gilligan delivered Parent's proposal to combine

the two companies pursuant to the various agreements which were being negotiated at a cash price of $45 per share. Mr. Gilligan indicated that this was the highest price that Parent was willing to offer. Mr. Harris indicated that, while he would present Honeywell's proposal to the Company's Board of Directors, which had tentatively scheduled a meeting for Saturday, December 18, 1999, he urged Mr. Gilligan to consider increasing the offer price. Mr. Gilligan reiterated Parent's belief that $45 was a fully priced offer.

On December 17, 1999, members of the Harris Family met, reviewed the possible transaction and the terms of the Stockholders Agreement and concluded that they would support the transaction as contemplated in the Stockholders Agreement if the transaction were approved by the Company's Board of Directors.

On December 18, 1999, the Board of Directors of the Company met, together with its legal and financial advisors, to review the terms of the proposed transaction. At the meeting, Mr. Harris reviewed the history of the negotiations, William Blair & Company, L.LC. reviewed the financial terms of the transaction, and Kirkland & Ellis reviewed the legal duties of directors, as well as the terms of the proposed transaction. During the course of the meeting, the Board directed Mr. Harris to indicate to Parent that the Board would not approve the transaction unless the price were increased. Mr. Harris left the meeting and telephoned Mr. Gilligan. Mr. Gilligan, on behalf of Parent, responded that Parent might be willing to increase its price slightly, but only in return for certain concessions. After further telephone discussions, between which the Board conferred, Messrs. Harris and Gilligan settled upon an increase in the price to $45.50 per share in return for an increase of the termination fee by $5,000,000. The Board of Directors then considered the revised terms and authorized the Company to enter into the Merger Agreement. The factors considered by the Board of Directors are set forth under Item 4 of the Company's Schedule 14D-9.

The Merger Agreement and the Stockholders Agreement were executed and delivered by the respective parties late in the day on Sunday, December 19, 1999. On Monday, December 20, 1999, the parties announced their agreement to engage in a business combination transaction.

Purpose of the Offer and the Merger. The purpose of the Offer and the Merger is to enable Parent to acquire control of, and the entire equity interest in, the Company. The Offer is being made pursuant to the Merger Agreement and is intended to increase the likelihood that the Merger will be effected. The purpose of the Merger is to acquire all of the outstanding Shares not purchased pursuant to the Offer.

Stockholders of the Company who sell their Shares in the Offer will cease to have any equity interest in the Company or any right to participate in its earnings and future growth. If the Merger is consummated, non-tendering stockholders will no longer have an equity interest in the Company and instead will have only the right to receive cash consideration pursuant to the Merger Agreement or to exercise statutory appraisal rights under Section 262 of the DGCL. See Section 12. Similarly, after selling their Shares in the Offer or the subsequent Merger, stockholders of the Company will not bear the risk of any decrease in the value of the Company.

Merger Agreement

The following is a summary of certain provisions of the Merger Agreement. This summary is not a complete description of the terms and conditions of the Merger Agreement and is qualified in its entirety by reference to the full text of the Merger Agreement filed with the Commission as an exhibit to the Schedule 14D-1 and is incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Merger Agreement. The Merger Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

The Offer. The Merger Agreement provides that the Purchaser will commence the Offer and that, upon the terms and subject to prior satisfaction or waiver of the conditions of the Offer (other than the waiver of the Minimum Condition), the Purchaser will purchase all Shares validly tendered pursuant to the Offer. The Merger Agreement provides that, without the prior written consent of the Company, Purchaser shall not:

decrease the Offer Price or decrease the number of Shares sought pursuant to the Offer;

extend the expiration date of the Offer beyond the initial Expiration Date, except:

that if, immediately prior to the Expiration Date (as it may be extended), the Shares tendered and not withdrawn pursuant to the Offer constitute less than 90% of the outstanding Shares of each class, Purchaser may extend the Offer for one or more periods not to exceed seven business days in the aggregate, notwithstanding that all conditions to the Offer are satisfied as of such Expiration Date of the Offer; and

that if any condition to the Offer has not been satisfied or waived, Purchaser may, in its sole discretion, extend the Expiration Date for one or more periods;

amend or waive the Minimum Condition; or

amend any term or other condition of the Offer;

provided, however, that, except as set forth above and subject to applicable legal requirements, Purchaser may waive any condition to the Offer other than the Minimum Condition in its sole discretion and; provided, further, that the Offer may be extended in connection with an increase in the consideration to be paid pursuant to the Offer so as to comply with applicable rules and regulations of the Commission.

The Merger. Pursuant to the Merger Agreement and the DGCL, as soon as practicable, but not later than the second business day, after the consummation of the Offer and satisfaction or waiver, if permissible, of all conditions to the Merger, and the approval and adoption of the Merger Agreement by the stockholders of the Company (if required by applicable law), Purchaser shall be merged with and into the Company and the Company will be the Surviving Corporation.

The respective obligations of Parent and the Purchaser, on the one hand, and the Company, on the other hand, to effect the Merger are subject to the satisfaction on or prior to the Closing Date (as defined in the Merger Agreement) of each of the following conditions, any and all of which may be waived in whole or in part, to the extent permitted by applicable law:

the Merger Agreement shall have been approved and adopted by the requisite vote of the holders of Shares, if required by applicable law, in order to consummate the Merger;

no statute, rule, order, decree or regulation shall have been enacted or promulgated by any government authority which prohibits the consummation of the Merger, and there shall be no order or injunction of a court of competent jurisdiction in effect precluding consummation of the Merger; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve such order or injunction;

Parent, the Purchaser or their affiliates shall have purchased Shares pursuant to the Offer; and

any other material governmental approvals required to be obtained prior to the consummation of the Merger shall have been obtained; provided, that Parent shall employ its commercially reasonable best efforts to obtain any such required approvals.

At the Effective Time of the Merger, (i) each issued and outstanding Share (other than Shares that are owned by the Company as treasury stock, any Shares owned by Parent, the Purchaser or any other wholly owned subsidiary of Parent, or any Shares which are held by stockholders exercising appraisal rights under Delaware law) will be converted into the right to receive the Offer Price (the 'Merger Consideration') and (ii) each issued and outstanding share of the Purchaser will be converted into one share of common stock of the Surviving Corporation.

The Company's Board of Directors. The Merger Agreement provides that prior to the Share Purchase Date, the Company will have taken all action as may be necessary so that effective immediately after the Share Purchase Date, the size of the Board will be reduced to eight, all directors, other than two of the directors (as will be designated by the Board) will resign and six persons designated by Parent will be elected to fill the vacancies so created. Following the Share Purchase Date and prior to the Effective Time, the Board will have at least two Independent Directors. The Company's obligation to appoint the Purchaser's designees to the Company Board is subject to compliance with Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. In addition, after the Share Purchase Date and prior to the Effective Time, the affirmative vote of a majority of the Independent Directors shall be required to:

amend or terminate the Merger Agreement by the Company,

exercise or waive any of the Company's rights, benefits or remedies thereunder, or

take any other action by the Board under or in connection with the Merger Agreement;

provided, that, if after the Share Purchase Date and prior to the Effective Time, one of the Independent Directors does not continue to serve for any reason whatsoever, the other Independent Director will be entitled to designate a person to fill the vacancy who will be deemed to be one of the Independent Directors. If after the Share Purchase Date and prior to the Effective Time there is no Independent Director for any reason, the other directors, pursuant to the Certificate of Incorporation and the Company's Bylaws, will designate two persons to fill the vacancies who will not be stockholders, affiliates or associates of Parent or the Purchaser and they will be deemed to be Independent Directors. Following the Share Purchase Date and prior to the Effective Time, neither Parent nor Purchaser will take any action to cause any Independent Director to be removed other than for cause.

Stockholders Meeting. Pursuant to the Merger Agreement, the Company will, if required by applicable law in order to consummate the Merger, duly call, give notice of, convene and hold a special meeting of its stockholders (the 'Special Meeting') as promptly as practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon the Merger and the adoption of the Merger Agreement. The Merger Agreement provides that the Company will, if required by applicable law in order to consummate the Merger, prepare and file with the Commission a preliminary proxy or information statement (the 'Proxy Statement') relating to the Merger and the Merger Agreement and use its best efforts:

to obtain and furnish the information required to be included by the Commission in the Proxy Statement and, after consultation with Parent, to respond promptly to any comments made by the Commission with respect to the preliminary Proxy Statement and cause a definitive Proxy Statement to be mailed to its stockholders, provided that no amendment or supplement to the Proxy Statement will be made by the Company without consultation with Parent and its counsel and

to obtain the necessary approvals of the Merger and the Merger Agreement by its stockholders.

Parent has agreed that it will vote, or cause to be voted, all of the Shares owned by it, the Purchaser or any of its other subsidiaries and affiliates immediately following the Share Purchase Date in favor of the approval of the Merger and the adoption of the Merger Agreement.

The Merger Agreement provides that in the event that Parent, Purchaser or any other subsidiary of Parent acquires at least 90% of the outstanding Shares, pursuant to the Offer or otherwise, Parent, the Purchaser and the Company will, at the request of Parent, and subject to the terms of the Merger Agreement, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Delaware law.

Outstanding Options and Other Awards. Pursuant to the Merger Agreement, promptly following commencement of the Offer:

each holder of an outstanding option and other awards under the Company's 1990 Stock Awards Plan, 1996 Director Stock Option Plan or 1998 Director Stock Option Plan (each an 'Option') will be given the opportunity to surrender to the Company, effective immediately following the Share Purchase Date, the portion of the Option which is then vested or which would then otherwise become vested on or prior to December 31, 2000 (the 'Vested Option Portion') in return for a cash payment by the Company, immediately following the Share Purchase Date, equal to the product of:

the Offer Price minus the exercise price per Share of the Vested Option Portion and

the number of Shares covered by the Vested Option Portion;

Such cash payment shall be paid only when the Offer Price is greater than the exercise price per Share of the Vested Option Portion of such Option.

each holder of a performance shares award then outstanding under the Company's 1990 Stock Awards Plan (each a 'Performance Shares Award') will be given the opportunity to surrender to the Company, effective immediately following the Share Purchase Date, the portion of the Performance Shares Award which is then vested or which would vest by its terms on or prior to December 31, 2000 (the 'Vested Performance Shares Award Portion') in return for a cash

payment by the Company, immediately following the Share Purchase Date, equal to the product of:

the Offer Price and

the number of shares covered by the Vested Performance Shares Award Portion of such Performance Shares Award;

each holder of a bonus shares award then outstanding under the Company's 1990 Stock Awards Plan (each a 'Bonus Shares Award') will be given the opportunity to surrender to the Company, effective immediately following the Share Purchase Date, the Bonus Shares Award in return for the cash payment by the Company, immediately following the Share Purchase Date, of an amount equal to the product of:

the Offer Price and

the number of shares covered by such Bonus Shares Award; and

each holder of a stock appreciation right then outstanding under the Company's 1990 Stock Awards Plan (each a 'SAR') may exercise the SAR at any time.

All of the above payments will be made net of applicable withholding taxes.

Any portion of any Option, Performance Shares Award, Bonus Shares Award or SAR that is outstanding at the Share Purchase Date and has not been surrendered for cash payment as described above will continue in accordance with its terms, except that pursuant to action taken prior to the date of the Merger Agreement by the Board or the Compensation Committee of the Board, as applicable:

each such portion shall immediately vest and be exercisable or payable in full in the event of termination of employment by the employer at or after the Share Purchase Date without cause, death or disability; and

from and after the Effective Time each such portion that is outstanding at the Effective Time will represent the right to acquire, in lieu of each share of Class A Stock that could be acquired immediately prior to the Effective Time upon exercise or payment, cash in the amount of the Offer Price.

Interim Operations. Pursuant to the Merger Agreement, the Company has agreed that, except as expressly contemplated or provided by the Merger Agreement or agreed to by Parent, which agreement cannot be unreasonably withheld, prior to the time the directors designated by the Purchaser constitute a majority of the Company Board (the 'Board Appointment Date'), the business of the Company and its subsidiaries will be conducted only in the ordinary and usual course and, to the extent consistent therewith, each of the Company and its subsidiaries will use its commercially reasonable best efforts and shall cooperate with Parent to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees, creditors and business partners, and the Company will not, directly or indirectly:

except (x) upon exercise or payment of stock options or other awards outstanding under the Company Stock Plans or (y) pursuant to outstanding obligations to the former stockholders of Alarm Suppliers, Inc., sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitment or rights of any kind to acquire, any shares of capital stock of any class of the Company or any of its subsidiaries;

amend its Certificate of Incorporation or Bylaws or similar organizational documents; or

split, combine or reclassify the outstanding Shares or any outstanding capital stock of any of the subsidiaries of the Company; and

neither the Company nor any of its subsidiaries shall:

declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock other than dividends paid by subsidiaries of the Company to the Company or any of its subsidiaries in the ordinary course of business; provided, that the Company may declare and pay regular quarterly cash dividends not to exceed $.0217 per share of Common Stock and $.0300 per share of Class A Stock;

transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any assets other than in the ordinary and usual course of business and consistent with past practice, or incur or

modify any indebtedness or other liability, other than in the ordinary and usual course of business and consistent with past practice;

redeem, purchase or otherwise acquire directly or indirectly any of its capital stock;

except as required by any collective bargaining agreement, grant any increase in the compensation payable or to become payable by the Company or any of its subsidiaries to any of its officers or employees except that the Company and its subsidiaries may grant base salary increases consistent with past practice for employees normally occurring at or after the 1999 year end for year 2000 in amounts not to exceed five percent in the aggregate (except for salaries paid to managers of businesses acquired by the Company after October 1, 1998, which will be determined in a manner consistent with the Company's past practice with respect to salaries paid to managers of acquired companies); provided that any increases in the base salaries payable to the Company's top ten most highly compensated executives must be consistent with past practice for such executives (unless agreed to, on a case by case basis, by Parent) and, in any event, the increases may not exceed ten percent of base salary for each executive and in the aggregate for all executives;

adopt any new, or amend or otherwise increase, or accelerate the payment or vesting of the amounts payable or to become payable under, any existing, bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase, insurance, pension, retirement or other employee benefit plan, agreement or arrangement; provided, that the Company may pay cash bonuses to any or all of its managers covering 1999 performance so long as the amount of each such bonus is consistent with past practice (unless agreed to, on a case by case basis, by Parent) and the aggregate amount of such bonuses (excluding the bonuses payable under previously agreed to formulas so long as the amounts paid are per such existing formulas) do not exceed by twenty percent (20%) the aggregate amount of the bonuses paid to such managers for 1998 performance, except for bonuses paid to managers of businesses acquired by the Company after October 1, 1998, in which case such bonuses will be consistent with the Company's past practice with respect to bonus policies for acquired businesses; and provided, further, that the Company may, before the completion of the Offer, modify the termination for 'Good Reason' provision in executive employment contracts such that 'Good Reason' would include a reduction in yearly total compensation opportunity offered to a given executive for reasonable performance, and eliminate the 'Adjustments' clause in each of such executive employment agreements;

enter into any new employment or severance agreement with or grant any severance or termination pay to any officer, director or employee of the Company or any of its subsidiaries; provided, that employment agreements with additional executives may be entered into upon agreement of Parent and the Company;

permit any insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Parent, except in the ordinary course of business and consistent with past practice;

enter into any contract or transaction relating to the purchase of assets other than in the ordinary course of business consistent with prior practices;

enter into any contract or transaction relating to the lending of any material amount of money to, or the purchase of any stock of, or other equity interest in, or material amount of assets of, any corporation or other entity, or enter into any joint venture or partnership (collectively, 'Investments'), other than those Investments in progress on the date of the Merger Agreement;

make any capital expenditures which are significantly in excess of the amounts set forth in the budgets previously shown to Parent in writing;

change any of the accounting methods used by it unless required by generally accepted accounting principles ('GAAP'), or, except in the ordinary course consistent with past practice, make any material tax election except in the ordinary course of business consistent with past practice, change any material tax election already made, adopt any material tax

accounting method except in the ordinary course of business consistent with past practice, change any material tax accounting method unless required by GAAP, enter into any closing agreement, settle any tax claim or assessment or consent to any tax claim or assessment or any waiver of the statute of limitations for any such claim or assessment; or

take any action with the intent of causing any of the conditions to the Parent set forth in Section 14 hereof to not be satisfied.

No Solicitation. Pursuant to the Merger Agreement, the Company has agreed that neither the Company nor any of its subsidiaries will (and the Company will use its best efforts to cause its officers, directors, employees, representatives and agents, including, but not limited to, investment bankers, attorneys and accountants not to), directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with, or provide any information to, any corporation, partnership, person or other entity or group (other than Parent, any of its affiliates or representatives) concerning any proposal or offer to acquire all or a substantial part of the business and properties of the Company or any of its subsidiaries or any capital stock of the Company or any of its subsidiaries, whether by merger, tender offer, exchange offer, sale of assets or similar transactions involving the Company or any subsidiary, division or operating or principal business unit of the Company (an 'Acquisition Proposal'), except that the Company and the Board are not prohibited from:

taking and disclosing to the Company's stockholders a position with respect to a tender or exchange offer by a third party pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act; or

making such disclosure to the Company's stockholders as, in the good faith judgment of the Board, after receiving advice from outside counsel, is required under applicable law, provided that the Company may not, except as described below, withdraw or modify its approval or recommendation of the Offer or the Merger or enter into any agreement with respect to any Acquisition Proposal;

prior to the Share Purchase Date, furnishing information concerning the Company and its subsidiaries to any corporation, partnership, person or other entity or group, or participating in discussions and negotiations with such entity if such person has on an unsolicited basis submitted to the Company:

an Acquisition Proposal believed by the Board in good faith to be bona fide, or

an expression of interest believed by the Board in good faith to be bona fide indicating such person's desire to pursue the possibility of making an Acquisition Proposal on terms financially superior to the Offer and the Merger (an 'Indication of Interest');

and, in either such case, the Board determines in good faith

after consulting with its financial advisors, that such person has the financial capability to consummate such Acquisition Proposal or, in the case of an Indication of Interest, a transaction on terms financially superior to the Offer and Merger, and

after receipt of advice from outside legal counsel to the Company, that such action by the Company is appropriate in furtherance of the best interests of the Company's stockholders; and

such person has signed a confidentiality agreement substantially identical to the confidentiality agreement between Parent and the Company (it being understood that the Board and/or its financial advisors may, in any event, discuss with any person submitting an Acquisition Proposal or Indication of Interest such person's bona fides and/or financial capability).

The Company will promptly provide to Parent any written material information regarding the Company provided to such person which was not previously provided or otherwise made available to Parent. The Company is required to promptly following receipt of an Acquisition Proposal or Indication of Interest (and in any event not later than 24 hours after receipt thereof) notify Parent of the receipt of the Acquisition Proposal or Indication of Interest, as the case may be, and any stated, whether in writing or otherwise, material terms (other than the identity of the person submitting such Acquisition Proposal or Indication of Interest) of such Indication of Interest or Acquisition Proposal and notify

Parent of any material changes in any disclosed Indication of Interest or Acquisition Proposal. The foregoing notwithstanding, the Company will not be required to disclose the terms of any Indication of Interest unless and until the Company publicly discloses the existence of such Indication of Interest. The Board may withdraw or modify its approval or recommendation of the Offer and/or the Merger, provided (i) the Board believes in good faith, after receipt of advice from outside legal counsel to the Company, that the failure to do so could reasonably be expected to cause the Board to violate its fiduciary duties to the Company's stockholders under applicable law, and (ii) the Company notifies Parent of any such withdrawal or modification prior to its release to the public.

At any time after 5:00 P.M., Central Time, on the second full business day following the business day on which notice is given (it being understood that Christmas Eve and New Years Eve shall not be deemed to be 'business days' for such purpose) to Parent of the Company's intent to do so and if the Company has otherwise complied with the terms of Section 5.4 of the Merger Agreement (including, without limitation, the notice provisions thereof), the Board may, provided that the notice identifies the person submitting the Acquisition Proposal, cause the Company to enter into an agreement with respect to such Acquisition Proposal. Parent has agreed that neither it nor any of its subsidiaries nor any of the officers, directors, employees, representatives or agents, including, but not limited to investment bankers, attorneys and accountants, of any of the foregoing shall, directly or indirectly, contact, on behalf or at the direction of Parent or any of is subsidiaries, any person disclosed to Parent as having submitted an Acquisition Proposal or Indication of Interest with respect to such Acquisition Proposal, the Offer, the Merger, or any arrangement or understanding in connection therewith (other than contacts not intended to dissuade, and that are not reasonably likely to have the effect of dissuading, such person from pursuing such Acquisition Proposal), so long as such person is subject to similar restrictions. In the event the Company is going to enter into an agreement with respect to an Acquisition Proposal, the Company will not do so unless it has terminated the Merger Agreement in accordance with its terms and paid or caused to be paid to Parent the Termination Fee (as defined below) not later than simultaneously with entering into such agreement.

Indemnification and Insurance. Pursuant to the Merger Agreement, after the Share Purchase Date, Parent shall cause the Company or any successor, including the Surviving Corporation, to indemnify, defend and hold harmless the present and former officers, directors and employees of the Company and its subsidiaries and persons who become any of the forgoing prior to the Effective Time with respect to matters occurring at or prior to the Effective Time to the full extent permitted under Delaware law. The Merger Agreement also provides that Parent will, or will cause the Company, or any successor, including the Surviving Corporation, to maintain the Company's existing officers' and directors' liability insurance ('D&O Insurance') for a period of not less than six years after the Share Purchase Date, provided, that Parent may substitute therefor policies of substantially equivalent coverage and amounts containing terms no less favorable to such former directors or officers. Parent has also agreed that if the existing D&O Insurance expires, is terminated or canceled during such period, Parent or the Surviving Corporation will use all reasonable efforts to obtain substantially similar D&O Insurance, but in no event will it be required to pay aggregate premiums for any such insurance in excess of 175% of the aggregate premiums paid in 1999 on an annualized basis for such purpose (the '1999 Premium'). If Parent or the Surviving Corporation is unable to obtain the amount of D&O Insurance required for such aggregate premium, Parent or the Surviving Corporation has agreed to obtain as much insurance as can be obtained for an annual premium not in excess of 175% of the 1999 Premium.

Representations and Warranties. Pursuant to the Merger Agreement, the Company has made customary representations and warranties to Parent and the Purchaser with respect to, among other things, its organization, capitalization, authorization and validity of agreements, consents and approvals, no violations of law or Company instruments, financial statements, public filings, the absence of any material adverse effect on the Company since September 30, 1999, undisclosed liabilities, material contracts, litigation, employee benefit plans, labor matters, tax matters, intellectual property, Year 2000 compliance, insurance, compliance with laws, restrictions on business activities, vote required to approve the Merger Agreement, interested party transactions, environmental matters, real property, financial advisor opinion and brokers' and finders' fees.

Certain Tax Indemnification.

Pursuant to the Merger Agreement, Parent has agreed to indemnify Company stockholders of record at the close of business on July 31, 1998 ('Indemnified Company Stockholders') from certain taxes ('Indemnified Taxes'). Indemnified Taxes means, in general, taxes imposed on those stockholders as a result of the Spinoff failing to qualify as tax-free under Section 355 of the Code, but only if such failure is because the negotiation, execution and delivery of the Merger Agreement, any of the transactions contemplated by the Merger Agreement or the Stockholders Agreement, or any action or inaction on the part of Parent, Purchaser or the Company at or after the Share Purchase Date, causes the 'device' or 'continuity of shareholder interest' requirement of Section 355 not to be met (an 'Indemnifiable Disqualification'). The amount of any indemnification would be reduced by certain tax benefits that would result, or be treated as resulting, from the Spinoff not being tax-free. A more detailed definition of the term 'Indemnified Taxes' is contained in Section 5.13(b) of the Merger Agreement.

Parent will have no obligation to indemnify Indemnified Company Stockholders if certain factual statements upon which Purchaser is relying are not true and correct, the representations of certain officers and directors of the Company are not true and correct or if certain directors or officers of the Company fail to reasonably cooperate in Parent's defense against any Indemnified Tax, in each case, however, only if such failure to be true and correct or failure to cooperate is material to a determination that an Indemnifiable Disqualification has occurred. Additionally, in the event an Indemnified Company Stockholder fails to notify Parent as required by the Merger Agreement of the Indemnified Company Stockholder's receipt of any written question or other notice from the Internal Revenue Service to the effect that the Internal Revenue Service is reviewing the Spinoff, or, if Parent exercises its rights pursuant to the Merger Agreement to conduct the defense against the Indemnified Tax, an Indemnified Company Stockholder against whom the Internal Revenue Service is challenging the Spinoff or certain other Indemnified Company Stockholders, officers or directors of the Company undertake actions described in the Merger Agreement that would compromise Parent's ability to control the defense against the Indemnified Tax, Parent's obligation to indemnify will be reduced to the extent such failure or actions adversely affects Parent's ability to defend against the Indemnified Tax.

For purposes of the Merger Agreement, the term 'Tax' is defined to mean all taxes, chargers, fees, duties, levies, penalties or other assessments imposed by any federal, state, local or foreign governmental authority, including, but not limited to, income, gross receipts, excise, property, sales, gain, use, license, custom duty, unemployment, capital stock, transfer, franchise, payroll, withholding, social security, minimum, estimated, and other taxes, and any interest, penalties or additions attributable thereto.

Purchaser has received the opinion of Kirkland & Ellis, based on assumptions set forth in such opinion, as well as representations of certain officers, directors and stockholders of the Company, that the Spinoff will not fail to qualify as a distribution on which no gain or loss was recognized by Indemnified Company Stockholders under Section 355 of the Code due to violation of the 'device' or 'continuity of shareholder interest' requirements of Section 355 of the Code and the regulations thereunder as a result of (1) the negotiation, execution and delivery of the Merger Agreement or (2) any of the transactions contemplated by the Merger Agreement and the Stockholders Agreement, assuming the transaction is consummated as contemplated.

Certain Employee Arrangements.

Pursuant to the Merger Agreement, for a period of not less than one year following the Share Purchase Date, Parent shall cause the Company to provide to each person employed by the Company or its subsidiaries immediately prior to the Share Purchase Date and who remains in the employ of the Company or its subsidiaries with employee benefits that are generally comparable in the aggregate to the employee benefits provided to such employees immediately prior to the date of the Merger Agreement. Pursuant to the Merger Agreement, Parent shall, or shall cause its subsidiaries to, cause each plan, program or arrangement made available to such employees after the Share Purchase Date to:

- treat prior service with the Company or its affiliates (to the same extent such service is recognized under analogous programs or arrangements of the Company or its affiliates prior to

the Share Purchase Date) as service rendered to Parent or its subsidiaries for purposes of eligibility and vesting (but not benefit accrual, except to the extent required by law);

give credit for any deductible or co-payment amounts in respect of the plan year in which the Share Purchase Date occurs, to the extent that, following the Share Purchase Date, such employees participate in any plan for which deductible or co-payments are required; and

waive any preexisting condition which was waived or otherwise covered under the terms of any Company plan immediately prior to the Share Purchase Date or waiting period limitation which would otherwise be applicable to such employees on or after the Share Purchase Date.

The Merger Agreement also provides that Parent shall:

establish a severance program (which provides severance benefits of 1 week pay for every year of service, up to a maximum of 52 weeks) covering any domestic, non-union Company employees whose employment may be terminated within one year of the Share Purchase Date other than for cause, death or disability;

provide, or arrange to have provided, outplacement appropriate for each employee level;

offer 'pay to stay' benefits for Company employees as appropriate;

establish a retention program for certain employees of the Company which provides for option grants to designated employees under Parent's stock option plan following the Share Purchase Date and a Tier 1, Tier 2 and/or Tier 3 retention bonus payable by the Company to designated employees. The aggregate Black-Scholes value of option grants under the retention program will be $4,100,000, including option grants to Messrs. Conforti and Guthart, each with a maximum value of $500,000, and four 'significant employees' of the Company with an aggregate value of $1,700,000. The aggregate value of Tier 1 retention bonuses payable to designated employees will be $15,900,000, which will be paid to such 'significant employees'. Fifty percent (50%) of each designated employee's Tier 1 retention bonus will be payable as of the Share Purchase Date. The Harris Family will contribute to the Company the amount necessary to fund this portion of such employee's Tier 1 retention bonus. The remaining fifty percent (50%) of each designated employee's Tier 1 retention bonus will be payable in 3 equal installments on the first, second and third anniversaries of the Share Purchase Date, in each case unless such employee's employment has been terminated prior to such date voluntarily or by the Company for cause. Parent will guarantee the Company's obligation to pay this portion of such employee's Tier 1 retention bonus. The aggregate value of Tier 2 retention bonuses payable to designated employees will be $4,100,000, of which $3,500,000 will be payable to such 'significant employees'. Each designated employee's Tier 2 retention bonus will vest on the third anniversary of the Share Purchase Date (i) unless such employee's employment has terminated prior to such date and (ii) if, and to the extent, 3 year performance targets are achieved by such employee. The maximum aggregate value of Tier 3 retention bonuses payable to designated employees will be $13,000,000, including Tier 3 retention bonuses payable to such 'significant employees' with an aggregate maximum value of $5,600,000. Each designated employee's Tier 3 retention bonus will vest on the third anniversary of the Share Purchase Date (i) if such employee's employment has not terminated prior to such date for any reason other than death, disability or cause and (ii) if, and to the extent, 3 year performance targets are achieved by such employee. Additional information regarding the retention program is set forth in a letter agreement which is filed as Exhibit (c)(3) to the Schedule 14D-1; and

establish a corporate office retention, severance and pay-to-stay program, which is expected to include P. McCanna and J. Vondrak, providing severance benefits of 1 week's pay for every year of service and undetermined pay-to-stay benefits on a case-by-case basis.

The parties have also agreed to enter into an amendment to King Harris' employment agreement with the Company dated as of January 1, 1996, which amendment, to be effective as of the Share Purchase Date, provides that:

all references to 'Company' in the agreement shall refer to Parent on and after the Share Purchase Date;

Mr. Harris will initially be President/CEO of the Alarm Components and Systems Business of Parent's Home and Building Control Division. Mr. Harris' title can be changed to CEO anytime after 90 days following the Share Purchase Date;

Mr. Harris will report to the President of Parent's Home and Building Control Division;

Mr. Harris will be allowed to continue serving on the for-profit and not-for-profit boards he currently serves on;

the employment agreement will have a 2 year term which may be extended on a year to year basis by mutual consent. On January 1, 2002, Mr. Harris may elect to become a consultant of Parent. As a consultant, he would receive $400,000 per year until age 65 and would be required to work no more than 8 hours per week on the average. He would also be reimbursed for business expenses and reasonable office expenses; and

if Mr. Harris dies, his estate or designated beneficiary will receive 100% of the amounts he would have received under the terms of the employment agreement.

The parties have also agreed that the employment agreements between the Company and Paul R. Gauvreau and Edward J. Schwartz will be amended effective as of the Share Purchase Date to provide that their employment will terminate one year thereafter, at which time they will be treated for purposes of the Company's Change of Control Plan as having been terminated without 'cause'.

Termination; Fees. The Merger Agreement may be terminated and the Merger abandoned at any time prior to the Share Purchase Date,

(a) by mutual written consent of Parent and the Company,

(b) by either the Company or Parent

(i) if

(x) the Offer shall have expired without any Shares being purchased therein, or

(y) the Purchaser shall not have accepted for payment all Shares tendered pursuant to the Offer by February 20, 2000, or, in the event that the failure of the conditions to the Offer as of February 20, 2000 is as a result of any waiting periods under applicable laws having not expired, or any approvals under applicable laws having not been received, by such date, June 30, 2000, provided, that such right to terminate will not be available to any party whose failure to fulfill any obligation under the Merger Agreement was the cause of, or resulted in, the failure of Parent or the Purchaser to purchase the Shares on or before such date, or after Purchaser has purchased Shares pursuant to the Offer; or

(ii) if any governmental entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties will use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the acceptance for payment of, or payment for, Shares pursuant to the Offer or the Merger and such order, decree, ruling or other action shall have become final and non-appealable,

(c) by the Company

(i) if Parent, the Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate the Merger Agreement pursuant to this clause (i) if the Company is at such time in breach of its obligations under the Merger Agreement such as to cause a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) in connection with entering into a definitive agreement with respect to an Acquisition Proposal; provided it has complied with certain provisions of the Merger Agreement, including the notice provisions described above under 'No Solicitation,' and that it makes simultaneous payment of the Termination Fee; or

(iii) if Parent or the Purchaser shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach cannot be or has not been cured, in all material respects, within 30 days after the giving of written notice to Parent or the Purchaser, as applicable, or

(d) by Parent

(i) if, due to an occurrence, not involving a breach by Parent or the Purchaser of their obligations under the Merger Agreement, which makes it impossible to satisfy any of the conditions to the Offer, Parent, the Purchaser, or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the offer;

(ii) if prior to the Share Purchase Date, the Company has breached any representation, warranty, covenant or other agreement contained in the Merger Agreement which:

(x) would give rise to the failure of a condition described in paragraph (f) or (g) under Annex A to the Merger Agreement (which are set forth in clauses (f) and (g) of Section 14), and

(y) cannot be or has not been cured, in all material respects, within 30 days after the giving of written notice to the Company;

(iii) if either Parent or the Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (e) under Annex A to the Merger Agreement (which is set forth in clause (e) of Section 14); or

(iv) if either Parent or the Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (h) under Annex A to the Merger Agreement (which is set forth in clause (h) of Section 14).

In accordance with the Merger Agreement, if:

(x) the Company terminates the Merger Agreement pursuant to clause (c)(ii) above,

(y) either the Company or Parent terminates the Merger Agreement pursuant to clause (b)(i) above or Parent terminates the Merger Agreement pursuant to clause (d)(ii) above and, in the case of this subclause (y),

(a) prior thereto there shall have been publicly announced another Acquisition Proposal that is financially superior to the Offer and Merger (either at the time it is made or at any time prior to the termination of the Merger Agreement) or Indication of Interest, and

(b) an Acquisition Proposal shall be consummated on or prior to November 15, 2000, or

(z) Parent terminates the Merger Agreement pursuant to clause (d)(iv) above and, in the case of this subclause (z), an Acquisition Proposal on terms financially superior to the Offer and Merger shall be consummated on or prior to November 15, 2000,

the Company has agreed to pay to Parent an amount equal to $80,000,000 (the 'Termination Fee'); provided that no Termination Fee will be payable if the Purchaser or Parent was in material breach of its representations, warranties or obligations under the Merger Agreement at the time of its termination.

In addition, if Parent shall terminate the Merger Agreement pursuant to clause (d)(ii) above, the Company has agreed to pay to Parent an amount equal to 50% of the Termination Fee, which amount shall be payable upon the termination of the Merger Agreement, and, if an Acquisition Proposal shall be consummated on or prior to November 15, 2000, the Company has agreed to pay to Parent an amount equal to the Termination Fee less any amount theretofore paid pursuant to this sentence no later than the consummation of such Acquisition Proposal.

Stockholders Agreement

The following is a summary of certain provisions of the Stockholders Agreement. This summary is not a complete description of the terms and conditions of the Stockholders Agreement and is qualified in its entirety by reference to the full text of the Stockholders Agreement as filed with the Commission as an exhibit to the Schedule 14D-1 and incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Merger Agreement or the Stockholders Agreement, as the context may require. The Stockholders Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

As a condition and inducement to Parent's entering into the Merger Agreement, the Harris Family Stockholders, concurrently with the execution and delivery of the Merger Agreement, entered into the Stockholders Agreement with Parent and Purchaser. Pursuant to the Stockholders Agreement, the Harris Family Stockholders have agreed to tender, in accordance with the terms of the Offer, all of the shares beneficially owned by them and subject to the Stockholders Agreement, promptly following the commencement of the Offer. All Shares beneficially owned by them, excluding approximately 428,000 Shares which were reserved for charitable contributions, are subject to the terms of the Stockholders Agreement and are sometimes referred to as the 'Harris Family Shares.' The Harris Family Stockholders also agreed not to withdraw from the Offer any Harris Family Shares tendered pursuant to the Offer unless and until the Merger Agreement is terminated.

Pursuant to the Stockholders Agreement, the Stockholders have also granted to Parent an option to purchase the Harris Family Shares, at an option price of $45.50 per Share or any higher price paid or to be paid pursuant to the Offer, during the Option Period (as defined hereinafter). The Option shall become exercisable, unless earlier terminated, from and after the time and date of an Option Triggering Event.

The 'Option Triggering Event' is the first to occur of the following:

the termination by the Company of the Merger Agreement pursuant to clause (c)(ii) of the first paragraph under the heading 'Termination Fees' under the heading 'Merger Agreement' above, other than a termination, prior to 5:00 p.m., New York time, on February 20, 2000, in connection with an Acquisition Proposal that is financially superior to the Offer and Merger, either at the time it is made or at any time prior to the termination of the Merger Agreement, or Indication of Interest (a 'Superior Proposal') from any party, or an affiliate of such party, which made an Acquisition Proposal or gave an Indication of Interest prior to 12:00 p.m., New York time, on February 3, 2000 (such time and date, the 'Initial Offer Expiration Date'),

the termination by Parent of the Merger Agreement pursuant to clause (d)(iii) of the first paragraph under the heading 'Termination Fees' under the heading 'Merger Agreement' above, other than a termination, prior to 5:00 p.m., New York time, on February 20, 2000, in connection with a Superior Proposal from any party, or an affiliate of such party, which made an Acquisition Proposal or gave an Indication of Interest prior to the Initial Offer Expiration Date,

the termination by the Company or Parent of the Merger Agreement pursuant to clause (b)(i) of the first paragraph under the heading 'Termination Fees' under the heading 'Merger Agreement' above, if prior to such termination there shall have been publicly announced a Superior Proposal, and

the termination by Parent of the Merger Agreement pursuant to clause (d)(ii) of the first paragraph under the heading 'Termination Fees' under the heading 'Merger Agreement above, as a result of the Company's willful material breach of a covenant in the 'Merger Agreement' if prior to such breach the Company shall have received a Superior Proposal.

The Option shall terminate (whether or not it shall have become exercisable) on the time and date of the first to occur of the following:

the purchase of Shares in the Offer,

any termination of the Merger Agreement on or prior to the Initial Offer Expiration Date,

the termination of the Merger Agreement after the Initial Offer Expiration Date other than in connection with an Option Triggering Event,

100 days after the beginning of the Option Period, and

the Initial Offer Expiration Date if, as of such date, there shall have been no publicly announced Acquisition Proposal or Indication of Interest and all conditions, other than the Minimum Condition, shall have been satisfied.

The period beginning at the time and date the Option shall become exercisable and ending on the time and date the Option shall terminate is referred to herein as the 'Option Period.'

During the Option Period, each Harris Family Stockholder has agreed not to:

except pursuant to the terms of the Stockholders Agreement and for the tender of Shares in the Offer, and for sales, transfers and gifts to other Harris Family Stockholders which do not affect

the status of the Harris Family Shares under the Stockholders Agreement, offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement to do so;

except pursuant to the terms of the Stockholders Agreement, grant any proxies or powers of attorney, other than in connection with the Company's year 2000 annual meeting or to facilitate performance under the Stockholders Agreement; deposit any of their Shares into a voting trust or enter into a voting agreement with respect to any of their Shares; or

take any action that would make any representation or warranty contained in the Stockholders Agreement untrue or incorrect or have the effect of impairing the ability of the Stockholder to perform the Stockholder's obligations under the applicable Stockholders Agreement or preventing or delaying the consummation of any of the transactions contemplated by the applicable Stockholders Agreement and the Merger Agreement.

If the Option is exercised and, for any reason, neither Purchaser nor any third-party shall have acquired 100% of the Shares by a date which is nine months after such exercise at a price per Share equal to or greater than the price paid to exercise the Option, then at the election of all of the Harris Family Stockholders (upon five-days' notice given within ten months after such exercise) the Option exercise shall be rescinded. Upon any such rescission, the Harris Family Stockholders is required to return to Parent the aggregate option consideration previously received by them (plus investment income, if any, realized thereon) and Parent is required to return to the Harris Family Stockholders the Harris Family Shares free and clear of any encumbrances (plus any dividends (and investment income, if any, realized thereon)). Throughout the period during which the Option is subject to rescission, Parent and Purchaser is not permitted to take any action which would (i) adversely affect the voting rights in respect of the Harris Family Shares, but Parent shall be entitled to exercise full voting rights related to the Harris Family Shares or (ii) cause the Company to make or pay any special dividends or distributions. The foregoing notwithstanding, the provisions of this paragraph shall not apply if Purchaser or one of its affiliates makes, following the exercise of the Option and during such nine month period, an offer to all holders of Shares to purchase any or all of their Shares at a price per Share equal to or greater than the price paid to exercise the Option, which offer shall be subject to no conditions other than the absence of an injunction.

Each of the Harris Family Stockholders has agreed to unconditionally release, as of the Effective Time, any and all claims (other than for dividends), and causes of action that such Stockholder may have against the Company or any of its subsidiaries or any present or former director, officer, employee or agent of the Company or any of its subsidiaries (collectively, the 'Released Parties') resulting from any act, omission or occurrence prior to the Effective Time.

Each Harris Family Stockholder has agreed that, in the capacity as a stockholder, it will not respond to any inquiries or the making of any proposal by any person or entity (other than Parent or any affiliate of Parent) concerning any business combination, merger, tender offer, exchange offer, sale of assets, sale of shares of capital stock or debt securities or similar transactions involving the Company or any subsidiary, division or operating or principal business unit of the Company. If any Harris Family Stockholder receives any such inquiry or proposal, such Stockholder has agreed to promptly inform Parent of the existence thereof. Prior to the beginning of the Option Period, the Harris Family Stockholders, in their capacity as stockholders, may respond to any such inquiry or proposal; after the beginning of the Option Period, the Harris Family Stockholders are not permitted to respond to any such inquiry or proposal. Each Harris Family Stockholder has agreed to immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties previously conducted with respect to any of the foregoing. Nothing contained in the Stockholders Agreement shall prohibit any Harris Family Stockholder from acting in its capacity as an officer and/or director.

Pursuant to the Stockholders Agreement, Parent has agreed to indemnify the Harris Family Stockholders against any reasonable legal expenses (but not against liability) incurred by all such Harris Family Stockholders, in their capacity as such, as a result of any litigation (or threat of litigation) directly or indirectly related to the Stockholders Agreement up to $100,000 in the aggregate and one-half of any such expenses in excess of $100,000.

To the extent that the terms of the Stockholders Agreement would cause the shares of Common Stock to lose their special voting rights, the terms of the Stockholders Agreement shall be deemed modified ab initio, in whole or in part, to the extent, but only to the extent, necessary so that the shares of Common Stock do not lose their special voting rights.

12. PLANS FOR THE COMPANY; OTHER MATTERS.

Plans for the Company

Parent is conducting a detailed review of the Company and its business, operations, assets, corporate structure, capitalization, properties, policies, management and personnel with a view towards determining how to optimally realize the potential synergies that exist between the operations of the Company and those of Parent. Following such review, Parent will consider what, if any, changes would be desirable in light of the circumstances then existing. Such changes could include, among other things, changes in the Company's business, corporate structure, certificate of incorporation, by-laws, capitalization or management. Such review may not be completed until after the consummation of the Merger. Following the consummation of the Offer and subject to this review, it is currently anticipated by Parent that the existing management of the Company will be retained and that the Company will be integrated into Parent's Home and Building Control business unit and will conduct its business on a basis generally consistent with the Company's existing plans and programs.

Assuming the Minimum Condition is satisfied and Purchaser purchases Shares pursuant to the Offer, Parent will, effective upon the acceptance of Shares for payment, obtain majority representation on, and control of, the Board. See 'Section 11 -- Merger Agreement -- The Company Board' above. The Merger Agreement provides that, prior to the Share Purchase Date, the Company will take all action so that, effective upon the Share Purchase Date, the size of the Board shall be reduced to eight, all of the directors, other than two of the non-employee directors, shall resign and six persons designated by Parent prior to the Share Purchase Date shall be elected to fill the vacancies so created. The persons to be designated by Parent shall be from among those listed on Schedule I to this Offer to Purchase. Information about the existing directors of the Company is set forth in Schedule I to the 14D-9. See Section 11. The Merger Agreement provides that the directors of Purchaser and the officers of the Company at the Effective Time of the Merger will, from and after the Effective Time, be the initial directors and officers, respectively, of the Surviving Corporation.

Purchaser or an affiliate of Purchaser may, following the consummation or termination of the Offer, seek to acquire additional Shares through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it shall determine, which may be more or less than the price to be paid pursuant to the Offer. Purchaser and its affiliates also reserve the right to dispose of any or all Shares acquired by them, subject to the terms of the Merger Agreement.

Except as disclosed in this Offer to Purchase, and except as may be effected in connection with the integration of operations referred to above, neither Parent nor Purchaser has any present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization, liquidation, or sale or transfer of a material amount of assets, involving the Company or any of its subsidiaries, or any material changes in the Company's capitalization, corporate structure, business or composition of its management or the Board.

Other Matters

Stockholder Approval. Under the Certificate of Incorporation, the affirmative vote of holders of Shares entitled to cast at least two-thirds of the votes that may be cast by all holders of Shares on the Merger (counting the Class A Stock as entitled to cast 1/10th of a vote per Share) is required to approve and adopt the Merger Agreement and transactions contemplated thereby. The Company has represented in the Merger Agreement that the execution and delivery of the Merger Agreement by the Company and the consummation by the Company of the transactions contemplated by the Merger Agreement have been duly authorized by all necessary corporate action on the part of the Company, subject to the approval of the Merger by the Company's stockholders in accordance with the DGCL and the Certificate of Incorporation. The Company has also approved the Merger Agreement and the Stockholders Agreement for purposes of Section 203 of the DGCL and has represented to Parent and

Purchaser that the restrictions on certain business combinations contained in Section 203 of the DGCL are not applicable to the Merger Agreement, the Stockholders Agreement and the transactions contemplated thereby. In addition, the Company has represented that the affirmative vote of the holders of Shares entitled to cast at least two-thirds of the votes which the outstanding Shares are entitled to cast at the time on matters other than the election of directors is the only vote necessary to approve the Merger Agreement and the transactions contemplated thereby, including the Merger. Therefore, unless the Merger is consummated pursuant to the short-form merger provisions under the DGCL described below (in which case no further corporate action by the stockholders of the Company will be required to complete the Merger), the only remaining required corporate action of the Company will be the approval of the Merger Agreement and the transactions contemplated thereby by the affirmative vote of the holders of at least two-thirds of the votes which the outstanding Shares are entitled to cast at the time. The Merger Agreement provides that Parent will vote, or cause to be voted, all of the Shares owned by Parent, Purchaser or any of Parent's other subsidiaries and affiliates immediately following the Share Purchase Date in favor of the approval of the Merger and the adoption of the Merger Agreement. In the event that Parent, Purchaser and Parent's other subsidiaries acquire in the aggregate Shares representing at least two-thirds of the votes which the outstanding Shares are entitled to cast at the time on the approval of the Merger and the Merger Agreement, they would have the ability to effect the Merger without the affirmative votes of any other stockholders.

Short-Form Merger. Section 253 of the DGCL provides that, if a corporation owns at least 90% of the outstanding shares of each class of another corporation, the corporation holding such stock may merge itself into such corporation without any action or vote on the part of the board of directors or the stockholders of such other corporation (a 'short-form merger'). In the event that Parent, Purchaser and any other subsidiaries of Parent acquire in the aggregate at least 90% of the outstanding Shares of each class, pursuant to the Offer or otherwise, then, at the election of Parent, a short-form merger could be effected without any approval of the Company Board or the stockholders of the Company, subject to compliance with the provisions of Section 253 of the DGCL. Additionally, if, immediately prior to the Expiration Date of the Offer (as it may be extended), the Shares tendered and not withdrawn pursuant to the Offer constitute less than 90% of the outstanding Shares, Purchaser may extend the Offer for one or more periods not to exceed an aggregate of seven business days, notwithstanding that all conditions to the Offer are satisfied as of such Expiration Date of the Offer, in order to obtain tenders of a sufficient number of additional Shares to allow it to effect a short-form merger. Even if Parent and Purchaser do not own 90% of the outstanding Shares of each class following consummation of the Offer, Parent and Purchaser could seek to purchase additional Shares in the open market or otherwise in order to reach the 90% threshold and employ a short-form merger. The per Share consideration paid for any Shares so acquired may be greater or less than that paid in the Offer. Parent presently intends to effect a short-form merger if permitted to do so under the DGCL.

Appraisal Rights. Holders of the Shares do not have appraisal rights in connection with the Offer. However, if the Merger is consummated, holders of the Shares at the Effective Time will have certain rights pursuant to the provisions of Section 262 of the DGCL including the right to dissent and demand appraisal of, and to receive payment in cash of the fair value of, their Shares. Under Section 262 of the DGCL, dissenting stockholders of the Company who comply with the applicable statutory procedures will be entitled to a judicial determination of the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash, together with a fair rate of interest thereon, if any. Any such judicial determination of the fair value of the Shares could be based upon factors other than, or in addition to, the price per Share to be paid in the Merger or the market value of the Shares. The value so determined could be more or less than the price per Share to be paid in the Merger.

THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING STOCKHOLDERS UNDER THE DGCL DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE PROCEDURES TO BE FOLLOWED BY STOCKHOLDERS DESIRING TO EXERCISE ANY APPRAISAL RIGHTS AVAILABLE UNDER THE DGCL. THE PRESERVATION AND EXERCISE OF APPRAISAL RIGHTS REQUIRE STRICT ADHERENCE TO THE APPLICABLE PROVISIONS OF THE DGCL.

Rule 13e-3. The Commission has adopted Rule 13e-3 under the Exchange Act, which is applicable to certain 'going private' transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which Purchaser seeks to acquire the remaining Shares not held by it. Purchaser believes, however, that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger would be effected within one year following consummation of the Offer and in the Merger stockholders would receive the same price per Share as paid in the Offer. If Rule 13e-3 were applicable to the Merger, it would require, among other things, that certain financial information concerning the Company, and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such a transaction, be filed with the Commission and disclosed to minority stockholders prior to consummation of the transaction.

13. DIVIDENDS AND DISTRIBUTIONS.

As described above, the Merger Agreement provides that during the period from the date of the Merger Agreement to the Board Appointment Date, the Company shall not, and shall not permit any of its subsidiaries to, without the prior consent of Parent, (A) declare, set aside or pay any dividend on, or make any other distributions (whether in cash, securities or other property) in respect of, any of its outstanding capital stock (other than, with respect to a subsidiary of the Company in the ordinary course of business consistent with past practice), (B) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any assets other than in the ordinary and usual course of business and consistent with past practice, or incur or modify any indebtedness or other liability, other than in the ordinary and usual course of business and consistent with past practice, or (C) redeem, purchase, or otherwise acquire, directly or indirectly, any of its capital stock; provided, that the Company may pay the regular quarterly cash dividends not to exceed $.0217 per share of Common Stock and $.0300 per share of Class A Stock.

14. CONDITIONS TO THE OFFER.

Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) the Purchaser's rights to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Merger Agreement), the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-l(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and, subject to the terms of the Merger Agreement, may terminate or amend the Offer as to any Shares not then paid for, if (i) any applicable waiting period under the HSR Act has not expired or terminated, (ii) the Minimum Condition has not been satisfied, or (iii) at any time on or after the date of the Merger Agreement and before the Share Purchase Date, any of the following events shall occur:

(a)(i) there shall be threatened or pending any suit, action or proceeding by any Governmental Entity (as defined in the Merger Agreement) against the Purchaser, Parent, the Company or any subsidiary of the Company or (ii) there shall be instituted or pending any suit, action or proceeding before any court which, in the case of either (i) or (ii), in the good faith judgment of Parent and Purchaser after consulting with legal counsel, is likely to result in any change or effect (or any development that, insofar as can reasonably be foreseen, is likely to result in any change or effect) that will constitute a Company Material Adverse Effect (as defined in the Merger Agreement) or is materially adverse to the ability of Parent to consummate the Merger Agreement, the Offer, the acquisition of Shares pursuant to the Offer or the Merger, and which in each case of either (i) or (ii), is (A) seeking to prohibit or impose any material limitations on Parent's or the Purchaser's ownership or operation (or that of any of their respective subsidiaries or affiliates) of all or a material portion of the businesses or assets of the Company and its subsidiaries taken as a whole, or to compel Parent or the Purchaser or their respective subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Parent and their respective subsidiaries, in each case taken as a whole, (B) challenging the acquisition by Parent or the Purchaser of any Shares under the Offer, seeking to restrain or prohibit the making or consummation of the Offer or the Merger or the performance of any of the other transactions

contemplated by the Merger Agreement, or seeking to obtain from the Company, Parent or the Purchaser any damages that are material in relation to the Company and its subsidiaries taken as a whole, (C) seeking to impose material limitations on the ability of the Purchaser, or render the Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares pursuant to the Offer and the Merger, (D) seeking to impose material limitations on the ability of Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, or (E) which otherwise is reasonably likely to have a Company Material Adverse Effect; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve any such pending or threatened suit, action or proceeding;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated, or deemed applicable, pursuant to an authoritative interpretation by or on behalf of a Government Entity, to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (A) through (E) of paragraph (a) above; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve any such judgment, order, injunction or enforcement by any such Government Entity;

(c) there shall have occurred (i) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), or (ii) any limitation (whether or not mandatory) by any United States governmental authority on the extension of credit generally by banks or other financial institutions, in each instance to the extent, but only to the extent, that such events affect Parent's ability to obtain financing for the Offer;

(d) there shall have occurred any events, changes or effects after the date of the Merger Agreement which, either individually or in the aggregate, has had or is reasonably likely to have a Company Material Adverse Effect; provided that (i) any adverse change in the business relationship of the Company or any of its subsidiaries with any of its customers as a result of (x) the Company's entering into the Merger Agreement or (y) the transactions contemplated by the Merger Agreement, (ii) any effect of any such adverse change on the business, assets, liabilities, properties, results of operations or financial condition of the Company and its subsidiaries, (iii) any adverse effect of any decision by any customer of the Company or any of its subsidiaries that accounted for 5% or more of the consolidated net sales of the Company for the fiscal year ending December 31, 1999 to change the mix or channel of purchasing of products ordered or to be ordered from the Company or any of it subsidiaries, (iv) any adverse effect on the business relationship between the Company and its subsidiaries, on the one hand, and Protection One Alarm Monitoring, Inc. and its affiliates, on the other hand, resulting from the financial condition of Protection One Alarm Monitoring, Inc. and its affiliates and (v) any adverse effect of changes in foreign currency exchange shall be excluded when making any determination whether a Company Material Adverse Effect has occurred;

(e)(i) the Company Board or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or the Purchaser its approval or recommendation of the Offer, the Merger or the Merger Agreement, approved or recommended any Acquisition Proposal or, upon the request of Parent, failed to reaffirm its approval or recommendation of the Offer, the Merger or the Merger Agreement, or (ii) the Company shall have entered into any agreement with respect to any Acquisition Proposal in accordance with Section 5.4(e) of the Merger Agreement;

(f) the representations and warranties of the Company set forth in the Merger Agreement (which for these purposes shall exclude all qualifications or exceptions relating to 'materiality' and/or Company Material Adverse Effect) shall not be true and correct, in each case (i) as of the date referred to in any representation or warranty which addresses matters as of a particular date, or (ii) as to all other representations and warranties, as of the date of the Merger Agreement and as of the scheduled expiration of the Offer, such that the aggregate effect of all such representations and warranties which are not true and correct shall have had or be reasonably likely to have a Company Material Adverse Effect;

(g) the Company shall have failed to perform any obligation or to comply with any agreement or covenant with the Company to be performed or complied with by it under the Merger Agreement other than any failure which, except for the provisions of Section 1.3(a) of the Merger Agreement would not have, or be reasonably likely to have, either individually or in the aggregate, a Company Material Adverse Effect;

(h) any person (other than any person beneficially owning (as defined in Rule 13d-3 promulgated under the Exchange Act), or part of a group beneficially owning, 20% or more of the outstanding Shares on the date of the Merger Agreement) acquires beneficial ownership of at least 20% (or, with respect to any person beneficially owning, or part of a group beneficially owning, 10% or more on the date of the Merger Agreement or with respect to any group of which such a person may be or become a member, 25%) of the outstanding Shares;

(i) the Merger Agreement shall have been terminated in accordance with its terms; or

(j) Kirkland & Ellis shall have withdrawn its tax opinion delivered pursuant to Section 5.13 of the Merger Agreement and advised Parent in writing that, on account of such counsel's discovery of additional facts (a description of which shall be included in such writing) subsequent to the date of such opinion establishing that any of the fact statements set forth by the Company in a tax schedule are not true and correct, it has become such counsel's opinion that it is more likely than not that the Spinoff will fail to qualify as a distribution to which Section 355 of the Code applies as a result of (1) the negotiation, execution and delivery of the Merger Agreement, (2) any of the transactions contemplated by the Merger Agreement, or (3) any action or inaction on the part of the Company at or before the Share Purchase Date.

The foregoing conditions are for the sole benefit of Parent and the Purchaser, may be asserted by Parent or the Purchaser and may be waived by Parent or the Purchaser in whole or in part at any time and from time to time in the sole discretion of Parent or the Purchaser, subject in each case to the terms of the Merger Agreement. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

15. CERTAIN LEGAL MATTERS.

General. Except as described in this Section 15, based on information provided by the Company, none of the Company, Purchaser or Parent is aware of (i) any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by Parent or Purchaser pursuant to the Offer, the Merger or otherwise, or (ii) except as set forth herein, any material approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required prior to the acquisition of Shares by Purchaser pursuant to the Offer, the Merger or otherwise. Should any such approval or other action be required, Purchaser and Parent presently contemplate that such approval or other action will be sought, except as described below under 'State Antitakeover Statutes.' While, except as otherwise described in this Offer to Purchase, Purchaser does not presently intend to delay the acceptance for payment of, or payment for, Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that failure to obtain any such approval or other action might not result in consequences adverse to the Company's business or that certain parts of the Company's business might not have to be disposed of, or other substantial conditions complied with, in the event that such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, Purchaser could decline to accept for payment, or pay for, any Shares tendered. See Section 14 for certain conditions to the Offer, including conditions with respect to governmental actions.

State Antitakeover Statutes. Section 203 of the DGCL, in general, prohibits a Delaware corporation, such as the Company, from engaging in a 'Business Combination' (defined as a variety of transactions, including mergers) with an 'Interested Stockholder' (defined generally as a person that is the beneficial owner of 15% or more of the outstanding voting stock of the subject corporation) for a period of three years following the date that such person became an Interested Stockholder unless, prior to the date

such person became an Interested Stockholder, the board of directors of the corporation approved either the Business Combination or the transaction that resulted in the stockholder becoming an Interested Stockholder. The provisions of Section 203 of the DGCL are not applicable to any of the transactions contemplated by the Merger Agreement or the Stockholders Agreement, because the Merger Agreement, the Stockholders Agreement and the transactions contemplated thereby were approved by the Board prior to the execution thereof.

A number of states have adopted laws and regulations that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or which have substantial assets, security holders, employees, principal executive offices or principal places of business in such states. In Edgar v. MITE Corp., the Supreme Court of the United States (the 'Supreme Court') invalidated on constitutional grounds the Illinois Business Takeover statute, which, as a matter of state securities law, made certain corporate acquisitions more difficult. However, in 1987, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquirer from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

Parent and Purchaser do not believe that the antitakeover laws and regulations of any state other than the State of Delaware will by their terms apply to the Offer, and, except as set forth above with respect to Section 203 of the DGCL, neither Parent nor Purchaser has attempted to comply with any state antitakeover statute or regulation. Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer and nothing in this Offer to Purchase or any action taken in connection with the Offer is intended as a waiver of such right. If it is asserted that any state antitakeover statute is applicable to the Offer and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer or may be delayed in consummating the Offer. In such case, Purchaser may not be obligated to accept for payment, or pay for, any Shares tendered pursuant to the Offer. See Section 14.

Antitrust. The Offer and the Merger are subject to the HSR Act, which provides that certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the 'DOJ') and the Federal Trade Commission (the 'FTC') and certain waiting period requirements have been satisfied.

Parent intends to file its Notification and Report Form with respect to the Offer under the HSR Act shortly. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., New York City time, on the fifteenth day after the date Parent's form is filed, unless early termination of the waiting period is granted. However, the DOJ or the FTC may extend the waiting period by requesting additional information or documentary material from Parent or the Company. If such a request is made, such waiting period will expire at 11:59 p.m., New York City time, on the tenth day after substantial compliance by Parent with such request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. Thereafter, such waiting period may be extended only by court order or with the consent of Parent. In practice, complying with a request for additional information or material can take a significant amount of time. In addition, if the DOJ or the FTC raises substantive issues in connection with a proposed transaction, the parties frequently engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay consummation of the transaction while such negotiations continue. Purchaser will not accept for payment Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act with respect to the Offer have been satisfied. See Section 14.

The FTC and the DOJ frequently scrutinize the legality under the Antitrust Laws (as defined below) of transactions such as Purchaser's acquisition of Shares pursuant to the Offer and the Merger. At any time before or after Purchaser's acquisition of Shares, the DOJ or the FTC could take such action under the Antitrust Laws as it deems necessary or desirable in the public interest, including

seeking to enjoin the acquisition of Shares pursuant to the Offer or otherwise seeking divestiture of Shares acquired by Purchaser or divestiture of substantial assets of Parent or its subsidiaries. Private parties, as well as state governments, may also bring legal action under the Antitrust Laws under certain circumstances. Based upon an examination of information provided by the Company relating to the businesses in which Parent and the Company are engaged, Parent and Purchaser believe that the acquisition of Shares by Purchaser will not violate the Antitrust Laws. Nevertheless, there can be no assurance that a challenge to the Offer or other acquisition of Shares by Purchaser on antitrust grounds will not be made or, if such a challenge is made, of the result. See Section 14 for certain conditions to the Offer, including conditions with respect to litigation and certain governmental actions.

As used in this Offer to Purchase, 'Antitrust Laws' shall mean and include the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal and state statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Italian Antitrust. Pursuant to the Norme per la Tutela della Concorrenze e del Mercato, Parent may be required to provide notice of the Offer to the Autorita Garantee della Concorranza e del Mercato (the 'AGCM') in advance of its consummation. Upon such filing, the AGCM will have 30 days to either (i) approve the indirect transfer of Italian assets that would result from consummation of the Offer or (ii) institute a full investigation of the effect of the transactions pursuant to the Merger Agreement on competition in the Italian economy. Within 45 days of commencing any such investigation, the AGCM will either (a) approve the consummation of the Offer, (b) prohibit the indirect transfer of Italian assets, (c) condition such transfer on divestiture of some portion of such assets or (d) extend the investigation for an additional 30 days.

German Antitrust. Under German laws and regulations relating to the regulation of monopolies and competition, certain acquisition transactions may not be consummated in Germany unless certain information has been furnished to the German Federal Cartel Office (the 'FCO') and certain waiting period requirements have been satisfied without issuance by the FCO of an order to refrain. The purchase of Shares by Purchaser pursuant to the Offer and the consummation of the Merger may be subject to such requirements. Under such laws, the FCO has one month (unless earlier terminated by the FCO) from the time of filing of such information with the FCO to advise the parties of its intention to investigate the Offer and the Merger, in which case the FCO has four months from the date of filing in which to take steps to oppose the Offer and the Merger. Parent intends to file promptly the required notification with the FCO, if applicable, and request early termination of the one-month period. While Parent does not believe that there is any basis for the FCO to investigate the Offer and the Merger, there can be no assurance that the FCO will not investigate or oppose the transactions or that early termination of the waiting period will be granted.

Swedish Competition Law. Under Section 37 of the Swedish Competition Act, notice of the proposed acquisition must be provided to the Swedish Competition Authority ('SCA'). The SCA must no later than 30 calendar days after the receipt of a complete notification either adopt a clearance decision or a decision to initiate a phase two investigation. During this initial 30-day investigation period, the parties may not take actions to implement the transaction. If the SCA has decided to proceed with a phase two investigation, it must within three months from such a decision, either adopt a clearance decision or initiate proceedings before the District Court of Stockholm (this time limit may exceptionally be extended). If the conditions in Section 34 of the Swedish Competition Act are fulfilled, the Court must prohibit the transaction.

Other Laws. Parent and the Company conduct operations in a number of other jurisdictions, including Mexico, Brazil, the United Kingdom and Canada, where other regulatory filings or approvals may be required or advisable in connection with the Offer and the Merger. Parent and the Company are currently in the process of reviewing whether other filings or approvals may be required or desirable in these other jurisdictions.

16. FEES AND EXPENSES.

Parent has retained Lehman Brothers on an exclusive basis to render financial advisory services to Parent concerning its acquisition of the Company and to act as Dealer Manager in connection with the

Offer, pursuant to which Lehman Brothers will receive customary fees upon consummation of the acquisition. In addition, if the acquisition of the Company does not occur and Parent or any of its affiliates are paid a break-up, termination or similar fee by the Company, then the Parent has agreed to pay Lehman Brothers a customary break-up fee. If the acquisition of the Company does not occur and no break-up fee is paid, then Parent has agreed to reimburse Lehman Brothers for its reasonable expenses arising out of Lehman Brothers' engagement. Parent has also agreed to indemnify Lehman Brothers against certain liabilities and expenses in connection with its engagement.

Lehman Brothers has rendered various investment banking services and other advisory services to Parent and its affiliates in the past and is expected to continue to render such services, for which they have received and will continue to receive customary compensation from Parent and its affiliates. In the ordinary course of business, Lehman Brothers and its affiliates are engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of their trading and brokerage activities, Lehman Brothers and its affiliates may hold positions, for their own account or the account of customers, in equity, debt or other securities of Parent, the Company or any other company that may be involved in the Transaction.

Purchaser and Parent have retained Georgeson to serve as the Information Agent and The Bank of New York to serve as the Depositary in connection with the Offer. The Dealer Manager and the Information Agent may contact holders of Shares by personal interview, mail, telephone, telex, telegraph and other methods of electronic communication and may request brokers, dealers, commercial banks, trust companies and other nominees to forward the Offer materials to beneficial holders. The Information Agent and the Depositary will each receive reasonable and customary compensation for their services, be reimbursed for certain reasonable out-of-pocket expenses and be indemnified against certain liabilities in connection with their services, including certain liabilities and expenses under the federal securities laws.

Except as set forth above, neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or other person or entity in connection with the solicitation of tenders of Shares pursuant to the Offer (other than the Dealer Manager and the Information Agent). Brokers, dealers, banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding the Offer materials to their customers.

17. MISCELLANEOUS.

Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, Purchaser shall make a good faith effort to comply with such statute or seek to have such statute declared inapplicable to the Offer. If, after such good faith effort, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR PURCHASER NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Purchaser and Parent have filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act, together with exhibits, furnishing certain additional information with respect to the Offer. In addition, the Company has filed with the Commission the Schedule 14D-9 pursuant to Rule 14d-9 under the Exchange Act, setting forth its recommendation with respect to the Offer and the reasons for its recommendation and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, should be available for inspection and copies should be obtainable in the same manner set forth in Section 9 of this Offer to Purchase (except that such material will not be available at the regional offices of the Commission).

HII-2 ACQUISITION CORP.

December 23, 1999

SCHEDULE I

INFORMATION CONCERNING DIRECTORS
AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years, of each director and executive officer of Parent. Unless otherwise indicated, each such person is a citizen of the United States of America and the business address of each such person is c/o Honeywell International Inc., 101 Columbia Road, Morris Township, New Jersey 07962.

DIRECTORS OF PARENT

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATRIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Hans W. Becherer, 64 Deere & Company One John Deere Place Moline, IL 61265-8098	Chairman and Chief Executive Officer of Deere & Company. Mr. Becherer began his business career with Deere & Company, a manufacturer of mobile power machinery and a supplier of financial services, in 1962. After serving in a variety of managerial and executive positions, he became a director of Deere in 1986 and was elected President and Chief Operating Officer in 1987, President and Chief Executive Officer in 1989 and Chairman and Chief Executive Officer in 1990. He is also a director of The Chase Manhattan Corporation and Schering-Plough Corporation. Mr. Becherer has been a director of Parent since 1991.
Gordon M. Bethune, 58 ..... Continental Airlines, Inc. 1600 Smith Street Houston, TX 77002	Chairman of the Board and Chief Executive Officer of Continental Airlines, Inc. Mr. Bethune joined Continental Airlines, an international commercial airline company, in February 1994 as President and Chief Operating Officer. He was elected President and Chief Executive Officer in November 1994 and Chairman of the Board and Chief Executive Officer in 1996. From 1988 to 1994, Mr. Bethune served as vice president and general manager of various divisions of The Boeing Company, a manufacturer of commercial jetliners and military aircraft, and he served most recently as vice president and general manager of the Renton Division of the Commercial Airplane Group at Boeing. Prior to 1988, Mr. Bethune was senior vice president of operations for Piedmont Airlines, and he held senior management positions as vice president of engineering and maintenance at Western Air Lines, Inc. and at Braniff Airlines. Mr. Bethune is also a director of Sysco Corporation. Mr. Bethune was a director of Honeywell Inc. from April 1999 to December 1999, and has been a director of Parent since December 1, 1999.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Michael R. Bonsignore, 58.....	Chief Executive Officer of Parent. Elected to become Chairman of the Board of Parent on April 1, 2000, or upon Mr. Bossidy's earlier retirement. Mr. Bonsignore began his business career at Honeywell Inc. in 1969. He held various marketing and operations management positions and became Vice President of Marine Systems in 1981. In 1983, Mr. Bonsignore was appointed President of Honeywell Europe, based in Brussels, Belgium. In 1987, Mr. Bonsignore returned to Minneapolis as Executive Vice President, International, and was elected President of this business in May 1987. In 1990, Mr. Bonsignore was elected Executive Vice President and Chief Operating Officer for the International and Home & Building Control businesses, and was also elected to Honeywell, Inc.'s Board of Directors. Mr. Bonsignore was elected Chairman of the Board and Chief Executive Officer of Honeywell Inc. in 1993. He became Chief Executive Officer of Parent on December 1, 1999. Mr. Bonsignore is also a director of Cargill, Inc., Medtronic, Inc. and The St. Paul Companies, Inc. Mr. Bonsignore was a director of Honeywell Inc. from 1990 to December 1999, and has been a director of Parent since December 1, 1999.
Lawrence A. Bossidy, 64	Chairman of the Board of Parent until April 1, 2000 or his earlier retirement. Mr. Bossidy has been Chairman of the Board of Parent since January 1992 and served as Chief Executive Officer of Parent from July 1991 until December 1, 1999. He previously served in a number of executive and financial positions with General Electric Company, a diversified services and manufacturing company, which he joined in 1957. Mr. Bossidy was Chief Operating Officer of General Electric Credit Corporation (now General Electric Capital Corporation) from 1979 to 1981, Executive Vice President and Sector Executive of GE's Services and Materials Sector from 1981 to 1984, and Vice Chairman and Executive Officer of GE from 1984 until he joined the Company. He is a director of Champion International Corporation, J.P. Morgan & Co. Incorporated and Merck & Co., Inc. Mr. Bossidy has been a director of Parent since 1991.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Marshall N. Carter, 59 ..... State Street Corporation 225 Franklin Street Boston, MA 02110-2804	Chairman and Chief Executive Officer of State Street Corporation. Mr. Carter joined State Street Corporation and its principal subsidiary, State Street Bank and Trust Company, as President and Chief Operating Officer in 1991. He became Chief Executive Officer in 1992 and Chairman of the Board in 1993. State Street is a provider of services to institutional investors worldwide. Prior to joining State Street, Mr. Carter was with Chase Manhattan Bank for 15 years, and before that he served as an officer in the U.S. Marine Corps. Mr. Carter has been a director of Parent since March 1999.
Jaime Chico Pardo, 49 ..... Telefonos de Mexico, S.A. de C.V. Parque Via #190 Col. Cuauhtemoc 06599 Mexico, D.F.	Chief Executive Officer of Telefonos de Mexico, S.A. de C.V. (TELMEX). Mr. Chico Pardo joined TELMEX, a telecommunications company based in Mexico City, as its Chief Executive Officer in 1995. From 1993 to 1995, Mr. Chico Pardo was President and Chief Executive Officer of Grupo Condumex, S.A. de C.V., a manufacturer of products for the construction, automobile and telecommunications industries. Prior to 1993, Mr. Chico Pardo was President and Chief Executive Officer of Euzkadi/General Tire de Mexico, a manufacturer of automotive and truck tires. Mr. Chico Pardo is also Vice-Chairman of Carso Global Telecom and a director of Grupo Carso and Grupo Financiero Inbursa. Mr. Chico Pardo was a director of Honeywell Inc. from 1998 to December 1999, and has been a director of Parent since December 1, 1999. Mr. Chico Pardo is a citizen of Mexico.
Ann M. Fudge, 48 ..... Maxwell House and Post Division Kraft Foods, Inc. 555 South Broadway Tarrytown, NY 10591	Executive Vice President of Kraft Foods, Inc. Ms. Fudge joined General Foods USA in 1986 and held several planning and marketing positions before being appointed Executive Vice President and General Manager of the Dinners and Enhancers Division in 1991. In 1994, she was named President of Kraft General Foods' Maxwell House Coffee Company. In 1995, Ms. Fudge assumed her current position, while continuing to head the Maxwell House Coffee Division as General Manager. She became President of Kraft's Maxwell House and Post Division in 1997. Kraft is the multinational food business of Philip Morris Companies Inc. Ms. Fudge is a director of General Electric Company and Liz Claiborne, Inc. Ms. Fudge has been a director of Parent since 1993.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
James J. Howard, 64 ..... Northern States Power Company 414 Nicollet Mall Minneapolis, MN 55401-1993	Chairman of the Board, President and Chief Executive Officer of Northern States Power Company. Mr. Howard has been Chairman and Chief Executive Officer of Northern States Power, an energy company, since 1988, and President since 1994. Prior to 1987, Mr. Howard was President and Chief Operating Officer of Ameritech Corporation. Mr. Howard is also a director of Ecolab Inc., the Federal Reserve Bank of Minneapolis, ReliaStar Financial and Walgreen Company. Mr. Howard was a director of Honeywell Inc. from 1990 to December 1999, and has been a director of Parent since December 1, 1999.
Bruce Karatz, 54 ..... Kaufman and Broad Home Corporation 10990 Wilshire Boulevard Los Angeles, CA 90024	Chairman of the Board, President and Chief Executive Officer of Kaufman and Broad Home Corporation. Mr. Karatz was elected President and Chief Executive Officer of Kaufman and Broad Home Corporation, an international residential and commercial builder, in 1986, and Chairman of the Board in 1993. Mr. Karatz is also a director of Fred Meyer, Inc. and National Golf Properties, Inc. Mr. Karatz was a director of Honeywell Inc. from 1992 to December 1999, and has been director of Parent since December 1, 1999.
Robert P. Luciano, 66 ..... Schering-Plough Corporation One Giralda Farms Madison, NJ 07940	Chairman Emeritus of Schering-Plough Corporation. Mr. Luciano joined Schering-Plough Corporation, a manufacturer and marketer of pharmaceuticals and consumer products, in 1978. He served as President from 1980 to 1986, Chief Executive Officer from 1982 through 1995, and Chairman of the Board from 1984 through October 1998. He became Chairman Emeritus in December 1999. He is a director of C.R. Bard, Inc., Merrill Lynch & Co. and Schering-Plough Corporation. Mr. Luciano has been a director of Parent since 1989.
Russell E. Palmer, 65 ..... The Palmer Group 3600 Market Street Philadelphia, PA 19104	Chairman and Chief Executive Officer of The Palmer Group. Mr. Palmer established The Palmer Group, a private investment firm, in 1990, after serving seven years as Dean of The Wharton School of the University of Pennsylvania. He previously served as Managing Director and Chief Executive Officer of Touche Ross International and Managing Partner and Chief Executive Officer of Touche Ross & Co. (USA) (now Deloitte and Touche). He is a director of Federal Home Loan Mortgage Corporation, GTE Corporation, The May Department Stores Company and Safeguard Scientifics, Inc. Mr. Palmer has been a director of Parent since 1987.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Ivan G. Seidenberg, 53 ..... Bell Atlantic Corporation 1095 Avenue of the Americas New York, NY 10036	Chairman and Chief Executive Officer of Bell Atlantic Corporation. Mr. Seidenberg assumed his current position with Bell Atlantic Corporation, a telecommunications and information services provider, in January 1999. He previously served as Vice Chairman, President and Chief Executive Officer since June 1998, and Vice Chairman, President and Chief Operating Officer following the merger of NYNEX Corporation and Bell Atlantic in 1997. He had joined NYNEX in 1983 and served in several senior management positions before becoming a director and Vice Chairman of the Board in 1991, President and Chief Operating Officer in 1994, and Chairman and Chief Executive Officer in 1995. He is also a director of American Home Products Corporation, Boston Properties, Inc., CVS Corporation and Viacom Inc. Mr. Seidenberg has been a director of Parent since 1995.
Andrew C. Sigler, 68 ..... Champion International Corporation One Champion Plaza Stamford, CT 06921	Retired Chairman and Chief Executive Officer of Champion International Corporation. Mr. Sigler began his career at Champion International Corporation, a paper and forest products company, in 1956. He was elected President and Chief Executive Officer in 1974 and served as Chairman and Chief Executive Officer from 1979 until his retirement in 1996. He is a director of The Chase Manhattan Corporation and General Electric Company. Mr. Sigler has been a director of Parent since 1994.
John R. Stafford, 62 ..... American Home Products Corporation Five Giralda Farms Madison, NJ 07940-0874	Chairman, President and Chief Executive Officer of American Home Products Corporation. Mr. Stafford has held a number of positions with American Home Products, a manufacturer of pharmaceutical, health care, animal health and agricultural products, since joining that company in 1970. He served as General Counsel, Vice President, Senior Vice President and Executive Vice President before becoming President in 1981, an office he held until 1990 and which he resumed in early 1994. Mr. Stafford was elected Chairman of the Board and Chief Executive Officer in 1996. He is also a director of Bell Atlantic Corporation, The Chase Manhattan Corporation and Deere & Company. Mr. Stafford has been a director of Parent since 1993.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Michael W. Wright, 61 ..... SUPERVALUE INC. 11840 Valley View Road Minneapolis, MN 55440	Chairman of the Board, President and Chief Executive Officer, SUPERVALU INC. Mr. Wright was elected President and Chief Operating Officer of SUPERVALU INC., a major food distributor and retailer, in 1978, Chief Executive Officer in 1981, and Chairman of the Board in 1982. He joined SUPERVALU INC. as Senior Vice President of Administration and as a member of the board of directors in 1977. Prior to 1977, Mr. Wright was a partner in the law firm of Dorsey & Whitney. Mr. Wright is also a director of Cargill, Inc., Musicland Stores Corporation, and Wells Fargo and Company. Mr. Wright was a director of Honeywell Inc. from 1987 to December 1999, and has been a director of Parent since December 1, 1999.

EXECUTIVE OFFICERS OF PARENT

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATRIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Lawrence A. Bossidy, 64.	Chairman of the Board of Parent since January 1992, Chief Executive Officer of Parent from July 1991 through December 1, 1999.
Michael R. Bonsignore, 58.....	Chief Executive Officer of Parent since December 1, 1999. Chairman of the Board and Chief Executive Officer of Honeywell Inc. from April 1993 through December 1, 1999.
Giannantonio Ferrari, 60.....	Chief Operating Officer and Executive Vice President of Parent with responsibility for all non-aerospace businesses since December 1, 1999. President and Chief Operating Officer of Honeywell Inc. from April 1997 through December 1, 1999. President of Honeywell Europe S.A. from January 1992 to March 1997. Mr. Ferrari is a citizen of Belgium.
Robert D. Johnson, 52.....	Chief Operating Officer and Executive Vice President of Parent with responsibility for aerospace businesses since December 1, 1999. President and Chief Executive Officer of AlliedSignal Aerospace from April 1999 through December 1, 1999. President -- Aerospace Marketing, Sales and Service of Parent from January 1999 until March 1999. President -- Electronic & Avionics Systems of Allied from October 1997 to December 1998. Vice President and General Manager, Aerospace Services of Parent from 1994 to October 1997. Group Vice President, Manufacturing and Services of AAR Corp. from 1993 to 1994.
Peter M. Kreindler, 54.....	Senior Vice President and General Counsel of Parent since March 1992. Secretary of Parent from December 1994 until December 1, 1999.
James T. Porter, 47.....	Senior Vice President -- Information and Business Services of Parent since December 1, 1999. Vice President and Chief Administrative Officer of Honeywell Inc. from January 1998 through December 1, 1999. Corporate Vice President, Human Resources of Honeywell Inc. from May 1993 to December 1997.
Donald J. Redlinger, 55.....	Senior Vice President -- Human Resources and Communications of Parent since February 1995. Senior Vice President -- Human Resources of Parent from January 1991 to January 1995.
Richard F. Wallman, 48.....	Senior Vice President and Chief Financial Officer of Parent since March 1995. Vice President and Controller of International Business Machines Corp. from April 1994 to February 1995. General Assistant Controller of International Business Machines from October 1993 to March 1994.

2. DIRECTORS AND EXECUTIVE OFFICERS OF PURCHASER. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years, of each director and executive officer of Purchaser. Unless otherwise indicated, each such person is a citizen of the United States of America, and the business address of each such person is c/o Honeywell International, Inc., 101 Columbia Road, Morris Township, New Jersey 07962.

DIRECTORS OF PURCHASER

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATRIAL POSITIONS HELD DURING THE PAST FIVE YEARS
Peter M. Kreindler, 54.	See description above.
Victor P. Patrick, 41.....	Deputy General Counsel, Corporate and Finance, of Parent since April 1999. Vice President and General Counsel of AlliedSignal Aerospace Equipment Systems from November 1997 until April 1999. Associate General Counsel, Corporate and Finance, of Parent from January 1996 until October 1997. Assistant General Counsel, Corporate and Finance, of Parent from November 1994 until December 1995.
George Van Kula, 36.....	General Counsel for Parent's Home & Building Control -- Solutions and Services business unit since December 1, 1999. Vice President and Associate General Counsel of Honeywell Inc. since September 1997. Assistant General Counsel of Honeywell Inc. from December 1996 until September 1997. An attorney for the law firm of Latham & Watkins for more than five years prior thereto.
EXECUTIVE OFFICERS OF PURCHASER	
Giannantonio Ferrari, 60.....	Chairman of the Board of Purchaser. Mr. Ferrari is a citizen of Belgium. See description above.
Kevin Gilligan, 45.....	President of the Purchaser. President of Parent's Home and Building Controls -- Solutions and Services business unit since December 1, 1999. President of Honeywell Inc.'s Home and Building Control-Solutions and Services Division from September 1997 until December 1999. Vice President and General Manager of the North American region of Honeywell Inc.'s Home and Building Controls business from May 1994 until September 1997. Vice President of Honeywell Inc.'s Building Control business in Europe from October 1992 until May 1994.
Philip M. Palazzari, 52.....	Vice President and Treasurer of Purchaser. Mr. Palazzari has been Vice President and Chief Financial Officer of Parent's non-aerospace businesses since December 1, 1999. Previously, Mr. Palazzari was Vice President and Controller of Honeywell Inc. from October 1994 until December 1999.
George Van Kula, 36.....	Secretary of Purchaser. See description above.

Facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depositary, at the applicable address set forth below:

The Depositary for the Offer is:
THE BANK OF NEW YORK

By Overnight, Certified or Express Mail Delivery

By Mail:
Tender & Exchange Department
P.O. Box 11248
Church Street Station
New York, New York 10286-1248

By Facsimile Transmission:
(For Eligible Institutions Only)
(212) 815-6213
Confirm Facsimile by Telephone:
(800) 507-9357

By Hand or Overnight Courier:
Tender & Exchange Department
101 Barclay Street
Receive and Deliver Window
New York, New York 10286

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and the other tender offer documents may be directed to the Information Agent (or Dealer Manager), at the respective address and telephone number set forth below. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:
GEORGESON SHAREHOLDER COMMUNICATIONS INC.

17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers Call Collect: (212) 440-9800
All Others Call Toll Free: (800) 223-2064

The Dealer Manager for the Offer is:
LEHMAN BROTHERS
Three World Financial Center
200 Vesey Street, 18th Floor
New York, New York 10285
Call Collect: (212) 526-5012 or (212) 526-2864

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
AND CLASS A STOCK
OF
PITTWAY CORPORATION
PURSUANT TO THE OFFER TO PURCHASE DATED DECEMBER 23, 1999
TO
HII-2 ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
HONEYWELL INTERNATIONAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:
THE BANK OF NEW YORK

By Mail:	By Facsimile Transmission:	By Hand or Overnight Courier:
Tender & Exchange Department	(For Eligible Institutions Only)	Tender & Exchange Department
P.O. Box 11248	(212) 815-6213	101 Barclay Street
Church Street Station	Confirm Facsimile by Telephone:	Receive and Deliver Window
New York, New York 10286-1248	(800) 507-9357	New York, New York 10286

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

THE INSTRUCTIONS CONTAINED WITHIN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SHARE CERTIFICATE(S))	SHARES TENDERED (ATTACH ADDITIONAL SIGNED LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S)(1)	TOTAL NUMBER OF SHARES REPRESENTED BY SHARE CERTIFICATE(S)(1)	NUMBER OF SHARES TENDERED(2)
	TOTAL SHARES		

(1) Need not be completed by Book-Entry Stockholders.
(2) Unless otherwise indicated, it will be assumed that all Shares represented by Share certificates delivered to the Depositary are being tendered hereby. See Instruction 4.

This Letter of Transmittal is to be used by stockholders of Pittway Corporation if certificates for Shares (as such term is defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in Instruction 2 below) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at the Book-Entry Transfer Facility (as defined in, and pursuant to the procedures set forth in, Section 3 of the Offer to Purchase). Stockholders who deliver Shares by book-entry transfer are referred to herein as 'Book-Entry Stockholders' and other stockholders who deliver Shares are referred to herein as 'Certificate Stockholders.'

Stockholders whose certificates for Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) with respect to, their Shares and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.

PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number:_____

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s):_____

Window Ticket Number (if any):_____

Date of Execution of Notice of Guaranteed Delivery:_____

Name of Institution which Guaranteed Delivery:_____

If delivered by Book-Entry Transfer, check box: [ ]

Account Number: _____

Transaction Code Number: _____

Ladies and Gentlemen:

The undersigned hereby tenders to HII-2 Acquisition Corp., a Delaware corporation ('Purchaser') and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ('Parent'), the above-described shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and, together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'), pursuant to Purchaser's offer to purchase all of the outstanding Shares at a price of $45.50 per Share, net to the seller in cash, without interest (such price, or any such higher price as may be paid in the offer, the 'Offer Price') upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 23, 1999 and in this Letter of Transmittal (which, as amended or supplemented from time to time, collectively constitute the 'Offer'). The undersigned understands that Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer. Receipt of the Offer is hereby acknowledged.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 20, 1999 (the 'Merger Agreement'), by and among Parent, Purchaser and the Company.

Upon the terms and subject to the conditions of the Offer (including if the Offer is extended or amended, the terms and conditions of such extension or amendment), subject to, and effective upon, acceptance for payment of, and payment for, the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof on or after the date of the Merger Agreement (collectively, 'Distributions')) and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and any and all Distributions), or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares (and any and all Distributions) for transfer on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned hereby irrevocably appoints Peter M. Kreindler, Victor P. Patrick, Philip M. Palazzari and George Van Kula in their respective capacities with Purchaser or Parent, and any individual who shall thereafter succeed to any such office of Purchaser or Parent, and each of them, as the attorneys-in-fact and proxies of the undersigned, each with full power of substitution and resubstitution, to vote at any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof or otherwise in such manner as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, to execute any written consent concerning any matter as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, and to otherwise act as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, all of the Shares (and any and all Distributions) tendered hereby and accepted for payment by Purchaser. This appointment will be effective if and when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall, without further action, revoke any prior powers of attorney and proxies granted by the undersigned at any time with respect to such Shares (and any and all Distributions), and no subsequent powers of attorney, proxies, consents or revocations may be given by the undersigned with respect thereto (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for Shares (or other Distributions) to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of the Company's stockholders.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that the undersigned owns the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), that the tender of the tendered Shares complies with Rule 14e-4 under the Exchange Act, and that when the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall

remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that the valid tender of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms or conditions of any such extension or amendment). Without limiting the foregoing, if the price to be paid in the Offer is amended in accordance with the Merger Agreement, the price to be paid to the undersigned will be the amended price notwithstanding the fact that a different price is stated in this Letter of Transmittal. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated under 'Special Payment Instructions,' please issue the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing above under 'Description of Shares Tendered.' Similarly, unless otherwise indicated under 'Special Delivery Instructions,' please mail the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under 'Description of Shares Tendered.' In the event that the boxes entitled 'Special Payment Instructions' and 'Special Delivery Instructions' are both completed, please issue the check for the purchase price of all Shares purchased and/or return any certificates evidencing Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and/or return any such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled 'Special Payment Instructions,' please credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the 'Special Payment Instructions,' to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

[ ] CHECK HERE IF ANY OF THE CERTIFICATES REPRESENTING THE SHARES THAT YOU OWN HAVE BEEN LOST, DESTROYED OR STOLEN AND SEE INSTRUCTION 11.

Number of the Shares represented by lost, destroyed or stolen certificates: _____

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of the Shares accepted for payment is to be issued in name of someone other than the undersigned, if certificates for the Shares not tendered or not accepted for payment are to be issued in the name of someone other than the undersigned or if Shares tendered hereby and delivered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than the account indicated above.
Issue check and/or the Share certificate(s) to:

Name: _____
(PLEASE PRINT)

Address: _____

_____

_____
(INCLUDE ZIP CODE)

_____
(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(SEE SUBSTITUTE FORM W-9)

Credit the Shares delivered by book-entry transfer and not purchased to the Book-Entry Transfer Facility account:

_____
(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for the Shares not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment is to be sent to someone other than the undersigned or to the undersigned at an address other than that shown under 'Description of Shares Tendered.'

Mail check and/or the Share certificates to:

Name: _____
(PLEASE PRINT)

Address: _____

_____

_____
(INCLUDE ZIP CODE)

_____
(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)

(SEE SUBSTITUTE FORM W-9)

SIGN HERE
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

_____

_____

(SIGNATURE(S) OF STOCKHOLDER(S)

Dated: _____

(Must be signed by registered holder(s) exactly as name(s) appear(s) on the Share certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5.)

Name(s) _____

_____

(PLEASE PRINT)

Name of Firm_____

Capacity (full title)_____

(SEE INSTRUCTION 5)

ADDRESS _____

_____

(INCLUDE ZIP CODE)

_____

Area Code and Telephone Number _____

Taxpayer Identification or Social Security Number _____

(SEE SUBSITUTE FORM W-9)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

Authorized Signature(s) _____

Name(s) _____

_____

(PLEASE PRINT)

Title _____

Name of Firm _____

Address _____

_____

(INCLUDE ZIP CODE)

_____

Area Code and Telephone Number _____

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Instruction 1, includes any participant in any of the Book-Entry Transfer Facility's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith, unless such registered holder(s) has completed either the box entitled 'Special Payment Instructions' or the box entitled 'Special Delivery Instructions' on the Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an 'Eligible Institution'). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be completed by stockholders of the Company either if Share certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if delivery of Shares is to be made by book-entry transfer pursuant to the procedures set forth herein and in Section 3 of the Offer to Purchase. For a stockholder to validly tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees or an Agent's Message (in connection with book-entry transfer) and any other required documents, must be received by the Depositary at one of its addresses set forth herein prior to the Expiration Date and either (i) certificates for tendered Shares must be received by the Depositary at one of such addresses prior to the Expiration Date or (ii) Shares must be delivered pursuant to the procedures for book-entry transfer set forth herein and in Section 3 of the Offer to Purchase and a Book-Entry Confirmation must be received by the Depositary prior to the Expiration Date or (b) the tendering stockholder must comply with the guaranteed delivery procedures set forth herein and in Section 3 of the Offer to Purchase.

Stockholders whose certificates for Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot comply with the book-entry transfer procedures on a timely basis may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth herein and in Section 3 of the Offer to Purchase.

Pursuant to such guaranteed delivery procedures, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, must be received by the Depositary prior to the Expiration Date and (iii) the certificates for all tendered Shares, in proper form for transfer (or a Book-Entry Confirmation with respect to all tendered Shares), together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other required documents must be received by the Depositary within three trading days after the date of execution of such Notice of Guaranteed Delivery. A 'trading day' is any day on which the New York Stock Exchange is open for business.

The term 'Agent's Message' means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

The signatures on this Letter of Transmittal cover the Shares tendered hereby.

THE METHOD OF DELIVERY OF THE SHARES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER. THE SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted, and no fractional Shares will be purchased. All tendering stockholders, by executing this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein under 'Description of Shares Tendered' is inadequate, the number of Shares tendered and the Share certificate numbers with respect to such Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. (Not applicable to stockholders who tender by book-entry transfer). If fewer than all the Shares evidenced by any Share certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares that are to be tendered in the box entitled 'Number of Shares Tendered.' In any such case, new certificate(s) for the remainder of the Shares that were evidenced by the old certificates will be sent to the registered holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date or the termination of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any of the tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any Share certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of the authority of such person so to act must be submitted.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of Share certificates or separate stock powers are required unless payment or certificates for Shares not tendered or not accepted for payment are to be issued in the name of a person other than the registered holder(s). Signatures on any such Share certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares evidenced by certificates listed and transmitted hereby, the Share certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Share certificates. Signature(s) on any such Share certificates or stock powers must be guaranteed by an Eligible Institution.

6. STOCK TRANSFER TAXES. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the transfer and sale of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or if certificates for Shares not tendered or not accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such other person) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE SHARE CERTIFICATES EVIDENCING THE SHARES TENDERED HEREBY.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the purchase price of any Shares accepted for payment is to be issued in the name of, and/or Share certificates for Shares not accepted for payment or not tendered are to be issued in the name of and/or returned to, a person other than the signer of this Letter of Transmittal or if a check is to be sent, and/or such certificates are to be returned, to a person other than the signer of this Letter of Transmittal, or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Any stockholder(s) delivering

Shares by book-entry transfer may request that Shares not purchased be credited to such account maintained at the Book-Entry Transfer Facility as such stockholder(s) may designate in the box entitled 'Special Payment Instructions.' If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above as the account from which such Shares were delivered.

8. QUESTIONS AND REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent or the Dealer Manager at their respective addresses and phone numbers set forth below, or from brokers, dealers, commercial banks or trust companies.

9. WAIVER OF CONDITIONS. Subject to the Merger Agreement, Purchaser reserves the absolute right in its sole discretion to waive, at any time or from time to time, any of the specified conditions of the Offer (other than the Minimum Condition), in whole or in part, in the case of any Shares tendered.

10. BACKUP WITHHOLDING. In order to avoid 'backup withholding' of federal income tax on payments of cash pursuant to the Offer, a stockholder surrendering Shares in the Offer must, unless an exemption applies, provide the Depositary with such stockholder's correct taxpayer identification number ('TIN') on Substitute Form W-9 in this Letter of Transmittal and certify, under penalties of perjury, that such TIN is correct and that such stockholder is not subject to backup withholding.

Backup withholding is not an additional income tax. Rather, the amount of the backup withholding can be credited against the federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the stockholder upon filing an income tax return.

The stockholder is required to give the Depositary the TIN (i.e., social security number or employer identification number) of the record owner of the Shares. If the Shares are held in more than one name or are not in the name of the actual owner, consult the enclosed 'Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9' for additional guidance on which number to report.

The box in Part 3 of the Substitute Form W-9 may be checked if the tendering stockholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the stockholder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Depositary will withhold 31% on all payments made prior to the time a properly certified TIN is provided to the Depositary. However, such amounts will be refunded to such stockholder if a TIN is provided to the Depositary within 60 days.

Certain stockholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. Noncorporate foreign stockholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See the enclosed 'Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9' for more instructions.

11. LOST, DESTROYED OR STOLEN SHARE CERTIFICATES. If any certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary by checking the box immediately preceding the special payment/special delivery instructions and indicating the number of Shares lost. The stockholder will then be instructed as to the steps that must be taken in order to replace the Share certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Share certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF) TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE, AND ANY OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING STOCKHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

IMPORTANT TAX INFORMATION

Under federal income tax law, a stockholder whose tendered Shares are accepted for payment is required to provide the Depositary (as payer) with such stockholder's correct taxpayer identification number on Substitute Form W-9 below. If such stockholder is an individual, the taxpayer identification number is his or her social security number. If a tendering stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box on the Substitute Form W-9. If the Depositary is not provided with the correct taxpayer identification number, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding.

Certain stockholders (including, among others, all corporations, and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depositary. Exempt stockholders, other than foreign individuals, should furnish their TIN, write 'Exempt' on the face of the Substitute Form W-9 below, and sign, date and return the Substitute Form W-9 to the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct taxpayer identification number by completing the form contained herein certifying that the taxpayer identification number provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a taxpayer identification number).

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, such stockholder should write 'Applied For' in the space provided for in the TIN in Part 1, and sign and date the Substitute Form W-9. If 'Applied For' is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price until a TIN is provided to the Depositary.

TO BE COMPLETED BY ALL TENDERING SHAREHOLDERS.
(SEE INSTRUCTION 10)

PAYOR'S NAME: THE BANK OF NEW YORK

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ('TIN')	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number (If awaiting TIN write 'Applied For') OR_____ Employer Identification Number (If awaiting TIN write 'Applied For')

PART 2 -- Certificate-Under penalties of perjury, I certify that:
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued for me), and
(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the 'IRS') that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.
CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under-reporting interest or dividends on your tax returns. However, if after being notified by the IRS that you are subject to backup withholding, you receive another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2). (Also see instructions in the enclosed Guidelines).

SIGNATURE:_____ DATE:_____
PART 3 -- Awaiting TIN [ ]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY CASH PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number to the Depositary by the time of payment, 31% of all reportable payments made to me thereafter will be withheld, but that such amounts will be refunded to me if I provide a certified Taxpayer Identification Number to the Depositary within sixty (60) days.

Signature:_____ Date:_____

Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below:

The Information Agent for the Offer is:

GEORGESON SHAREHOLDER COMMUNICATIONS INC.

17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers Call Collect (212) 440-9800
All Others Call Toll Free (800) 223-2064

The Dealer Manager for the Offer is:
LEHMAN BROTHERS
Three World Financial Center
200 Vesey Street, 18th Floor
New York, New York 10285
Call Collect: (212) 526-5012 or (212) 526-2864

NOTICE OF GUARANTEED DELIVERY
TO
TENDER SHARES OF COMMON STOCK
AND CLASS A STOCK
OF
PITTWAY CORPORATION

This Notice of Guaranteed Delivery, or a form substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates representing shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), or shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation, are not immediately available, if the procedure for book-entry transfer cannot be completed prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase dated December 23, 1999 (the 'Offer to Purchase')), or if time will not permit all required documents to reach the Depositary prior to the Expiration Date. Such form may be delivered by hand, transmitted by facsimile transmission or mailed to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:
THE BANK OF NEW YORK

By Mail:	By Facsimile Transmission:	By Hand or Overnight Courier:
Tender & Exchange Department P.O. Box 11248 Church Street Station New York, New York 10286-1248	(For Eligible Institutions Only) (212) 815-6213 Confirm Facsimile by Telephone: (800) 507-9357	Tender & Exchange Department 101 Barclay Street Receive and Deliver Window New York, New York 10286

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN 'ELIGIBLE INSTITUTION' UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

The Guarantee on the Reverse Side Must Be Completed

Ladies and Gentlemen:

The undersigned hereby tenders to HII-2 Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the 'Offer'), receipt of which is hereby acknowledged, the number of shares set forth below of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and/or Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation, pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Shares of Common Stock: _____

Number of Shares of Class A Stock: _____

Certificate Nos. (if available):

_____

_____

Check box if Shares will be tendered by book-entry transfer: [ ]

Account Number: _____

Dated: _____

Name(s) of Record Holder(s):

_____

_____

PLEASE PRINT

Address(es):_____

_____

_____

ZIP CODE

Area Code and Telephone No.:

_____

_____

Signature(s): _____

_____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, guarantees to deliver to the Depositary either certificates representing the Shares tendered hereby, in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase), and any other documents required by the Letter of Transmittal, within three trading days (as defined in the Offer to Purchase) after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm:_____ _____

AUTHORIZED SIGNATURE

Address: _____ _____

PLEASE PRINT

_____ _____

(ZIP CODE)

Dated: _____

Area Code and Telephone No.:_____

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT ONLY WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND CLASS A STOCK
OF
PITTWAY CORPORATION
AT
$45.50 NET PER SHARE
BY
HII-2 ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
HONEYWELL INTERNATIONAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

December 23, 1999

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been appointed by HII-2 Acquisition Corp., a Delaware corporation ('Purchaser') and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ('Parent'), to act as Dealer Manager in connection with Purchaser's offer to purchase all outstanding shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'), at $45.50 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 23, 1999 (the 'Offer to Purchase') and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the 'Offer') enclosed herewith. Holders of Shares whose certificates for such Shares are not immediately available or who cannot deliver their Share Certificates and all other required documents to the Depositary (as defined below) prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES WHICH REPRESENTS, AT THE TIME OF ACCEPTANCE FOR PAYMENT OF ANY SHARES PURSUANT TO THE OFFER, AT LEAST (I) TWO-THIRDS OF THE OUTSTANDING SHARES (DETERMINED ON A FULLY DILUTED BASIS (AS DEFINED IN THE OFFER TO PURCHASE)) AND (II) SHARES ENTITLED TO CAST AT LEAST TWO-THIRDS OF THE VOTES THAT MAY BE CAST BY ALL HOLDERS OF SHARES ON THE MERGER (COUNTING THE CLASS A STOCK AS ENTITLED TO CAST 1/10TH OF A VOTE PER SHARE AND DETERMINED ON SUCH FULLY DILUTED BASIS). THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THE OFFER TO PURCHASE. THE OFFER IS NOT SUBJECT TO A FINANCING CONDITION. SEE SECTION 14 OF THE OFFER TO PURCHASE.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase dated December 23, 1999;

2. Letter of Transmittal for your use in accepting the Offer and tendering Shares and for the information of your clients;

3. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares and all other required documents cannot be delivered to the Depositary, or if the procedures for book-entry transfer cannot be completed, by the Expiration Date;

4. A letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. A letter to stockholders of the Company from Mr. King Harris, President and CEO of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9 dated December 23, 1999, which has been filed by the Company with the Securities and Exchange Commission;

6. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. A return envelope addressed to The Bank of New York (the 'Depositary').

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and pay for Shares which are validly tendered prior to the Expiration Date and not theretofore properly withdrawn when, as and if Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) certificates for such Shares, or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, pursuant to the procedures described in Section 3 of the Offer to Purchase, (ii) a properly completed and duly executed Letter of Transmittal (or a properly completed and manually signed facsimile thereof) or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry transfer and (iii) all other documents required by the Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Dealer Manager, the Information Agent and the Depositary as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling costs incurred by them in forwarding the enclosed materials to their customers.

Purchaser will pay or cause to be paid all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer of Shares, and any other required documents, should be sent to the Depositary, and certificates representing the tendered Shares should be delivered or such Shares should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and in the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents or to complete the procedures for delivery by book-entry transfer prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Dealer Manager or the Information Agent at their respective address and telephone number set forth on the back cover of the Offer to Purchase.

Very truly yours,

LEHMAN BROTHERS

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU THE AGENT OF PARENT, PURCHASER, THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT, THE DEPOSITARY OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND CLASS A STOCK
OF
PITTWAY CORPORATION
AT
$45.50 NET PER SHARE
BY
HII-2 ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
HONEYWELL INTERNATIONAL INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

December 23, 1999

To Our Clients:

Enclosed for your consideration are the Offer to Purchase dated December 23, 1999 (the 'Offer to Purchase') and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the 'Offer') in connection with the offer by HII-2 Acquisition Corp., a Delaware corporation ('Purchaser') and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ('Parent'), to purchase for cash all outstanding shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation (the 'Company'). Holders of Shares whose certificates evidencing such Shares (the 'Share Certificates') are not immediately available or who cannot deliver their Share Certificates and all other required documents to the Depositary (as defined in the Offer to Purchase) on or prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

WE ARE THE HOLDER OF RECORD OF SHARES HELD FOR YOUR ACCOUNT. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE ENCLOSED LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is directed to the following:

1. The offer price is $45.50 per Share, net to you in cash without interest.

2. The Offer is being made for all outstanding Shares.

3. The Board of Directors of the Company has approved the Merger Agreement (as defined in the Offer to Purchase) and the transactions contemplated thereby, including the Offer and the Merger (as defined in the Offer to Purchase), and has determined that the Offer and the Merger are fair to, and in the best interests of, the Company and the Company's stockholders and recommends that stockholders accept the Offer and tender their Shares pursuant to the Offer.

4. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, February 3, 2000, unless the Offer is extended.

5. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the Expiration Date that number of Shares which represents, at the time of acceptance for payment of any Shares pursuant to the Offer, at least (i) two-thirds of the outstanding Shares (determined on a fully diluted basis (as defined in the Offer to Purchase)) and (ii) Shares entitled to cast at least two-thirds of the votes that may be cast by all holders of Shares on the Merger (counting the Class A Stock as entitled to cast 1/10th of a vote per share and determined on such fully diluted basis). The Offer is also subject to the other conditions set forth in the Offer to Purchase. The Offer is not subject to a financing condition. See Section 14 of the Offer to Purchase.

6. Any stock transfer taxes applicable to the sale of Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Except as disclosed in the Offer to Purchase, Purchaser is not aware of any state in which the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. In any jurisdiction in which the securities, 'blue sky' or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by Lehman Brothers Inc., the Dealer Manager for the Offer, or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

IF YOU WISH TO HAVE US TENDER ANY OR ALL OF YOUR SHARES, PLEASE SO INSTRUCT US BY COMPLETING, EXECUTING AND RETURNING TO US THE INSTRUCTION FORM SET FORTH ON THE REVERSE SIDE OF THIS LETTER. AN ENVELOPE TO RETURN YOUR INSTRUCTIONS TO US IS ENCLOSED. IF YOU AUTHORIZE THE TENDER OF YOUR SHARES, ALL SUCH SHARES WILL BE TENDERED UNLESS OTHERWISE SPECIFIED ON THE REVERSE SIDE OF THIS LETTER. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN SUFFICIENT TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

INSTRUCTIONS WITH RESPECT TO THE
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF
COMMON STOCK AND CLASS A STOCK
OF
PITTWAY CORPORATION
AT
$45.50 NET PER SHARE
BY
HII-2 ACQUISITION CORP.
A WHOLLY OWNED SUBSIDIARY OF
HONEYWELL INTERNATIONAL INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated December 23, 1999 and the related Letter of Transmittal in connection with the Offer by HII-2 Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation, to purchase all outstanding shares of Common Stock of the par value of $1.00 per share (the 'Common Stock'), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the 'Class A Stock', and together with the Common Stock, the 'Shares'), of Pittway Corporation, a Delaware corporation.

This will instruct you to tender the number of Shares indicated below (or if no number is indicated below, all Shares) held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

Number of Shares of Common Stock to be Tendered:* _____ Shares
Number of Shares of Class A Stock to be Tendered:*_____ Shares

Dated: _____ , _____

_____
Signature(s)

_____

_____
Print Name(s)

_____

_____
Address(es)

_____
Area Code and Telephone Number(s)

_____
Tax ID or Social Security Number(s)

- ------------
* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYOR. -- Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payor.

For this type of account:	Give the EMPLOYER IDENTIFICATION number of --
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, the first individual on the account(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a. A revocable savings trust account (in which grantor is also trustee)	The grantor-trustee(1)
b. Any 'trust' account that is not a legal or valid trust under State law	The actual owner(4)
8. Sole proprietorship account	The owner(4)
9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a state or local governmental school district or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner.
(5) List first and circle the name of the legal trust, estate or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), or Form W-7 for Individual Taxpayer Identification Number (for alien individuals required to file U.S. tax returns) at an office of the Social Security Administration or the Internal Revenue Service.

PAYEES EXEMPT FROM BACKUP WITHHOLDING
Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under Section 403(b)(7).
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any political subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A foreign central bank of issue.

PAYMENTS NOT GENERALLY SUBJECT TO BACKUP WITHHOLDING
Payment of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to non-resident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE SHOULD FILE A SUBSTITUTE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE 'EXEMPT' ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 604lA(a), 6045 and 6050A.

PRIVACY ACT NOTICE -- Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES
(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. -- If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDER. -- If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.
(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. -- Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

[LOGO]

NEWS RELEASE

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Honeywell
(973) 455-4732

Ed Schwartz
Pittway Corp.
(312) 831-4136

HONEYWELL TO ACQUIRE PITTWAY CORPORATION FOR $45.50 PER SHARE, CREATING PREMIER $5-BILLION GLOBAL HOME AND BUILDING CONTROL BUSINESS

TRANSACTION TO DRAMATICALLY EXPAND HONEYWELL'S PORTFOLIO OF OFFERINGS IN THE GROWING FIRE AND SECURITY SYSTEM INDUSTRIES

COMBINATION TO ENABLE HOME & BUILDING CONTROL BUSINESS TO MEET RISING DEMAND FOR INTEGRATED SOLUTIONS COMBINING FIRE, SECURITY AND HVAC CONTROLS

MORRIS TOWNSHIP, New Jersey and CHICAGO, Illinois, December 20, 1999 -- Honeywell [NYSE: HON] and Pittway Corporation [NYSE: PRY and PRY.A] said today that they have entered into a definitive merger agreement under which Honeywell will acquire Pittway for $45.50 per share in cash. The acquisition is expected to close in the first quarter of 2000.

Pittway, headquartered in Chicago, Illinois, is one of the world's leading manufacturers and distributors of security and fire systems and other low-voltage products for homes and buildings. Its systems and products are marketed globally under the Ademco, Notifier, System Sensor, ADI, Northern Computers and other popular brand names. Since 1993, Pittway's revenues have grown at a compounded annual growth rate

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of 23% and were $1.3 billion in 1998. The company expects 1999 sales to be approximately $1.6 billion.

"Pittway will strengthen and be a major growth catalyst for our Home & Building Control business, making the combined entity a premier $5-billion global player in fire protection, security and HVAC controls and systems integration," said Lawrence A. Bossidy, Honeywell's Chairman.

EXTENDS RESIDENTIAL AND COMMERCIAL CAPABILITIES

Michael R. Bonsignore, Honeywell's Chief Executive Officer, said, "In one bold and swift move, we are accelerating the transformation of our Home & Building Control business. Pittway adds a dynamic, high-growth engine that will significantly contribute to Honeywell's future revenue and earnings performance. It will dramatically extend our global capabilities in sensors, systems integration and HVAC controls to the rapidly growing $10-billion fire and security industries, which combined are expanding at least 7% to 8% annually."

"By growing in these two industries, we will be able to delight our customers with a broader array of quality products, systems and services as we transform our business to focus on value-added solutions and broader partnerships with our installing and end-user customers," Bonsignore added. "It also will enable us to apply our systems integration expertise to satisfy the increasing demand for offerings that combine fire, security and HVAC controls into one integrated solutions package."

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King Harris, Pittway President and CEO, said, "We believe this merger brings together two world-class companies committed to excellence in quality, product performance, manufacturing and customer service. We are impressed with the `new' Honeywell that Mike Bonsignore is in the process of creating. We are proud of the growth oriented, entrepreneurial culture we have developed over the last 37 years and are convinced that it will accelerate the transformation of the Home & Building Control business within the new Honeywell.

"Together, we will be able to accelerate our efforts to attack the huge potential for advanced technology products focused on integrated control systems for businesses and residences," Harris continued. "Honeywell's extensive, first-rate line of HVAC products and systems will fill a large gap in our product offerings and its expertise in solution selling will be invaluable to all our systems companies. And as we expand our international business, Honeywell's global distribution capabilities will be a tremendous resource for us."

SUPPORTS HOME VISION STRATEGY

"Besides fitting seamlessly with Honeywell's commercial HVAC and Security solutions businesses, Pittway also complements Honeywell's Home Vision strategy," said Kevin Gilligan, President of Honeywell's Home & Building Control business.

"Home Vision is focused on responding to homeowners' growing interest in better and more secure living in today's complicated times," Gilligan explained. "From comfort, health, security and fire protection needs -- to the demand for networking with

the Internet and other home products -- our Home Vision will bring consumers a host of innovative solutions. We're excited about the potential for Pittway's advanced product portfolio and distribution channels given Honeywell's strengthening focus on partnerships with existing installer/integrators."

As part of the Home Vision strategy, the company recently introduced the Honeywell Home Controller -- the first of a series of revolutionary Internet-based communicating products designed to integrate the control of a variety of home devices, including televisions, VCRs, lights, security systems, fire detection and thermostats, among many others.

In conjunction with the Home Controller launch, Honeywell also debuted its Your Home Expert'TM' website (http://www.honeywell.com/yourhome). The website serves as a state-of-the-art, continuously updated and interactive Internet tool that customers can use to quickly and easily access expert information on achieving greater comfort, safety and health in their home.

Under the merger agreement, Honeywell is expected to commence, by Thursday, December 23, 1999, a tender offer to acquire all of the approximately 43 million outstanding shares of Pittway's Common and Class A stock. The value of the transaction will total approximately $2.2 billion, which includes the assumption of approximately $167 million of Pittway net debt. The transaction is expected to be neutral to Honeywell's earnings in 2000.

Honeywell said that members of the Harris family, beneficially owning 4,165,978 shares of Common stock and 6,413,321 shares of Class A stock (representing 52.9% and

18.4%, respectively, of the outstanding shares of Pittway Common stock and Class A stock), have agreed to tender and not withdraw substantially all of the shares in their control pursuant to the offer so long as the merger agreement has not been terminated in accordance with its terms.

In addition, the members of the Harris family have granted to Honeywell an option to purchase substantially all of the shares in their control at the offer price provided that the merger agreement has not been terminated by Pittway in accordance with its terms prior to the initial expiration date of February 3, 2000, and certain other conditions are satisfied.

The Board of Directors of Pittway has approved Honeywell's offer and has decided to recommend that Pittway shareowners tender their shares pursuant to the offer. Consistent with its fiduciary obligations and subject to the terms of the merger agreement, Pittway's Board of Directors has preserved its ability to respond to third parties where appropriate.

The acquisition is subject to regulatory approval, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act, and the acquisition by Honeywell of shares of Pittway representing two-thirds of Pittway's outstanding shares and two-thirds of the outstanding votes, as well as other customary conditions.

This news release does not constitute an offer to purchase any securities, nor solicitation of a proxy, consent or authorization for or with respect to a meeting of the shareowners of Honeywell or Pittway or any action in lieu of a meeting. Any solicitations will be made only pursuant to separate materials in compliance with the requirements of applicable federal and state securities laws.

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The Bank of New York will act as depository for the tender offer and Georgeson Shareholder Communications Inc. will act as information agent. William Blair & Company L.L.C. acted as financial advisor to Pittway. Lehman Brothers Inc. is advising Honeywell on the transaction and will act as Dealer/Manager for the tender offer.

Pittway employs approximately 7,600 people and has eight manufacturing facilities and 120 distribution outlets.

Honeywell Home and Building Control, a US $3.4-billion unit of Honeywell, provides products and services to create efficient, safe, comfortable environments. The business unit offers controls for heating, ventilation, humidification and air-conditioning equipment; security and fire alarm systems; home automation systems; energy-efficient lighting controls; and building management systems and services.

Honeywell is a US$24-billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; power generation systems; specialty chemicals; fibers; plastics; and electronic and advanced materials. The company employs approximately 120,000 people in 95 countries. Honeywell is traded on the New York Stock Exchange under the symbol HON, as well as on the London, Chicago and Pacific stock exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. Additional information on the company is available on the Internet at www.honeywell.com.

This release contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, including statements about future business operations, financial performance and market conditions. Such forward-looking statements involve risks and uncertainties inherent in business forecasts.

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Final -- 12/23/99 -- EST--Confidential

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Ed Schwartz
Pittway Corporation
(312) 831-4136

Honeywell Commences Tender Offer For Pittway Corporation At $45.50 Per Share

MORRIS TOWNSHIP, New Jersey and CHICAGO, Illinois, December 23, 1999 -- Honeywell [NYSE: HON] and Pittway Corporation [NYSE: PRY and PRY.A] said today that Honeywell is commencing its previously announced tender offer to acquire all of the approximately 43 million outstanding shares of Pittway Common Stock and Class A Stock at $45.50 per share.

The tender offer, which is being made pursuant to an Agreement and Plan of Merger dated as of Monday, December 20, 1999, is scheduled to expire at 12:00 midnight, New York City time, on Thursday, February 3, 2000, unless extended. Following the consummation of the tender offer, Honeywell intends to complete a merger to acquire all of the remaining shares of Pittway's Common Stock and Class A Stock not tendered in the offer.

The acquisition is subject to regulatory approval, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act, and the acquisition by Honeywell of shares of Pittway representing two-thirds of Pittway's outstanding shares and two-thirds of the outstanding votes, as well as other customary conditions.

This news release does not constitute an offer to purchase any securities, nor solicitation of a proxy, consent or authorization for or with respect to a meeting of the shareowners of Honeywell or Pittway or any action in lieu of a meeting. Any solicitations will be made only pursuant to separate materials in compliance with the requirements of applicable federal and state securities laws.

The Bank of New York is acting as depository for the tender offer and Georgeson Shareholder Communications Inc. is acting as information agent. Lehman Brothers Inc. is acting as Dealer/Manager for the tender offer.

Pittway, headquartered in Chicago, Illinois, is one of the world's leading manufacturers and distributors of security and fire systems and other low-voltage products for homes and buildings. Its systems and products are marketed globally under the Ademco, Notifier, System Sensor, ADI, Northern Computers and other popular brand names.

Honeywell Home and Building Control, a US$3.4-billion unit of Honeywell, provides products and services to create efficient, safe, comfortable environments. The business unit offers controls for heating, ventilation, humidification and air-conditioning equipment; security and fire alarm systems; home automation systems; energy-efficient lighting controls; and building management systems and services.

Honeywell is a US$24-billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; power generation systems; specialty chemicals; fibers; plastics; and electronic and advanced materials. The company employs approximately 120,000 people in 95 countries. Honeywell is traded on the New York Stock Exchange under the symbol HON, as well as on the London, Chicago and Pacific stock exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. Additional information on the company is available on the Internet at www.honeywell.com.

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This release contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, including statements about future business operations, financial performance and market conditions. Such forward-looking statements involve risks and uncertainties inherent in business forecasts.

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# # #

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase dated December 23, 1999 and the related Letter of Transmittal and is being made to all holders of Shares. Purchaser (as defined below) is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, Purchaser shall employ its commercially reasonable best efforts to comply with such statute or seek to have such statute declared inapplicable to the Offer. If, after such commercially reasonable best efforts, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) holders of Shares in such state. In any jurisdiction where the securities, "blue sky" or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by Lehman Brothers Inc., the Dealer Manager, or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All of the Outstanding Shares of Common Stock
and Class A Stock
of PITTWAY CORPORATION
at
$45.50 Net Per Share
by
HII-2 ACQUISITION CORP.
a wholly owned subsidiary
of
HONEYWELL INTERNATIONAL INC.

HII-2 Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Honeywell International Inc., a Delaware corporation ("Parent"), is offering to purchase all outstanding shares of Common Stock of the par value of $1.00 per share (the "Common Stock"), and all outstanding shares of Class A Stock of the par value of $1.00 per share (the "Class A Stock", and, together with the Common Stock, the "Shares"), of Pittway Corporation, a Delaware corporation (the "Company"), at a price of $45.50 per Share, net to the seller in cash, without interest (such price, or any such higher price as may be paid in the Offer, the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 23, 1999 (the "Offer to Purchase") and in the related Letter of Transmittal (which, as amended or supplemented from time to time, collectively constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 3, 2000, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE) THAT NUMBER OF SHARES WHICH REPRESENTS, AT THE TIME OF ACCEPTANCE FOR PAYMENT OF ANY SHARES PURSUANT TO THE OFFER, AT LEAST (i) TWO-THIRDS OF THE OUTSTANDING SHARES (DETERMINED ON A FULLY DILUTED BASIS (AS DEFINED IN THE OFFER TO PURCHASE)) AND (ii) SHARES ENTITLED TO CAST AT LEAST TWO-THIRDS OF THE VOTES THAT MAY BE CAST BY ALL HOLDERS OF SHARES ON THE MERGER (COUNTING THE CLASS A STOCK AS ENTITLED TO CAST 1/10TH OF A VOTE PER SHARE AND DETERMINED ON SUCH FULLY DILUTED BASIS). THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THE OFFER TO PURCHASE. THE OFFER IS NOT SUBJECT TO A FINANCING CONDITION. SEE SECTION 14 OF THE OFFER TO PURCHASE.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 20, 1999 (the "Merger Agreement"), by and among Parent, Purchaser and the Company. The Merger Agreement provides that, as soon as practicable after the completion of the Offer and satisfaction or waiver, if permissible, of all conditions contained in the Merger Agreement, and in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), Purchaser will be merged with and into the Company (the "Merger"). Following the consummation of the Merger, the Company will continue as the surviving corporation and will be a wholly owned subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held by the Company or any of its subsidiaries, Parent or any of its wholly owned subsidiaries, including Purchaser, and stockholders who properly perfect their appraisal rights under the DGCL) will be converted into the right to receive $45.50 in cash or any higher price per Share paid in the Offer, without interest.

THE BOARD OF DIRECTORS OF THE COMPANY HAS APPROVED THE MERGER AGREEMENT, THE OFFER AND THE MERGER AND HAS DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY AND THE COMPANY'S STOCKHOLDERS AND RECOMMENDS THAT STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

As a condition and inducement to Parent's entering into the Merger Agreement, certain members of the Harris Family (the "Harris Family Stockholders"), beneficially owning 4,165,978 shares of Common Stock and 6,413,321 shares of Class A Stock, (representing approximately 52.9% and 18.4% of the outstanding shares of Common Stock and Class A Common Stock, respectively) concurrently with the execution and delivery of the Merger Agreement entered into a Stockholders Agreement (the "Stockholders Agreement"), dated as of December 20, 1999, with

Parent and Purchaser. Pursuant to the Stockholders Agreement, the Harris Family Stockholders agreed to tender, in accordance with the terms of the Offer, all Shares beneficially owned by them (other than up to approximately 428,000 Shares which are reserved for charitable contributions) and not to withdraw any Shares so tendered unless and until the Merger Agreement has been terminated. Pursuant to the Stockholders Agreement, the Harris Family Stockholders have granted Parent an option to purchase such Shares at a price of $45.50 per Share or any higher price paid pursuant to the Offer. The option is exercisable under certain circumstances following February 3, 2000, the initial expiration date of the Offer.

Tendering stockholders of record who tender Shares directly will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a bank or broker should check with such institution as to whether they will charge any service fees. Purchaser will pay all fees and expenses of Lehman Brothers Inc., which is acting as the dealer manager for the Offer (in such capacity, the "Dealer Manager"), The Bank of New York, which is acting as the depositary for the Offer (in such capacity, the "Depositary"), and Georgeson Shareholder Communications Inc., which is acting as information agent for the Offer (in such capacity, the "Information Agent"), incurred in connection with the Offer and in accordance with the terms of the agreements entered into between Purchaser and/or Parent and each such person.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to Purchaser and not withdrawn, if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to tendering stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or a timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase)), (ii) a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may be made to tendering stockholders at different times if delivery of the Shares and other required documents occur at different times. The per share consideration paid to any holder pursuant to the Offer will be the highest per share consideration paid to any other holder of such Shares pursuant to the Offer. Under no circumstances will interest be paid on the purchase price to be paid by Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on February 3, 2000, unless and until Purchaser, in accordance with the terms of the Merger Agreement, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser shall expire. Subject to the applicable rules and regulations of the Securities and Exchange Commission and to applicable law, Purchaser expressly reserves the right, in its sole discretion (subject to the terms of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, by giving oral or written notice of such extension to the Depositary. Any such extension will be followed by a public announcement thereof by no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw such stockholder's Shares. Without limiting the obligations of Purchaser under the rules and regulations of the Securities and Exchange Commission or the manner in which Purchaser may choose to make any public announcement, Purchaser currently intends to make such announcements by issuing a press release to the Dow Jones News Service or otherwise as may be required by applicable law.

Except as otherwise provided below or as provided by applicable law, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by the Purchaser pursuant to the Offer, may also be withdrawn at any time after February 17, 2000. To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth in the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution (as defined in the Offer to Purchase), the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and

otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tendered Shares may not be rescinded, and any Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 3 of the Offer to Purchase at any time prior to the Expiration Date. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, which determination will be final and binding.

The Company has provided Purchaser with the Company's stockholder lists and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the stockholder list, and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the CompanyOs stockholder lists, or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The information required to be disclosed by paragraph (e)(1)(vii) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Any questions or requests for assistance or additional copies of the Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other tender offer documents may be directed to the Information Agent (or the Dealer Manager), at the respective address and telephone number set forth below, and copies will be furnished promptly at Purchaser's expense. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer. Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or other person (other than the Information Agent, Dealer Manager and the Depositary) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

GEORGESON SHAREHOLDER
COMMUNICATIONS INC.

17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers Call Collect: (212) 440-9800
All Others Call Toll Free: (800) 223-2064

The Dealer Manager for the Offer is:

LEHMAN BROTHERS
Three World Financial Center
200 Vesey Street, 18th Floor
New York, New York 10285
Call Collect: (212) 526-5012 or (212) 526-2864

December 23, 1999

[CONFORMED COPY]

AGREEMENT AND PLAN OF MERGER

by and among

HONEYWELL INTERNATIONAL INC.,

HII-2 ACQUISITION CORP.

and

PITTWAY CORPORATION

dated as of

December 20, 1999

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter referred to as this "Agreement"), dated as of December 20, 1999, by and among Honeywell International Inc., a Delaware corporation ("Parent"), HII-2 Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Parent (the "Purchaser"), and Pittway Corporation, a Delaware corporation (the "Company").

WHEREAS, the Board of Directors (the "Board of Directors") of each of Parent, the Purchaser and the Company has approved, and deems it advisable and in the best interests of its respective stockholders to consummate, the acquisition of the Company by Parent upon the terms and subject to the conditions set forth herein; and

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition to Parent's and Purchaser's willingness to enter into this Agreement, Parent and Purchaser have entered into a Stockholders Agreement, dated as of the date hereof, the form of which is attached hereto as Exhibit A hereto (the "Stockholders Agreement"), with each of the stockholders named therein (the "Stockholders") pursuant to which the Stockholders have (x) agreed, among other things, to tender substantially all of the Shares (as defined herein) owned by the Stockholders pursuant to the Offer (as defined herein) and (y) granted to Parent an option to purchase substantially all of the Shares owned by the Stockholders (which option is exercisable under certain circumstances following the initial expiration date of the Offer), in each case subject to the terms and on the conditions set forth therein.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE OFFER AND MERGER

Section 1.1 The Offer.

(a) As promptly as practicable (but in no event later than five business days after the public announcement of the execution hereof), the Purchaser shall commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) a tender offer (the "Offer") for all of the outstanding shares of Common Stock of the par value of $1.00 per share of the Company (the "Common Stock"), and all of the outstanding shares of Class A Stock of the par value of $1.00 per share of the Company (the "Class A Stock") (the shares of Common Stock and the shares of Class A Stock are sometimes referred to together as the "Shares"), at a price of $45.50 per Share, net to the seller in cash (such price, or any such higher price per Share as may be paid in the Offer, being referred to herein as the "Offer Price"), subject to there being validly tendered and not withdrawn prior to the expiration of the Offer, that number of Shares which represents at the time of acceptance for payment of any Shares pursuant to the Offer (the "Share Purchase Date") at least (i) two-thirds of the outstanding Shares (determined on a fully diluted basis) and (ii) Shares entitled to cast at least two-thirds of the votes (counting the Class A Stock as entitled to cast 1/10th of a vote per share) that may be cast by all holders of Shares on the Merger (as defined in Section 1.4) (determined on a fully diluted basis)(the "Minimum Condition") and to the other conditions set forth in Annex A hereto, and shall consummate the Offer in accordance with its terms ("fully diluted basis" means issued and outstanding Shares and Shares subject to issuance at the discretion of the holders under stock options or other stock based awards outstanding at the Share Purchase Date, excluding any portions of such options or awards surrendered to the Company pursuant to Section 2.4 of this Agreement). The obligation of the Purchaser to accept for payment and to pay for any Shares validly tendered on or prior to the expiration of the Offer and not withdrawn shall be subject only to the Minimum Condition and the other conditions set forth in Annex A hereto. The Offer shall be made by means of an offer to purchase (the "Offer to

Purchase") containing the terms set forth in this Agreement, the Minimum Condition and the other conditions set forth in Annex A hereto. The Purchaser shall not amend or waive the Minimum Condition and shall not decrease the Offer Price or decrease the number of Shares sought, or amend any other condition of the Offer without the written consent of the Company; provided, however, that if on the initial scheduled expiration date of the Offer, which shall be 30 business days after the date on which the execution of this Agreement is announced to the public (it being understood that for such purpose Christmas Eve and New Years Eve shall not be deemed to be "business days"), all conditions to the Offer shall not have been satisfied or waived, the Purchaser may, from time to time, in its sole discretion, extend the expiration date for one or more periods. The Purchaser shall, on the terms and subject to the prior satisfaction or waiver of the conditions of the Offer, accept for payment the Shares tendered as soon as it is legally permitted to do so under applicable law and pay for such Shares promptly; provided, however, that if, immediately prior to the initial expiration date of the Offer (as it may be extended), the Shares tendered and not withdrawn pursuant to the Offer equal less than 90% of the outstanding shares of each of the Common Stock and the Class A Stock, the Purchaser may extend the Offer for one or more periods not to exceed seven business days in the aggregate, notwithstanding that all conditions to the Offer are satisfied as of such expiration date of the Offer.

(b) As soon as practicable on the date the Offer is commenced, Parent and the Purchaser shall file with the United States Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer (together with all amendments and supplements thereto and including the exhibits thereto, the "Schedule 14D-l"). The Schedule 14D-1 will include, as exhibits, the Offer to Purchase and a form of letter of transmittal and summary advertisement (collectively, together with any amendments and supplements thereto, the "Offer Documents"). The Offer Documents will comply in all material respects with the provisions of applicable federal securities laws and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or neces-

sary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by Parent or the Purchaser with respect to information furnished by the Company to Parent or the Purchaser, in writing, expressly for inclusion in the Offer Documents. The information supplied by the Company to Parent or the Purchaser, in writing, expressly for inclusion in the Offer Documents and by Parent or the Purchaser to the Company, in writing, expressly for inclusion in the Schedule 14D-9 (as hereinafter defined) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Each of Parent and the Purchaser will take all steps necessary to cause the Offer Documents to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. Each of Parent and the Purchaser, on the one hand, and the Company, on the other hand, will promptly correct any information provided by it for use in the Offer Documents if and to the extent that it shall have become false or misleading in any material respect and the Purchaser will take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given the opportunity to review the Schedule 14D-1 before it is filed with the SEC. In addition, Parent and the Purchaser will provide the Company and its counsel in writing with any comments, whether written or oral, Parent, the Purchaser or their counsel may receive from time to time from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments.

Section 1.2 Company Actions.

(a) The Company hereby approves of and consents to the Offer and represents that its Board of Directors, at a meeting duly called and held, has (i) determined that each of this Agreement, the Offer and the Merger (as defined in Section 1.4) are fair to and in the best interests of the stockholders of the Company, (ii) approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger (collectively, the "Transactions"), and such approval constitutes approval of the Offer, this Agreement, the Transactions (including the Merger), and the Stockholders Agreement and the transactions contemplated thereby, for purposes of Section 203 of the Delaware General Corporation Law, as amended (the "DGCL") such that Section 203 of the DGCL will not apply to the transactions contemplated by this Agreement or the Stockholders Agreement, and (iii) resolved to recommend that the stockholders of the Company accept the Offer, tender their Shares thereunder to the Purchaser and approve and adopt this Agreement and the Merger. The Company represents that the actions set forth in this Section 1.2(a) and all other actions it has taken in connection therewith are sufficient to render the relevant provisions of Section 203 of the DGCL inapplicable to the Offer and the Merger and the other transactions contemplated by this Agreement and the Stockholders Agreement.

(b) Concurrently with the commencement of the Offer, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto and including the exhibits thereto, the "Schedule 14D-9") which shall, subject to the provisions of Section 5.4(d), contain the recommendation referred to in clause (iii) of Section 1.2(a). The Schedule 14D-9 will comply in all material respects with the provisions of applicable federal securities laws and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information furnished by Parent or the Purchaser for

inclusion in the Schedule 14D-9. The Company further agrees to take all steps necessary to cause the Schedule 14D-9 to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. Each of the Company, on the one hand, and Parent and the Purchaser, on the other hand, agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that it shall have become false and misleading in any material respect and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. Parent and its counsel shall be given the opportunity to review the Schedule 14D-9 before it is filed with the SEC. In addition, the Company agrees to provide Parent, the Purchaser and their counsel with any comments, whether written or oral, that the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments or other communications.

(c) In connection with the Offer, the Company will promptly furnish or cause to be furnished to the Purchaser mailing labels, security position listings and any available listing, or computer file containing the names and addresses of all recordholders of the Shares as of a recent date, and shall furnish the Purchaser with such additional information (including, but not limited to, updated lists of holders of the Shares and their addresses, mailing labels and lists of security positions) and assistance as the Purchaser or its agents may reasonably request in communicating the Offer to the record and beneficial holders of the Shares. Except for such steps as are necessary to disseminate the Offer Documents, Parent and the Purchaser shall hold in confidence the information contained in any of such labels and lists and the additional information referred to in the preceding sentence, will use such information only in connection with the Offer, and, if this Agreement is terminated, will upon request of the Company deliver or cause to be delivered to the Company all copies of such information then in its possession or the possession of its agents or representatives.

Section 1.3 Directors.

(a) Prior to the Share Purchase Date, the Company shall have taken all action as may be necessary so that effective immediately after the Share Purchase Date, the size of the Board of Directors of the Company (the "Board") shall be reduced to eight, all directors, other than two of the directors (as shall be designated by the Board) shall resign and six persons designated by Parent shall be elected to fill the vacancies so created.

(b) The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-l promulgated thereunder in order to fulfill its obligations under Section 1.3(a), including mailing to stockholders the information required by such Section 14(f) and Rule 14f-1 as is necessary to enable Parent's designees to be elected to the Board. Parent or the Purchaser will supply the Company and be solely responsible for any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-1. The provisions of this Section 1.3 are in addition to and shall not limit any rights which the Purchaser, Parent or any of their affiliates may have as a holder or beneficial owner of Shares as a matter of law with respect to the election of directors or otherwise.

(c) As provided in Section 1.3(a), following the Share Purchase Date and prior to the Effective Time, the Board shall have at least two directors who are directors on the date hereof and who are persons not employed by the Company (the "Independent Directors"). If after the Share Purchase Date and prior to the Effective Time, one of the Independent Directors shall no longer continue to serve for any reason whatsoever, the other Independent Director shall be entitled to designate a person to fill such vacancy who shall be deemed to be one of the Independent Directors for purposes of this Agreement. If after the Share Purchase Date and prior to the Effective Time there is no Independent Director for any reason, the other directors, pursuant to the Company's Certificate of Incorporation (the "Certificate of Incorporation") and the Company's Bylaws, shall designate two persons to fill such vacancies who shall not be stockholders, affiliates or associates of Parent or the Purchaser and such persons shall be deemed to be Inde-

pendent Directors for purposes of this Agreement. Following the Share Purchase Date and prior to the Effective Time, neither Parent nor Purchaser will take any action to cause any Independent Director to be removed other than for cause. Notwithstanding anything in this Agreement to the contrary, after the Share Purchase Date and prior to the Effective Time, the affirmative vote of a majority of the Independent Directors shall be required to (a) amend or terminate this Agreement by the Company, (b) exercise or waive any of the Company's rights, benefits or remedies hereunder, or (c) take any other action by the Board under or in connection with this Agreement.

Section 1.4 The Merger. Subject to the terms and conditions of this Agreement, at the Effective Time, the Company and the Purchaser shall consummate a merger (the "Merger") pursuant to which (a) the Purchaser shall be merged with and into the Company and the separate corporate existence of the Purchaser shall thereupon cease, (b) the Company shall be the successor or surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Delaware, and (c) the separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as set forth in this Section 1.4. Pursuant to the Merger, (x) the Certificate of Incorporation shall be amended in its entirety to read as the Certificate of Incorporation of the Purchaser, in effect immediately prior to the Effective Time, except that Article FIRST thereof shall read as follows: "FIRST: The name of the corporation is PITTWAY CORPORATION." and, as so amended, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by law and such Certificate of Incorporation, and (y) the By-Laws of the Purchaser (the "By-laws"), as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided by law, by such Certificate of Incorporation or by such By-laws. The Merger shall have the effects specified in the DGCL and in Article II.

Section 1.5 Effective Time. Parent, the Purchaser and the Company will cause a Certificate of Merger to be executed and filed on the Closing Date (as defined in Section 1.6) (or on such other date as Parent

and the Company may agree) with the Secretary of State of Delaware (the "Secretary of State") as provided in the DGCL. The Merger shall become effective on the date on which the Certificate of Merger is duly filed with the Secretary of State or such time as is agreed upon by the parties and specified in the Certificate of Merger, and such time is hereinafter referred to as the "Effective Time."

Section 1.6 Closing. The closing of the Merger (the "Closing") shall take place at 10:00 a.m. on a date to be specified by the parties, which shall be no later than the second business day after satisfaction or waiver of all of the conditions set forth in Article VI hereof (the "Closing Date"), at the corporate offices of Parent, unless another date or place is agreed to in writing by the parties hereto.

Section 1.7 Directors and Officers of the Surviving Corporation. The directors of the Purchaser and the officers of the Company at the Effective Time shall, from and after the Effective Time, be the directors and officers, respectively, of the Surviving Corporation until their successors shall have been duly elected or appointed or qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the By-laws.

Section 1.8 Stockholders' Meeting.

(a) If required by applicable law in order to consummate the Merger, the Company, acting through the Board, shall, in accordance with applicable law:

(i) duly call, give notice of, convene and hold a special meeting of its stockholders (the "Special Meeting") as promptly as practicable following the acceptance for payment and purchase of Shares by the Purchaser pursuant to the Offer for the purpose of considering and taking action upon the approval of the Merger and the adoption of this Agreement; and

(ii) prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and this Agreement and use its best efforts (x) to obtain and furnish the information

required to be included by the SEC in the Proxy Statement (as hereinafter defined) and, after consultation with Parent, to respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement, including any amendment or supplement thereto (the "Proxy Statement") to be mailed to its stockholders, provided that no amendment or supplement to the Proxy Statement will be made by the Company without consultation with Parent and its counsel and (y) to obtain the necessary approvals of the Merger and this Agreement by its stockholders.

(b) Parent shall vote, or cause to be voted, all of the Shares owned by it, the Purchaser or any of its other subsidiaries and affiliates immediately following the Share Purchase Date in favor of the approval of the Merger and the approval and adoption of this Agreement.

Section 1.9 Merger Without Meeting of Stockholders. Notwithstanding Section 1.8, in the event that Parent, the Purchaser and any other Subsidiaries of Parent shall acquire in the aggregate at least 90% of the outstanding shares of each class of capital stock of the Company, pursuant to the Offer or otherwise, the parties hereto shall, at the request of Parent and subject to Article VI hereof, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

ARTICLE II

CONVERSION OF SECURITIES

Section 2.1 Conversion of Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of any Shares or holders of common stock, par value $.01 per share, of the Purchaser (the "Purchaser Common Stock"):

(a) The Purchaser Common Stock. Each issued and outstanding share of the Purchaser Common Stock shall

be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent-Owned Stock. All Shares that are owned by the Company as treasury stock and any Shares owned by Parent, the Purchaser or any other wholly owned Subsidiary of Parent shall be cancelled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor.

(c) Exchange of Shares. Each issued and outstanding Share (other than Shares to be cancelled in accordance with Section 2.1(b) and any Shares which are held by stockholders exercising appraisal rights, if any, pursuant to Section 262 of the DGCL ("Dissenting Stockholders")) shall be converted into the right to receive the Offer Price, payable to the holder thereof, without interest (the "Merger Consideration"), upon surrender of the certificate formerly representing such Share in the manner provided in Section 2.2. All such Shares, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest, or the right, if any, to receive payment from the Surviving Corporation of the "fair value" of such Shares as determined in accordance with Section 262 of the DGCL.

Section 2.2 Exchange of Certificates.

(a) Paying Agent. Parent shall designate a bank or trust company reasonably acceptable to the Company to act as agent for the holders of the Shares in connection with the Merger (the "Paying Agent") to receive in trust the funds to which holders of the Shares shall become entitled pursuant to Section 2.1(c). Such funds shall be invested by the Paying Agent as directed by Parent or the Surviving Corporation.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a certifi-

cate or certificates, which immediately prior to the Effective Time represented outstanding Shares (the "Certificates"), whose Shares were converted pursuant to Section 2.1 into the right to receive the Merger Consideration (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for payment of the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration for each Share formerly represented by such Certificate and the Certificate so surrendered shall forthwith be cancelled. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Corporation that such tax either has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration in cash as contemplated by this Section 2.2.

(c) Transfer Books; No Further Ownership Rights in the Shares. At the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of the Shares on the records of the Company. From and after the Effective Time, the holders of Certificates evidencing ownership of the Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares, except as otherwise provided for herein or by applicable law. If, after the

Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article II.

(d) Termination of Fund; No Liability. At any time following six months after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any interest received with respect thereto) which had been made available to the Paying Agent and which have not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) only as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Certificates, without any interest thereon. Notwithstanding the foregoing, neither the Surviving Corporation nor the Paying Agent shall be liable to any holder of a Certificate for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Section 2.3 Dissenters' Rights. If any Dissenting Stockholder shall have demanded to be paid the fair value of such holder's Shares, as provided in Section 262 of the DGCL, the Company shall give Parent notice thereof and Parent shall have the right to participate in all negotiations and proceedings with respect to any such demands. Neither the Company nor the Surviving Corporation shall, except with the prior written consent of Parent, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment. If any Dissenting Stockholder shall fail to perfect or shall have effectively withdrawn or lost the right to pursue appraisal rights, the Shares held by such Dissenting Stockholder shall thereupon be treated as though such Shares had been converted into the Merger Consideration pursuant to Section 2.1.

Section 2.4 Company Plans.

(a) Promptly following commencement of the Offer, the Company will offer to each holder of an option then outstanding under the Company's 1990 Stock Awards Plan, 1996 Director Stock Option Plan or 1998 Director Stock Option Plan (each an "Option") the opportunity to surrender to the Company, effective immediately following

the Share Purchase Date, the portion of such Option which is then exercisable or which would then by its terms vest or otherwise become exercisable on or prior to December 31, 2000 (the "Vested Option Portion") in return for the payment by the Company, immediately following the Share Purchase Date, of an Option Cash Amount as more fully described below. The Option Cash Amount shall be paid only when the amount set forth in clause (i) below is positive. The Option Cash Amount payable for the Vested Option Portion of each Option so surrendered shall be equal to the product of (i) the Offer Price minus the exercise price per Share of the Vested Option Portion of such Option and (ii) the number of Shares covered by the Vested Option Portion of such Option.

(b) Promptly following the commencement of the Offer, the Company will offer to each holder of a performance shares award then outstanding under the Company's 1990 Stock Awards Plan (each a "Performance Shares Award") the opportunity to surrender to the Company, effective immediately following the Share Purchase Date, the portion of such Performance Shares Award which is then vested or which would then by its terms vest on or prior to December 31, 2000 (the "Vested Performance Shares Award Portion") in return for the payment by the Company, immediately following the Share Purchase Date, of a Performance Shares Award Cash Amount as more fully described below. The Performance Shares Award Cash Amount payable for each Vested Performance Shares Award Portion so surrendered shall be equal to the product of (i) the Offer Price and (ii) the number of shares covered by the Vested Performance Shares Award Portion of such Performance Shares Award.

(c) Promptly following commencement of the Offer, the Company will offer to each holder of a bonus shares award then outstanding under the Company's 1990 Stock Awards Plan (each a "Bonus Shares Award") the opportunity to surrender to the Company, effective immediately following the Share Purchase Date, such Bonus Shares Award in return for the payment by the Company, immediately following the Share Purchase Date, of an amount equal to the product of (i) the Offer Price and (ii) the number of shares covered by such Bonus Shares Award.

(d) Promptly following commencement of the Offer, the Company will offer to each holder of a stock appreciation right then outstanding under the Company's 1990 Stock Awards Plan (each a "SAR") the opportunity to exercise such SAR at any time.

(e) All payments by the Company pursuant to (a), (b),(c) and (d) above shall be made net of applicable withholding taxes.

(f) Any portion of any Option, Performance Shares Award, Bonus Shares Award or SAR that is outstanding at the Share Purchase Date and has not been surrendered to the Company pursuant to this Section 2.4 shall continue thereafter in accordance with its terms, except that pursuant to action heretofore taken by the Board or the Compensation Committee of the Board, as applicable, (i) each such portion shall immediately vest and be exercisable or payable in full in the event of termination of employment by the employer at or after the Share Purchase Date without cause, death or disability and (ii) from and after the Effective Time each such portion that is outstanding at the Effective Time shall thereafter represent the right to acquire, in lieu of each share of Class A Stock acquirable immediately prior to the Effective Time upon exercise or payment, cash in the amount of the Offer Price.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the appropriate section of the schedule to this Agreement setting forth exceptions to the Company's representations and warranties set forth herein (the "Company Disclosure Schedule"), the Company represents and warrants to Parent and the Purchaser as set forth below. The Company Disclosure Schedule is arranged in sections corresponding to sections of this Agreement to be modified by such disclosure schedule.

Section 3.1 Organization.

(a) Each of the Company and its Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing, where applicable, under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate or other similar power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power, authority, and governmental approvals would not, individually or in the aggregate, have a Company Material Adverse Effect (as defined below). As used in this Agreement, the term "Subsidiary" shall mean all corporations or other entities in which the Company or the Parent, as the case may be, owns a majority of the issued and outstanding capital stock or similar interests. As used in this Agreement, "Company Material Adverse Effect" with reference to any events, changes or effects, shall mean such events, changes or effects that are materially adverse to the business, assets, liabilities, properties, results of operations or financial condition of the Company and its Subsidiaries taken as a whole. As used in this Agreement, "to the knowledge of the Company" means the actual knowledge, without any special inquiry, of the following executives of the Company: King Harris, Paul Gauvreau, Leo Guthart, Fred Conforti, Edward Schwartz, Mark Levy, Steve Roth, Roger Fradin, John Hakanson, Andreas Kramvis and Gary Lederer.

(b) The Company and each of its Subsidiaries is duly qualified or licensed to do business and in good standing (where applicable) in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not individually or in the aggregate have a Company Material Adverse Effect. Except as set forth in Section 3.1 of the Company Disclosure Schedule, or in Exhibit 21 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, or for insignificant wholly-owned Subsidiaries, the Company does not own (i) any equity interest in any corporation or other entity or (ii) marketable securities, in either instance, where the Company's equity interest in any entity exceeds five

percent of the outstanding equity of such entity on the date hereof.

Section 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of 120,000,000 shares of Common Stock, 100,000,000 shares of Class A Stock (the Class A Stock and the Common Stock together shall be referred to sometimes as the "Common Capital Stock"), and 2,000,000 shares of preferred stock, with no par value per share (the "Preferred Stock"). As of December 1, 1999 (i) 7,877,664 shares of Common Stock are issued and outstanding, (ii) no shares of Common Stock are issued and held in the treasury of the Company, (iii) 34,877,405 shares of Class A Stock are issued and outstanding, (iv) no shares of Class A Stock are issued and held in the treasury of the Company, (v) no shares of Preferred Stock are issued and outstanding, (vi) 3,398,699 Shares are subject to issuance to employees and directors pursuant to options outstanding on the date hereof at a weighted average exercise price of $19.03 per share, and (vii) 328,840 Shares are reserved for future issuance to employees and directors pursuant to awards other than options outstanding under the Company's 1990 Stock Awards Plan, 1996 Director Stock Option Plan or 1998 Director Stock Option Plan (collectively, the "Company Stock Plans"). Since December 1, 1999, the Company has not (i) issued or granted additional options or other awards, under any of the Company Stock Plans. All the outstanding shares of the Company's capital stock are, and all Shares which may be issued pursuant to the exercise or payment of outstanding options or other awards under Company Stock Plans will be, when issued in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and non-assessable. There are no bonds, debentures, notes or other indebtedness having general voting rights (or convertible into securities having such rights) ("Voting Debt") of the Company or any of its Subsidiaries issued and outstanding. Except as set forth above and except as set forth in Section 3.2(a) of the Company Disclosure Schedule and except for the Transactions, as of the date hereof, (i) there are no shares of capital stock of the Company authorized, issued or outstanding (ii) there are no existing options, warrants, calls, pre-emptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character,

relating to the issued or unissued capital stock of the Company or any of its Subsidiaries, obligating the Company or any of its Subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity interest in, the Company or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests, or obligating the Company or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment and (iii) except as set forth in Section 3.2(a) of the Company Disclosure Schedule, there are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Shares, or the capital stock of the Company, or any Subsidiary or affiliate of the Company or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary or any other entity.

(b) Except for director's qualifying shares which may be required in certain jurisdictions, and except as set forth in Section 3.2(b) of the Company Disclosure Schedule, all of the outstanding shares of capital stock of each of the Company's Subsidiaries are beneficially owned by the Company, directly or indirectly, and all such shares have been validly issued and are fully paid and, in the case of its domestic Subsidiaries, nonassessable and are owned by either the Company or one of its Subsidiaries free and clear of all liens, charges, claims or encumbrances ("Encumbrances").

(c) There are no voting trusts or other agreements or understandings to which the Company, any of its Subsidiaries or any of its directors is a party with respect to the voting of the capital stock of the Company or any of the Subsidiaries, except that the Harris Group (as defined in the Certificate of Incorporation) may be deemed a group for purposes of Section 13(d)of the Exchange Act.

(d) Set forth on Section 3.2(d) of the Company Disclosure Schedule is a list describing all options or other awards, including stock appreciation rights, outstanding under the Company Stock Plans.

Section 3.3 Authorization; Validity of Agreement; Company Action. The Company has full corporate power and authority to execute and deliver this Agreement and, subject to obtaining the approval of its stockholders as required by applicable law, to consummate the Transactions. The execution, delivery and performance by the Company of this Agreement, and the consummation by it of the Transactions, have been duly authorized by the Board and, except for obtaining the approval of its stockholders as contemplated by Section 1.8 hereof, no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement and the consummation by it of the Transactions. This Agreement has been duly executed and delivered by the Company and, assuming due and valid authorization, execution and delivery hereof by Parent and the Purchaser, is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

Section 3.4 Consents and Approvals; No Violations. Except for the filings set forth in Section 3.4 of the Company Disclosure Schedule, or contemplated by Sections 5.11 and 5.12, and the filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the laws of any foreign jurisdiction, and the DGCL, none of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the Transactions or compliance by the Company with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation, the Bylaws or similar organizational documents of the Company or any of its Subsidiaries, (ii) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency (a "Governmental Entity"), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its Subsidiar-

ies is a party or by which any of them or any of their properties or assets may be bound (the "Company Agreements") or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company, any of its Subsidiaries or any of their properties or assets, excluding from the foregoing clauses (ii), (iii) and (iv) such violations, breaches or defaults, and such failures to make filings, or obtain permits, authorizations, consents or approvals, which would not, individually or in the aggregate, have a Company Material Adverse Effect or a material adverse effect on the ability of the Company to consummate the Transactions. Section 3.4 of the Company Disclosure Schedule sets forth a list of all third party consents and approvals required to be obtained in connection with this Agreement under the Specified Contracts prior to the consummation of the Transactions.

Section 3.5 SEC Reports and Financial Statements.

(a) The Company has filed with the SEC all forms, reports, schedules, statements and other documents required to be filed by it since January 1, 1996 and prior to the date hereof, under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act") (as such documents have been amended since the time of their filing, collectively, the "Company SEC Documents"). As of their respective dates or, if amended, as of the date of the last such amendment, the Company SEC Documents, including, without limitation, any financial statements or schedules included therein (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and the applicable rules and regulations of the SEC thereunder. None of the Company's Subsidiaries is required to file any forms, reports or other documents with the SEC.

(b) The financial statements of the Company included in the Company SEC Documents (the "Financial Statements") have been prepared from, and are in accordance with, the books and records of the Company and its

consolidated Subsidiaries, comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the period involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position and the consolidated results of operations and cash flows (subject, in the case of unaudited interim financial statements, to normal year end adjustments and the absence of footnote disclosures as permitted by Regulation S-X) of the Company and its consolidated Subsidiaries as of the times and for the periods referred to therein.

Section 3.6 Absence of Certain Change. Except as disclosed in Section 3.6 of the Company Disclosure Schedule or in the Company SEC Documents filed prior to the date hereof, (A) since September 30, 1999, (i) to the knowledge of the Company, the Company and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course, (ii) there have not occurred prior to the date hereof any events or changes (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) having or reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (iii) there has not been the destruction of any material property, (iv) the Company has not taken any action which would have been prohibited under Section 5.1 had it taken place after the date hereof, and (B) since December 31, 1998 and prior to the date hereof there has been no material adverse change in the business relationship of the Company and any of the top five customers of the Company by revenue.

Section 3.7 No Undisclosed Liabilities. Except (a) as disclosed in the Financial Statements and (b) for liabilities and obligations (i) incurred in the ordinary course of business and consistent with past practice since September 30, 1999, (ii) pursuant to the terms of this Agreement, (iii) as set forth in Section 3.7 of the Company Disclosure Schedule, or (iv) as required to be disclosed in Section 3.9 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries has any liabilities or obligations of any

nature, whether or not accrued, contingent or otherwise, whether or not required by GAAP to be reflected in, reserved against or otherwise described in the consolidated balance sheet of the Company (including the notes thereto) which, individually or in the aggregate, are reasonably likely to have a Company Material Adverse Effect.

Section 3.8 Specified Contracts. Except as set forth in Section 3.8 of the Company Disclosure Schedule, there have been made available to Parent and its representatives true, correct and complete copies of all of the following contracts to which Company or any of its Subsidiaries is a party or by which any of them is bound (collectively, the "Specified Contracts"): (i) contracts with any directors and those persons identified in the last sentence of Section 3.1(a); (ii) collective bargaining agreements for which the Company or any of its domestic Subsidiaries is a party; (iii) pending contracts (A) for the sale of any of the assets of Company or any of its Subsidiaries, other than contracts entered into in the ordinary course of business or (B) for the grant to any person of any preferential rights to purchase any of its assets, other than in the ordinary course of business; (iv) contracts which restrict, in any material respect, the Company or any of its Subsidiaries from competing in any line of business or with any person in any geographical area; (v) indentures, credit agreements, security agreements, mortgages, guarantees, promissory notes and other contracts relating to the borrowing of money involving indebtedness for borrowed money, in each case, in excess of $2,500,000; (vi) contracts with any stockholders of Company beneficially owning 5% or more of the Company's outstanding capital stock on the date hereof; (vii) acquisition, merger, asset purchase or sale agreements with a purchase price in excess of $10,000,000 entered into since July 1, 1995 (other than agreements for the purchase and sale of materials or products in the ordinary course of business); (viii) contracts relating to any material joint venture, partnership, strategic alliance or other similar agreement; and (ix) all other agreements, contracts or instruments entered into which, to the knowledge of the Company, are material to the Company and its Subsidiaries taken as a whole. A list of the Specified Contracts is set forth on Section 3.8 of the Company Disclosure Schedule. The provisions of this

Section 3.8 shall be limited to the knowledge of the Company as they relate to its foreign Subsidiaries.

Section 3.9 Litigation. Except as set forth in Section 3.9 of the Company Disclosure Schedule, or the Company SEC Documents, as of the date hereof, to the knowledge of the Company, there are no suits, claims, actions, proceedings, including, without limitation, arbitration proceedings or alternative dispute resolution proceedings, or investigations pending or threatened against the Company or any of its Subsidiaries before any Governmental Entity in which damages in excess of $500,000 are being sought or that, either individually or in the aggregate, would be reasonably likely to have a Company Material Adverse Effect.

Section 3.10 Employee Benefit Plans.

(a) For purposes of this Agreement, the term "Plans" shall include: each deferred compensation and each incentive compensation, stock purchase, stock option and other equity compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of section 3(2) of ERISA); each employment, termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by the Company or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that together with the Company would be deemed a "single employer" within the meaning of section 4001(b) of ERISA, or to which the Company or an ERISA Affiliate is party, whether written or oral, for the benefit of any employee or former employee of the Company or any of its Subsidiaries (the "Plans"). Each of the Plans that is subject to section 302 or Title IV of ERISA or section 412 of the Code (as defined below) is hereinafter referred to in this Section 3.10 as a "Title IV Plan." Set forth on Section 3.8 or 3.10(a) of the Company Disclosure Schedule is a list of each material Plan covering domestic employees (excluding employment agreements).

(b) With respect to each material domestic Plan, the Company has made available, or will make available on or before January 15, 2000, to Purchaser true and complete copies of the Plan and any amendments thereto (or if the Plan is not a written Plan, a description thereof), any related trust or other funding vehicle, any reports or summaries required under ERISA or the Internal Revenue Code of 1986, as amended (the "Code") and the most recent determination letter received from the Internal Revenue Service with respect to each Plan intended to qualify under section 401 of the Code.

(c) No material liability under Title IV or section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to the Company or any ERISA Affiliate of incurring any such liability, other than liability for premiums due the Pension Benefit Guaranty Corporation ("PBGC") (which premiums have been paid when due).

(d) The PBGC has not instituted proceedings to terminate any Title IV Plan and no condition exists that presents a material risk that such proceedings will be instituted.

(e) No Title IV Plan or any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year for each Title IV Plan. All contributions required to be made with respect to any Plan have been timely made.

(f) No Title IV Plan is a "multiemployer pension plan," as defined in section 3(37) of ERISA, nor is any Title IV Plan a plan described in section 4063(a) of ERISA. Neither the Company nor any ERISA Affiliate has made or suffered a "complete withdrawal" or a "partial withdrawal," as such terms are respectively defined in sections 4203 and 4205 of ERISA (or any liability resulting therefrom has been satisfied in full).

(g) Neither the Company nor any of its Subsidiaries, any Plan, any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which the Company or any of its

Subsidiaries, any Plan, any such trust, or any trustee or administrator (as defined in section 3(16)(A) of ERISA) thereof, or any party in interest (as defined in ERISA Section 3(14)) or fiduciary with respect to any Plan or any such trust could be subject to either a material civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a material tax imposed pursuant to section 4975 or 4976 of the Code.

(h) Each Plan has been operated and administered, in all material respects, in accordance with its terms and applicable law, including but not limited to ERISA and the Code.

(i) Each Plan intended to be "qualified" within the meaning of section 401(a) of the Code has received a determination from the Internal Revenue Service indicating that such Plan is so qualified and the trusts maintained thereunder are exempt from taxation under section 501(a) of the Code and to the knowledge of the Company there is no basis to believe that any such Plan would not be so qualified (excluding amendments to any Plans required to be made in the future to comply with requirements of law).

(j) No Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for domestic employees or former employees of the Company or any of its Subsidiaries for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary).

(k) Except as disclosed in Section 3.10(k) of the Company Disclosure Schedule, or as set forth in Section 5.10, the consummation of the Transactions will not, either alone or in combination with another event, except as expressly provided in this Agreement, (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation or any other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

(l) There are no pending, or to the knowledge of the Company, threatened or anticipated claims by or on behalf of any Plan, by any employee or beneficiary covered under any such Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(m) To the knowledge of the Company, with respect to each Plan established or maintained outside of the United States of America primarily for benefit of employees of the Company or any of its Subsidiaries residing outside the United States of America (a "Foreign Benefit Plan"): (i) all employer and employee contributions to each Foreign Benefit Plan required by law or by the terms of such Foreign Benefit Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices; (ii) the fair market value of the assets of each funded Foreign Benefit Plan, the liability of each insurer for any Foreign Benefit Plan funded through insurance or the book reserve established for any Foreign Benefit Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations, as of September 30, 1999, with respect to all current and former participants in such plan according to the actuarial assumptions and valuations most recently used to determine employer contributions to such Foreign Benefit Plan and none of the Transactions shall cause such assets or insurance obligations to be less than such benefit obligations; and (iii) each Foreign Benefit Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities.

(n) Prior to the date hereof, the Company has amended its Change of Control Plan, its employment agreement with Leo A. Guthart and any other relevant plan to delete any requirement to fund a grantor trust as a result of this Agreement or the Transactions so long as the Company is not in breach of any such employment agreement or any other employment agreement between the Company or a Subsidiary of the Company and the individuals who participate in such plan. A copy of the amended plans and agreement(s) are attached as Section 3.10(n) of the Company Disclosure Schedule.

Section 3.11 Labor Matters. Except as set forth in Section 3.11 of the Company Disclosure Schedule or the Company SEC Documents, (i) there are no controver-

sies pending or, to the knowledge of the Company, threatened, between the Company or any of its Subsidiaries and any of their respective employees, which controversies have had, or would reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect; (ii) neither the Company nor any of its United States Subsidiaries is in breach of any material collective bargaining agreement or other labor union contract applicable to persons employed by the Company or its United States Subsidiaries which would reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect, nor to the knowledge of the Company are there any activities or proceedings of any labor union to organize any significant number of such employees; (iii) neither the Company nor any of its Subsidiaries is in breach of any material collective bargaining agreement or other labor union contract, nor, to the knowledge of the Company, are there any activities or proceedings of any labor unions to organize employees, or of any strikes, slowdowns, work stoppages, lockouts, or threats thereof, by or with respect to any employees of the Company or any of its Subsidiaries which would reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect; and (iv) there are no (A) unfair labor practice charges, material grievances or material complaints pending or threatened by or on behalf of any employee or group of employees of the Company or any of its Subsidiaries, or (B) complaints, charges or claims against the Company or any of its Subsidiaries pending or threatened to be brought or filed, with any Governmental Entity or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment of any individual by the Company or any of its Subsidiaries.

Section 3.12 Tax Matters; Government Benefits.

(a) The Company and each of its eligible domestic Subsidiaries are members of the affiliated group (within the meaning of Section 1504(a) of the Code), of which the Company is the common parent. The Company and each of its Subsidiaries have duly filed all Tax Returns (as hereinafter defined) that are required to be filed excluding only such Tax Returns as to which, individually or in the aggregate, any failure to file does not have a Company Material Adverse Effect and have duly paid or

caused to be duly paid in full or made provision in accordance with GAAP for the payment of all Taxes (as hereinafter defined) due with respect to all periods covered by such Tax Returns. All such Tax Returns are correct and complete in all material respects and accurately reflect, in all material respects, all liability for Taxes for the periods covered thereby. All Tax liabilities of the Company and each of its Subsidiaries for results of operations through September 30, 1999 (whether or not shown on any Tax Return) have been paid or have been adequately reflected on the Company's balance sheet as of September 30, 1999 included in the Financial Statements (the "Balance Sheet") other than those Taxes as to which the failure to pay or provide reserves will not have a Company Material Adverse Effect. Since September 30, 1999, the Company has not incurred liability for any Taxes other than in the ordinary course of business. Neither the Company nor any of its Subsidiaries has received written notice of any material claim made by an authority in a jurisdiction where neither the Company nor any of its Subsidiaries file Tax Returns, that the Company is or may be subject to taxation by that jurisdiction.

(b) The federal income Tax Returns of the Company and its Subsidiaries have been examined by the Internal Revenue Service (or the applicable statutes of limitation for the assessment of federal income Taxes for such periods have expired) for all periods through and including December 31, 1995, and no material deficiencies were asserted as a result of such examinations that have not been resolved or fully paid or accrued. Neither the Company nor any of its Subsidiaries has waived any statute of limitations in any jurisdiction in respect of Taxes or Tax Returns or agreed to any extension of time with respect to a Tax assessment or deficiency except in the ordinary course consistent with past practice.

(c) Except as set forth on Section 3.12(c) of the Company Disclosure Schedule, no federal, state, local or foreign audits, examinations or other administrative proceedings have been commenced with regard to any Taxes or Tax Returns of the Company or of any of its Subsidiaries other than in the ordinary course of business, consistent with past practice. No written notification has been received by the Company or by any of its Subsidiaries that such an audit, examination or other proceeding

is pending or threatened with respect to any Taxes due from or with respect to or attributable to the Company or any of its Subsidiaries or any Tax Return filed by or with respect to the Company or any of its Subsidiaries. To the knowledge of the Company, there is no dispute or claim concerning any material Tax liabilities of the Company, or any of its Subsidiaries either claimed or raised by any taxing authority in writing which, individually or in the aggregate, are material to the Company and which are not reserved for in the Financial Statements.

(d) Except as set forth on Section 3.12(d) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to any agreement, plan, contract or arrangement that is reasonably likely to result, separately or in the aggregate, in a payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(e) Neither the Company nor any of its Subsidiaries has filed a consent pursuant to Section 341(f) of the Code (or any predecessor provision) concerning collapsible corporations, or agreed to have Section 341(f)(2) of the Code apply to any disposition of a "subsection (f) asset" (as such term is defined in Section 341(f)(4) of the Code) owned by the Company or any of its Subsidiaries.

(f) To the knowledge of the Company, no taxing authority is asserting or threatening to assert a claim against the Company or any of its Subsidiaries under or as a result of Section 482 of the Code or any similar provision of state, local or foreign law.

(g) Except as set forth in Section 3.12(g) of the Company Disclosure Schedule, to the knowledge of the Company, neither the Company nor any of its Subsidiaries is a party to any material tax sharing, tax indemnity or other similar agreement or arrangement with any entity not included in the Company's consolidated financial statements most recently filed by the Company with the SEC.

(h) Except as set forth in Section 3.12(h) of the Company Disclosure Schedule, to the knowledge of the Company, none of the Company or any of its Subsidiaries

has been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar affiliated or consolidated group for tax purposes under state, local or foreign law (other than a group the common parent of which is the Company) to the extent that being such a member is reasonably likely to give rise to a material tax liability, or has any material liability for Taxes of any person (other than the Company and its Subsidiaries) under Treasury Regulation Section 1.1502-6 or any similar provision of state, local or foreign law, or as a transferee or successor, by contract or otherwise.

(i) As used in this Agreement, the following terms shall have the following meanings:

(i) "Tax" or "Taxes" shall mean all taxes, charges, fees, duties, levies, penalties or other assessments imposed by any federal, state, local or foreign governmental authority, including, but not limited to, income, gross receipts, excise, property, sales, gain, use, license, custom duty, unemployment, capital stock, transfer, franchise, payroll, withholding, social security, minimum estimated, and other taxes, and shall include interest, penalties or additions attributable thereto; and

(ii) "Tax Return" shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Section 3.13 Intellectual Property.

(a) As used herein, the term "Intellectual Property" means all trademarks, service marks, trade names, Internet domain names and logos, together with goodwill, registrations and applications relating to the foregoing; registered patents, registered and unregistered copyrights (including registrations and applications for any of the foregoing); computer programs, including any and all software implementations of algorithms, models and methodologies whether in source code or object code form, databases and compilations, including any and all data and collections of data, all docu-

mentation, including user manuals and training materials, related to any of the foregoing and the content and information contained on any Web site (collectively, "Software"); confidential information, technology, know-how, inventions, processes, formulae, algorithms, models and methodologies (such confidential items, collectively "Trade Secrets") held for use or used in the business of the Company as conducted on the date hereof or as presently contemplated to be conducted and any licenses to use any of the foregoing.

(b) As used herein, the term "License Agreements" means all agreements granting or obtaining any right to use or practice any rights under any Intellectual Property, to which the Company or any of its Subsidiaries is a party or otherwise bound, as licensee or licensor thereunder, including, without limitation, license agreements, settlement agreements and covenants not to sue.

(c) Except as set forth in Section 3.13(c) of the Company Disclosure Schedule or as would not have, individually, or in the aggregate, a Company Material Adverse Effect:

(i) the Company or its Subsidiaries own or have the right to use all Intellectual Property, free and clear of all liens or other encumbrances;

(ii) any Intellectual Property owned or used by the Company or any of its Subsidiaries has been duly maintained, is valid and subsisting, in full force and effect and has not been cancelled, expired or abandoned;

(iii) the Company has not received any notice of actual or alleged infringement by the Company or any of its Subsidiaries or an offer of license from any third party of any intellectual property of such third party, and to the knowledge of the Company, there is no basis for such a claim against, or offer to, the Company or any of its Subsidiaries;

(iv) the Company has not received written notice from any third party regarding any assertion or claim challenging the validity of any Intellectual Property owned or used by the Company or any of its Subsid-

iaries and to the knowledge of the Company there is no basis for such a claim;

(v) to the knowledge of the Company, no third party is misappropriating, infringing, diluting or violating any Intellectual Property owned by the Company or any of its Subsidiaries;

(vi) the License Agreements are valid and binding obligations of the Company or any of its Subsidiaries, enforceable in accordance with their terms, and there exists no event or condition which will result in a violation or breach of, or constitute a default by the Company or any of its Subsidiaries or the other party thereto, under any such License Agreement;

(vii) the Company and each of its Subsidiaries take reasonable measures to protect the confidentiality of Trade Secrets;

(viii) the consummation of the Transactions will not result in the loss or impairment of the Company's or any of its Subsidiaries' rights to own or use any of the Intellectual Property, nor will such consummation require the consent of any third party in respect of any Intellectual Property; and

(ix) all material Software used or held for use by the Company (a) was developed by employees of the Company or any of its Subsidiaries within the scope of their employment; (b) was developed by independent contractors who have assigned all of their rights to the Company or any of its Subsidiaries pursuant to written agreement; or (c) is leased or licensed pursuant to the License Agreements.

Section 3.14. Year 2000 Compliance. Except as set forth in Section 3.14 of the Company Disclosure Schedule, all Software and systems used by and products, systems and/or services sold by the Company and each Subsidiary of the Company are Year 2000 Compliant, except for such failures which, individually or in the aggregate, have not had and are not reasonably likely to have a Company Material Adverse Effect. As used herein, "Year 2000 Compliant" and "Year 2000 Compliance" mean for all dates and times, including, without limitation dates and times after December 31, 1999 and in the multi-century

scenario, when used on a stand-alone system or in combination with other software or systems: (i) the application system functions and receives and processes dates and times correctly without abnormal results; (ii) all date related calculations are correct (including, without limitation, age calculations), duration calculations and scheduling calculations); (iii) all manipulations and comparisons of date-related data produce correct results for all valid date values within the scope of the application; (iv) there is no century ambiguity; and (v) leap years are accounted for and correctly identified (including, without limitation, that 2000 is recognized as a leap year). The Company and each of its Subsidiaries have taken such steps, as the Company and/or such Subsidiaries believed were reasonable, to ascertain, for entities that (x) provide data of any type that includes date information or which is otherwise derived from, dependent on or related to date information ("Date Data") to the Company or any of its Subsidiaries, (y) processes in any way Date Data for the Company or any of its Subsidiaries or (z) otherwise provides any product or service to the Company or any of its Subsidiaries that is dependent on Year 2000 Compliance, that such entities' Date Data and related software and systems that are used for, or on behalf of, the Company or any of its Subsidiaries are Year 2000 Compliant, and to the knowledge of the Company, all of the software and systems of the Company and each of its Subsidiaries are Year 2000 Compliant, except for any failure to be Year 2000 Compliant that would not, individually or in the aggregate, have a Company Material Adverse Effect.

Section 3.15 Insurance. Except as disclosed in Section 3.15 of the Company Disclosure Schedule or the Company SEC Reports, all material fire and casualty, general liability, business interruption, product liability and sprinkler and water damage insurance policies maintained by the Company or any of its Subsidiaries are with reputable insurance carriers, provide coverage for all normal risks incident to the business of the Company and its Subsidiaries and their respective properties and assets and are in character and amount appropriate for the business conducted by the Company, except as would not reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect.

Section 3.16 Compliance with Laws. (i) The Company and its Subsidiaries are in compliance with, and have not violated, in any material respect, any applicable law, rule or regulation of any United States federal, State, local, or foreign government or agency thereof which affects the business, properties or assets of the Company and its Subsidiaries, and (ii) no notice, charge, claim, action or assertion has been received by the Company or any of its Subsidiaries or has been filed, commenced or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries alleging any such violation except, in case of each of clause (i) and (ii), as would not have, individually or in the aggregate, a Company Material Adverse Effect. To the knowledge of the Company, all licenses, permits and approvals required under such laws, rules and regulations are in full force and effect.

Section 3.17 Restrictions on Business Activities. To the knowledge of the Company, except for this Agreement or as set forth in Section 3.17 of the Company Disclosure Schedule or the Company SEC Documents, there is no agreement, judgment, injunction, order or decree binding upon the Company or any of its Subsidiaries which has or would reasonably be expected to have the effect of prohibiting or impairing the conduct of business by the Company or any of its Subsidiaries as currently conducted by the Company or such Subsidiary, except for any prohibition or impairment as would not reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect.

Section 3.18 Vote Required. The affirmative vote of the holders of shares of Common Capital Stock entitled to cast at least two-thirds of the votes which the outstanding shares of Common Capital Stock are entitled to cast at the time on matters other than the election of directors is the only vote of the holders of any class or series of the Company's capital stock which may be necessary to approve this Agreement or the Transactions. The restrictions contained in Section 203 of the DGCL are not applicable to this Agreement, the Stockholders Agreement and the transactions contemplated hereby and thereby, including the Offer, the Merger and the acquisition of Shares pursuant to the Stockholders Agreement. No other State takeover statute or similar state

statute applies or purports to apply to the Offer, the Merger or the other Transactions.

Section 3.19 Interested Party Transactions. Except as set forth in Section 3.19 of the Company Disclosure Schedule or the Company SEC Documents or as otherwise contemplated by this Agreement, for events as to which the amounts involved do not, in the aggregate, exceed $300,000 since the Company's proxy statement dated April 5, 1999, no event has occurred that would be required to be reported as a Certain Relationship or Related Transaction pursuant to Item 404 of Regulation S-K promulgated by the SEC.

Section 3.20 Environmental Laws.

Except, for purposes of Sections 3.20(a)-(f), such matters as would not have, individually or in the aggregate, a Company Material Adverse Effect:

(a) Except as set forth in Section 3.20(a) of the Company Disclosure Schedule, the Company and its Subsidiaries have always been and are in compliance with all applicable Environmental Laws (as defined below) (which compliance includes, without limitation, the possession by the Company and its Subsidiaries of all permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof).

(b) Except as set forth in Section 3.20(b) of the Company Disclosure Schedule, there is no Environmental Claim (as defined below) pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries or, to the Company's knowledge, against any person or entity whose liability for any Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(c) Except as disclosed in Section 3.20(c) of the Company Disclosure Schedule, to the knowledge of Company, there are no pending proceedings related to the issuance or renewal of permits or authorizations required under Environmental Laws.

(d) Except as disclosed in Section 3.20(d) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is subject to any judicial or administrative orders or decrees pursuant to any Environmental Law.

(e) Except as set forth in Section 3.20(e) of the Company Disclosure Schedule, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the release or presence of any Hazardous Material (as defined below), which could reasonably be expected to form the basis of any Environmental Claim (as defined below) against the Company or any of its Subsidiaries, or to the Company's knowledge, against any person or entity whose liability for any Environmental Claim the Company or any of its Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(f) Except as set forth in Section 3.20(f) of the Company Disclosure Schedule, the Company and its Subsidiaries have not and, to the knowledge of the Company, no other person has placed, stored, deposited, discharged, buried, dumped or disposed of Hazardous Materials or any other wastes produced by, or resulting from, any business, commercial or industrial activities, operations or processes, on, beneath or adjacent to any property currently or formerly owned, operated or leased by the Company or any of its Subsidiaries, except (x) for inventories of such substances to be used, and wastes generated therefrom, which have been disposed of in compliance with Environmental Laws in the ordinary course of business of the Company and its Subsidiaries.

(g) For purposes of this Agreement, (i) "Environmental Laws" means all federal, State, local and foreign laws and regulations relating to pollution or protection of human health, safety or the environment enacted as of the date of this Agreement, including, without limitation, laws relating to releases or threatened releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, release, disposal, transport or handling of Hazardous Materials and all laws and regulations with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials; (ii) "Environmental Claim" means any claim,

action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the presence, or release, of any Hazardous Materials at any location, whether or not owned, leased or operated by the Company or any of its Subsidiaries, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; (iii) "Hazardous Materials" means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. 'SS' 300.5, or defined as such by, or regulated as such under, any Environmental Law.

Section 3.21 Real Property. The Company or one of its Subsidiaries has good and marketable title to each parcel of real property owned by the Company or its Subsidiaries and a valid leasehold interest in all real property leased by the Company and its Subsidiaries free and clear of all pledges, claims, liens, charges, mortgages, conditional sale or title retention agreements, hypothecations, collateral assignments, security interests, easements and other encumbrances of any kind or nature whatsoever (collectively, "Liens") except (A) those reflected or reserved against in the latest balance sheet of the Company included in the Company SEC Documents or Section 3.21 of the Company Disclosure Schedule, (B) taxes and general and special assessments not in default and payable without penalty and interest, and (C) other Liens that individually or in the aggregate do not materially detract from the value of such property or its intended use.

Section 3.22 Opinion of Financial Advisor. The Company has received the opinion of William Blair & Company, LLC, dated December 18, 1999, to the effect that, as of such date, the consideration to be received by the holders of Shares pursuant to this Agreement is fair to such holders from a financial point of view, a copy of which opinion has been delivered to Parent and the Purchaser.

Section 3.23 Brokers. No broker, finder or investment banker (other than William Blair & Company, LLC the fees and expenses of whom will be paid by the Company) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. The Company has heretofore furnished to Parent a complete and correct copy of all agreements between the Company and William Blair & Company, LLC pursuant to which such firm would be entitled to any payment relating to the transactions contemplated hereunder.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND THE PURCHASER

The Parent and Purchaser represent and warrant to the Company as set forth below.

Section 4.1 Organization. Each of Parent and the Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite corporate or other similar power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power, authority, and governmental approvals would not have, individually or in the aggregate, a Parent Material Adverse Effect. As used in this Agreement, "Parent Material Adverse Effect," with reference to any events, changes or effects, shall mean such events, changes or effects that are materially adverse to the Parent and its Subsidiaries, taken as a whole.

Section 4.2 Authorization; Validity of Agreement; Necessary Action. Each of Parent and the Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the Transactions. The execution, delivery and performance by Parent and the Purchaser of this Agreement and the consummation of the Merger and of the Transactions have been duly authorized by the Board of Directors of Parent and the Purchaser and by Parent as the sole stockholder of the

Purchaser and no other corporate action on the part of Parent or the Purchaser is necessary to authorize the execution and delivery by Parent and the Purchaser of this Agreement and the consummation of the Transactions. This Agreement has been duly executed and delivered by Parent and the Purchaser, as the case may be, and, assuming due and valid authorization, execution and delivery hereof by the Company, is a valid and binding obligation of each of Parent and the Purchaser, as the case may be, enforceable against each of them in accordance with its terms.

Section 4.3 Consents and Approvals; No Violations. Except for the filings contemplated by Sections 5.11 and 5.12 and except for the filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the HSR Act, the laws of any jurisdiction, and the DGCL, none of the execution, delivery or performance of this Agreement by Parent or the Purchaser, the consummation by Parent or the Purchaser of the Transactions or compliance by Parent or the Purchaser with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the respective certificate of incorporation or by-laws of Parent or the Purchaser, (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent, or any of its Subsidiaries or the Purchaser is a party or by which any of them or any of their respective properties or assets may be bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, any of its Subsidiaries or any of their properties or assets, excluding from the foregoing clauses (ii), (iii) and (iv) such violations, breaches, defaults or such failures to make filings, or obtain permits, authorizations, consents or approvals which would not, individually or in the aggregate, have a material adverse effect on the ability of Parent and Purchaser to consummate the Transactions.

Section 4.4 Financing. As of the date hereof, Parent and Purchaser have, and on the Share Purchase Date and at the Effective Time, Parent and Purchaser will have, sufficient cash resources available to finance the Transactions.

ARTICLE V

COVENANTS

Section 5.1 Interim Operations of the Company. The Company covenants and agrees that, except (i) as expressly contemplated by this Agreement, (ii) as set forth on Section 5.1 of the Company Disclosure Schedule or (iii) with the consent of Parent, which consent will not be unreasonably withheld, after the date hereof, and prior to the time the directors designated by the Purchaser have been elected to, and shall constitute a majority of, the Board pursuant to Section 1.3 (the "Appointment Date"):

(a) the business of the Company and its Subsidiaries shall be conducted only in the ordinary and usual course and, to the extent consistent therewith, each of the Company and its Subsidiaries shall use its commercially reasonable best efforts and shall cooperate with Parent to preserve its business organization intact and maintain its existing relations with customers, suppliers, employees, creditors and business partners;

(b) the Company will not, directly or indirectly, (i) except (x) upon exercise or payment of stock options or other awards outstanding under the Company Stock Plans or (y) pursuant to outstanding obligations to the former stockholders of Alarm Suppliers, Inc., sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitment or rights of any kind to acquire, any shares of capital stock of any class of the Company or any of its Subsidiaries,(ii) amend its Certificate of Incorporation or By-laws or similar organizational documents; or (iii) split, combine or reclassify the outstanding Shares or any outstanding capital stock of any of the Subsidiaries of the Company;

(c) neither the Company nor any of its Subsidiaries shall: (i) declare, set aside or pay any dividend

or other distribution payable in cash, stock or property with respect to its capital stock other than dividends paid by Subsidiaries of the Company in the ordinary course of business consistent with past practice; provided, that the Company may declare and pay the regular quarterly cash dividends in amounts not to exceed $.0217 per share of Common Stock and $.03 per share of Class A Stock to holders of shares of Common Stock and Class A Stock;(ii) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any assets other than in the ordinary and usual course of business and consistent with past practice, or incur or modify any indebtedness or other liability, other than in the ordinary and usual course of business and consistent with past practice; or (iii) redeem, purchase or otherwise acquire directly or indirectly any of its capital stock;

(d) neither the Company nor any of its Subsidiaries shall, except as required by any collective bargaining agreement, grant any increase in the compensation payable or to become payable by the Company or any of its Subsidiaries to any of its officers or employees except that the Company and its Subsidiaries may grant base salary increases consistent with past practice for employees normally occurring at or after the 1999 year end for year 2000; provided, that such increases in base salaries may not exceed five percent (5%) in the aggre gate for all such employees (except for salaries paid to managers of businesses acquired by the Company after October 1, 1998, in which case such salaries shall be determined in a manner consistent with the Company's past practice with respect to salaries paid to managers of acquired companies); provided, further, that any increases in the base salaries payable to the Company's top ten most highly compensated executives must be consistent with past practice for such executives (unless agreed to, on a case by case basis, by Parent) and, in any event, such increases may not exceed ten percent (10%) of base salary (x) for each such executive and (y) in the aggregate for all such executives;

(e) neither the Company nor any of its Subsidiaries shall (A) adopt any new, or (B) amend or otherwise increase, or accelerate the payment or vesting of the amounts payable or to become payable under, any existing, bonus, incentive compensation, deferred compensation, severance, profit sharing, stock option, stock purchase,

insurance, pension, retirement or other employee benefit plan, agreement or arrangement; provided, that the Company may pay cash bonuses to any or all of its managers covering 1999 performance so long as the amount of each such bonus is consistent with past practice (unless agreed to, on a case by case basis, by Parent) and the aggregate amount of such bonuses (excluding the bonuses payable under previously agreed to formulas so long as the amounts paid are per such existing formulas) do not exceed by twenty percent (20%) the aggregate amount of the bonuses (in cash or otherwise) paid to such managers for 1998 performance, except for bonuses paid to managers of businesses acquired by the Company after October 1, 1998, in which case such bonuses shall be consistent with the Company's past practice with respect to bonus policies for acquired businesses; and provided, further, that the Company may, before the completion of the Offer (x) modify the termination for "Good Reason" provision in executive employment contracts such that "Good Reason" would include a reduction in yearly total compensation opportunity offered to a given executive for reasonable performance, and (y) eliminate the "Adjustments" clause in each of such executive employment agreements;

(f) neither the Company nor any of its Subsidiaries shall enter into any employment or severance agreement with or otherwise grant any severance or termi nation pay to any officer, director or employee of the Company or any of its Subsidiaries; provided, that employment agreements with additional executives may be entered into upon agreement of Parent and the Company;

(g) neither the Company nor any of its Subsidiaries shall permit any insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated without notice to Parent, except in the ordinary course of business and consistent with past practice;

(h) neither the Company nor any of its Subsidiaries shall enter into any contract or transaction relating to the purchase of assets other than in the ordinary course of business consistent with prior practices;

(i) neither the Company nor any of its Subsidiaries shall enter into any contract or transaction

relating to the lending of any material amount of money to, or the purchase of any stock of, or other equity interest in, or material amount of assets of, any corporation or other entity, or enter into any joint venture or partnership (collectively, "Investments"), other than those Investments in progress on the date hereof;

(j) make any capital expenditures which are significantly in excess of the amounts set forth in the budgets previously provided to Parent in writing;

(k) neither the Company nor any of its Subsidiaries shall change any of the accounting methods used by it unless required by GAAP, make any material Tax election except in the ordinary course of business consistent with past practice, change any material Tax election already made, adopt any material Tax accounting method except in the ordinary course of business consistent with past practice, change any material Tax accounting method unless required by GAAP, or, except in the ordinary course consistent with past practice, enter into any closing agreement, settle any Tax claim or assessment or consent to any Tax claim or assessment or any waiver of the statute of limitations for any such claim or assessment; and

(l) neither the Company nor any of its Subsidiaries will take any action with the intent of causing any of the conditions to the Offer set forth in Annex A not to be satisfied.

Section 5.2 Access; Confidentiality.

(a) Upon reasonable notice, the Company shall (and shall cause each of its Subsidiaries to) afford to the officers, employees, accountants, counsel, financing sources and other representatives of Parent, access, during normal business hours during the period prior to the Appointment Date, to all its employees, properties, books, contracts, commitments and records and, during such period, the Company shall (and shall cause each of its Subsidiaries to) furnish promptly to the Parent (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws and (b) all other information concerning its business, properties and personnel as Parent may reasonably re-

quest. Access shall include the right to conduct such environmental studies and tests as Parent, in its reasonable discretion, shall deem appropriate. After the Appointment Date, the Company shall provide Parent and such persons as Parent shall designate with all such information, at such time as Parent shall request. Nothing, however, contained in this Section 5.2 shall require disclosure of the names of bidders, the disclosure of which is not required under Section 5.4. Unless otherwise required by law and until the Appointment Date, Parent will hold any such information which is nonpublic in confidence in accordance with the provisions of the letter agreement dated July 15, 1999 related to the Transactions, as amended November 19, 1999 (the "Confidentiality Agreement").

(b) Following the execution of this Agreement, Parent and the Company shall cooperate with each other and make all reasonable efforts to minimize any disruption to the business which may result from the announcement of the Transactions.

Section 5.3 Consents and Approvals.

(a) Each of the Company, Parent and the Purchaser will use its commercially reasonable best efforts to comply promptly with all legal requirements which may be imposed on it with respect to this Agreement and the Transactions (which actions shall include, without limitation, furnishing all information required under the HSR Act and in connection with approvals of or filings with any other Governmental Entity) and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their Subsidiaries in connection with this Agreement and the Transactions. Each of the Company, Parent and the Purchaser will, and will cause its Subsidiaries to, use its commercially reasonable best efforts to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party required to be obtained or made by Parent, the Purchaser, the Company or any of their Subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement.

(b) The Company and Parent shall each use its commercially reasonable best efforts to file as soon as practicable notifications under the HSR Act and to respond as promptly as practicable to any inquiries received from the Federal Trade Commission and the Antitrust Division of the Department of Justice for additional information or documentation and to respond as promptly as practicable to all inquiries and requests received from any State Attorney General or other Govern mental Entity in connection with antitrust matters.

(c) The Company and Parent shall each use its commercially reasonable best efforts to file as soon as practicable any other forms or notifications which may be required by any foreign Governmental Entity and to obtain as promptly as reasonably possible any approvals which may be required in connection therewith.

Section 5.4 No Solicitation.

(a) Neither the Company nor any of its Subsidiaries shall (and the Company shall use its best efforts to cause its officers, directors, employees, representatives and agents, including, but not limited to, investment bankers, attorneys and accountants (collectively, "Agents"), not to), directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with, or provide any information to, any corporation, partnership, person or other entity or group (other than Parent, any of its affiliates or representatives) concerning any proposal or offer to acquire all or a substantial part of the business and properties of the Company or any of its Subsidiaries or any capital stock of the Company or any of its Subsidiaries, whether by merger, tender offer, exchange offer, sale of assets or similar transactions involving the Company or any Subsidiary, division or operating or principal business unit of the Company (an "Acquisition Proposal"). The Company will immediately cease any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing, if any.

(b) Notwithstanding the foregoing, prior to the Share Purchase Date, the Company may furnish information concerning its business, properties or assets to any corporation, partnership, person or other entity or

group, and may participate in discussions and negotiations with such entity or group, if (x) such person has on an unsolicited basis submitted to the Company (1) an Acquisition Proposal believed by the Board in good faith to be bona fide, or (2) an expression of interest believed by the Board in good faith to be bona fide indicating such person's desire to pursue the possibility of making an Acquisition Proposal on terms financially superior to the Offer and the Merger (an "Indication of Interest") and, in either such case, the Board determines in good faith (i) after consulting with its financial advisors, that such person has the financial capability to consummate such Acquisition Proposal or, in the case of an Indication of Interest, a transaction on terms financially superior to the Offer and Merger, and (ii) after receipt of advice from outside legal counsel to the Company, that such action by the Company is appropriate in furtherance of the best interests of the Company's stockholders, and (y) such person has signed a confidentiality agreement substantially identical to the Confi dentiality Agreement (it being understood that the Board and/or its financial advisors may, in any event, discuss with any person submitting an Acquisition Proposal or Indication of Interest such person's bona fides and/or financial capability). The Company will promptly provide to Parent any written material information regarding the Company provided to such person which was not previously provided or otherwise made available to Parent.

(c) The Company will promptly following receipt of an Acquisition Proposal or Indication of Interest (and in any event not later than 24 hours after receipt thereof) notify Parent of the receipt of the Acquisition Proposal or Indication of Interest, as the case may be, and any stated, whether in writing or other wise, material terms (other than the identity of the person submitting such Acquisition Proposal or Indication of Interest) of such Indication of Interest or Acquisition Proposal. The Company will promptly notify Parent of any material changes in any disclosed Indication of Interest or Acquisition Proposal. The foregoing notwithstanding, the Company shall not be required to disclose the terms of any Indication of Interest unless and until the Company publicly discloses the existence of such Indication of Interest.

(d) The Board may withdraw or modify its approval or recommendation of the Offer and/or the Merger, provided (i) the Board believes in good faith, after receipt of advice from outside legal counsel to the Company, that the failure to do so could reasonably be expected to cause the Board to violate its fiduciary duties to the Company's stockholders under applicable law, and (ii) the Company notifies Parent of any such withdrawal or modification prior to its release to the public.

(e) At any time after 5:00 P.M., Central Time, on the second full business day following the business day on which notice is given (it being under stood that Christmas Eve and New Years Eve shall not be deemed to be "business days" for such purpose) to Parent of the Company's intent to do so and if the Company has otherwise complied with the terms of this Section 5.4 (including, without limitation, the provisions of Section 5.4(c)), the Board may, provided that the notice identifies the person submitting the Acquisition Proposal, cause the Company to enter into an agreement with respect to such Acquisition Proposal. Parent agrees that neither it nor any of its Subsidiaries nor any of the officers, directors, employees, representatives or agents, including, but not limited to investment bankers, attorneys and accountants, of any of the foregoing shall, directly or indirectly, contact, on behalf or at the direction of Parent or any of its Subsidiaries, any person disclosed to Parent as having submitted an Acquisition Proposal with respect to such Acquisition Proposal, the Offer, the Merger, or any arrangement or understanding in connection therewith (other than contacts not intended to dissuade, and that are not reasonably likely to have the effect of dissuading, such person from pursuing such Acquisition Proposal), so long as such person is subject to similar restrictions. In the event the Company is going to enter into an agreement with respect to an Acquisition Proposal pursuant to the second preceding sentence, the Company will not do so unless it has terminated this Agreement pursuant to Section 7.1(c)(ii) and paid or caused to be paid to Parent the Termination Fee (as defined below) not later than simultaneously with entering into such agree ment. In the event that any notice given pursuant to this Section 5.4(e) is given on a non-business day, the notice shall be deemed to have been given on the next following business day.

(f) Nothing contained in this Section 5.4 or any other provision hereof, however, shall prohibit the Company or the Board from (i) taking and disclosing to the Company's stockholders a position with respect to a tender or exchange offer by a third party pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act, or (ii) making such disclosure to the Company's stock holders as, in the good faith judgment of the Board, after receiving advice from outside counsel, is required under applicable law, provided that the Company may not, except as permitted by Section 5.4(d) or (e), withdraw or modify its approval or recommendation of the Offer or the Merger or enter into any agreement with respect to any Acquisition Proposal.

(g) Notwithstanding the foregoing provisions of this Section 5.4, it is agreed and understood that the Company (i) will include in the joint press release announcing this Agreement a statement to the effect that, consistent with its fiduciary obligations and subject to the terms of this Agreement, the Board has preserved its ability to respond to third parties where appropriate, (ii) will file this Agreement, the Stockholders Agreement and such press release as exhibits to a Current Report on Form 8-K and (iii) may repeat such statement in other public disclosures and in private communications with financial analysts, its stockholders and others.

(h) Nothing contained in this Section 5.4 shall prohibit Parent from purchasing Shares pursuant to the Offer or the Stockholders Agreement.

Section 5.5 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto shall use all commercially reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, or to remove any injunction or other impediments or delays, legal or otherwise, to achieve the satisfaction of the Minimum Condition and all conditions set forth in Annex A and Article VI, and to consummate and make effective the Merger and the other transactions contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of the Company, Parent and the Purchaser shall

use all commercially reasonable best efforts to take, or cause to be taken, all such necessary actions.

Section 5.6 Publicity. The initial press release (the "Press Release") with respect to the execution of this Agreement shall be a joint press release acceptable to Parent and the Company. Thereafter, except as provided in Section 5.4(g), so long as this Agreement is in effect, neither the Company, Parent nor any of their respective affiliates shall issue or cause the publication of any press release or other public announcement with respect to the Merger, this Agreement or the other Transactions without the prior consultation of the other party, except as such party believes, after receiving the advice of outside counsel, may be required by law or by any listing agreement with a national securities exchange or trading market, in which case, such party shall contact the other party prior to, or if impracticable as soon as reasonably practicable after, making any such disclosure.

Section 5.7 Notification of Certain Matters. The Company shall give prompt notice to Parent and Parent shall give prompt notice to the Company, of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the completion of the Offer and (ii) any material failure of the Company, Parent or the Purchaser, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.7 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice. If requested by Parent, the Company shall confirm the satisfaction of the condition to the Offer set forth in paragraph (f) of Annex A hereto.

Section 5.8 Directors' and Officers' Insurance and Indemnification.

(a) From and after the Share Purchase Date, Parent shall cause the Company or any successor to the Company (including, without limitation, the Surviving Corporation) to indemnify, defend and hold harmless the

present and former directors, officers and employees of the Company and its Subsidiaries, and persons who become any of the foregoing prior to the Effective Time (each an "Indemnified Party") against all losses, claims, damages, liabilities, costs, fees and expenses (including reasonable fees and disbursements of counsel and judgments, fines, losses, claims, liabilities and amounts paid in settlement (provided that any such settlement is effected with the written consent of the Parent or the Surviving Corporation which consent shall not unreasonably be withheld or delayed)) arising out of actions or omissions occurring at or prior to the Effective Time to the full extent permitted under applicable Delaware law. Parent further agrees to advance expenses to any Indemnified Party promptly upon receipt of an undertaking from such Indemnified Party that such expenses shall be repaid should it be ultimately determined that such Indemnified Party is not entitled to indemnification hereunder.

(b) Parent shall, or shall cause the Company or any successor to the Company (including without limitation, the Surviving Corporation) to, maintain the Company's existing officers' and directors' liability insurance ("D&O Insurance") for a period of not less than six years after the Share Purchase Date; provided, that the Parent may substitute therefor policies of substantially equivalent coverage and amounts containing terms no less favorable to the directors or officers who are Indemnified Parties; provided, further, if the existing D&O Insurance protecting such directors and officers expires, is terminated or cancelled during such period, Parent or the Surviving Corporation will use all reason able efforts to obtain substantially similar D&O Insurance; provided, further, however, that in no event shall the Company be required to pay aggregate annual premiums for insurance under this Section 5.8(b) in excess of 175% of the aggregate premiums paid by the Company in 1999 on an annualized basis for such purpose (the "1999 Premium"); and provided, further, that if the Parent or the Surviving Corporation is unable to obtain the amount of insurance required by this Section 5.8(b) for such aggregate premium, Parent or the Surviving Corporation shall obtain as much insurance as can be obtained for an annual premium not in excess of 175% of the 1999 Premium.

Section 5.9 Purchaser Compliance. Parent shall cause the Purchaser to comply with all of its obligations under or related to this Agreement.

Section 5.10 Employee Benefits.

(a) Parent shall cause the Company, and following the Merger, the Surviving Corporation, to provide for a period of not less than one year following the Share Purchase Date to each person who is an employee of the Company or its Subsidiaries immediately prior to the Share Purchase Date (a "Company Employee") who remains in the employ of the Company or any of its Subsidiaries with employee benefits that are generally comparable, in the aggregate, to the employee benefits provided to such employees immediately prior to the date hereof. For purposes of all employee benefit plans, programs and arrangements maintained by or contributed to by Parent and its Subsidiaries (including, after the Share Purchase Date, the Company and any successor thereto, including without limitation, the Surviving Corporation), Parent shall, or shall cause its Subsidiaries to, cause each such plan, program or arrangement made available to such employees to treat the prior service with the Company, its affiliates or other entities of each Company Employee (to the same extent such service is recognized under analogous plans, programs or arrangements of the Company or its affiliates prior to the Share Purchase Date) as service rendered to Parent or its Subsidiaries, as the case may be, for purposes of eligibility to participate in and vesting thereunder (but not benefit accrual, except to the extent required by law); provided, however, that such crediting of service shall not operate to duplicate any benefit or the funding of such benefit. Company Employees shall also be given credit for any deductible or co-payment amounts paid in respect of the plan year in which the Share Purchase Date occurs, to the extent that, following the Share Purchase Date, they participate in any other plan for which deductibles or co-payments are required. Parent shall also cause each Parent benefit plan made available to Company Employees to waive any preexisting condition which was waived or otherwise covered under the terms of any Company Plan immediately prior to the Share Purchase Date or waiting period limitation which would otherwise be applicable to a Company Employee on or after the Share Purchase Date.

(b) Parent shall cause the Surviving Corporation to honor the employment agreements and change of control plans listed in Section 5.10(a) to the Company Disclosure Schedule (the "Severance Agreements"), except to the extent modified or superseded by a separate agreement entered into by the employee and the Company or Parent or Purchaser.

(c) Parent shall establish a severance program covering any domestic Company employees whose employment may be terminated within one year of the Share Purchase Date other than for cause, death or disability. The severance program shall provide severance benefits of not less than one week of salary for each year of service up to a maximum of 52 weeks. Parent shall further provide, or arrange to have provided, outplacement assistance appropriate for each employee level. In addition, Parent shall establish "pay to stay" programs for Company em ployees as appropriate. Parent shall establish such other plans or programs as contemplated by Section 5.10(c) of the Company Disclosure Schedule.

(d) The provisions of this Section 5.10 shall not be applicable to employees subject to collective bargaining agreements whose employment shall be subject to the terms of such agreements.

Section 5.11 Compliance with ISRA.

(a) The Company and its Subsidiaries shall be responsible, prior and subsequent to the Share Purchase Date, for compliance with the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. (together, with the regulations and guidance promulgated thereunder, "ISRA").

(b) Prior to the Share Purchase Date, the Company and its Subsidiaries and Parent and the Purchaser shall reasonably cooperate with one another with respect to compliance with ISRA, including, but not limited to, providing Parent and the Purchaser with advance copies of all submittals to be filed in connection with ISRA and reasonably incorporating comments provided by Parent and/or the Purchaser into such filings, providing copies of correspondence and documents received from the New Jersey Department of Environmental Protection ("NJDEP") to Purchaser on a timely basis, and undertaking strategic

actions with respect to ISRA compliance only after consultation with Parent and/or the Purchaser; provided, that nothing herein shall require the Company and its Subsidiaries to undertake any action that would cause any of them to violate the requirements of ISRA. Without limiting the generality of the foregoing, the Company shall, at the reasonable request of Parent and/or the Purchaser, file an application for a Letter of Non-Applicability or another appropriate exemption or limitation on the scope of ISRA review if, in the reasonable judgment of Purchaser, such application is reasonably likely to be approved by the NJDEP.

(c) Without limiting the generality of Section 5.11(b), to the extent that it is determined that ISRA is applicable to the Merger or the purchase of Shares pursuant to the Offer, the Company and its Subsidiaries shall reasonably cooperate with Parent and the Purchaser, and Parent and the Purchaser shall reasonably cooperate with the Company and its Subsidiaries, to take all actions necessary to obtain approval from the NJDEP to effectuate the Merger. To the extent that it is not possible to obtain a No Further Action Letter (as defined in ISRA) or an approval of a Remediation Workplan (as defined in ISRA) or some other approval that would exempt or limit the application of ISRA to the transaction prior to the date the Merger is to scheduled to become effective or the Share Purchase Date, Parent and the Purchaser and the Company and its Subsidiaries agree that the Company and/or its relevant Subsidiaries shall enter into a Remediation Agreement with the NJDEP in order to allow the Merger and the purchase of Shares pursuant to the Offer to proceed.

Section 5.12 Compliance with Connecticut Transfer Act.

(a) The Company and its Subsidiaries shall be responsible, prior and subsequent to the Share Purchase Date, for compliance with the Connecticut Transfer Act.

(b) Prior to the Share Purchase Date, the Company and its Subsidiaries and Parent and the Purchaser shall reasonably cooperate with one another with respect to compliance with the Connecticut Transfer Act, including, but not limited to, the Company and its Subsidiaries reasonably consulting with Purchaser regarding whether

the Company and its Subsidiaries, for each property in Connecticut that is subject to the Connecticut Transfer Act, will provide a Form I, Form II, Form III or Form IV (as such terms are defined by the Connecticut Transfer Act) (hereinafter, reference to the "Form" shall mean a Form I, Form II, Form III or Form IV) to Parent and the Purchaser at the Share Purchase Date. The Company and its Subsidiaries shall provide a copy, in draft form, of (i) the Form it intends to provide to Parent and the Purchaser for each property that is subject to the Connecticut Transfer Act and (ii) any Environmental Assessment forms (if such forms are required under the Connecticut Transfer Act), at least 10 business days prior to the Share Purchase Date, and the use and contents of such Form and such Environmental Assessment form shall be subject to Parent's and the Purchaser's reasonable approval; provided, that nothing herein shall require the Company and its Subsidiaries to undertake any action that would cause any of them to violate the requirements of the Connecticut Transfer Act.

Section 5.13 Tax Opinion.

(a) On or prior to the date hereof, Parent has received an opinion of counsel from Kirkland & Ellis stating that it is their opinion that, based on the representations contained in the representation letters referred to in such opinion and previously delivered to Parent from King Harris, Edward Schwartz, Paul R. Gauvreau, and Leo Guthart (the "Listed Officers"), and from Neison Harris, Irving Harris, William Harris and Robert Barrows (the "Listed Directors"), and assuming the accuracy of the facts set forth in Section 5.13 of the Company Disclosure Schedule (the "Tax Schedule"), the Spinoff will not fail to qualify as a distribution on which no gain or loss was recognized by the Indemnified Company Stockholders under Section 355 of the Code due to violation of the "device" or "continuity of shareholder interest" requirements of Section 355 of the Code and the regulations thereunder (an "Indemnifiable Disqualification") as a result of (1) the negotiation (which began with the exploratory-meetings between representatives of Parent and/or Honeywell Inc. and the Company commencing in May 1999), execution and delivery of this Agreement or (2) any of the transactions contemplated by this Agree ment or the Stockholders Agreement, assuming the Transactions are consummated as contemplated in the Agreement.

(b) For purposes of this Section 5.13 and Section 5.14 and Annex A hereto:

(i) "Spinee" means Penton Media, Inc., a Delaware corporation.

(ii) "Spinoff" means the distribution by the Company of all of the outstanding capital stock of Spinee to the stockholders of the Company of record at the close of business on July 31, 1998 (and such stockholders, without regard to whether they currently or hereafter hold any capital stock of the Company or Spinee, are referred to as the "Indemnified Company Stockholders").

(iii) "Indemnified Tax" means:

(1) any Tax imposed on and payable by an Indemnified Company Stockholder resulting from an Indemnifiable Disqualification as a result of (x) the negotiation (which began with the exploratory meetings between representatives of Parent and/or Honeywell Inc. and the Company commencing in May 1999), execution and delivery of this Agreement, (y) any of the transactions contemplated by this Agreement or the Stockholders Agreement, or (z) any action or inaction on the part of Parent or the Company at or after the Share Purchase Date, less

(2) if it is determined that the Spinoff failed to qualify as a distribution to which Section 355 of the Code applied, any refund or credit of Taxes paid which such Indemnified Company Stockholder would be entitled to receive (assuming, whether or not true, that the Indemnified Company Stockholder had filed a claim for such refund or credit (including a protective refund claim) promptly upon receipt of the notice described in Section 5.14(b)(iii)) as a result of any increase in the tax basis (as compared to the tax basis that would exist if the Spinoff qualified as a distribution to which Section 355 of the Code applied) of shares of capital stock of the Company or shares of Spinee capital stock received by the Indemnified Company Stockholder in the Spinoff which the Indemnified Company Stockholder has sold or otherwise disposed of on or before the date Parent's indemnification payment to the Indemnified Company Stockholder is made hereunder, and less (without duplication)

(3) if it is determined that the Spinoff failed to qualify as a distribution to which Section 355 of the Code applied, the deemed present value of any future Tax savings available to such Indemnified Company Stockholder as a result of any increase in the tax basis (as compared to the tax basis that would exist if the Spinoff qualified as a distribution to which Section 355 of the Code applied) of the shares of Spinee capital stock received by the Indemnified Company Stockholder in the Spinoff. The deemed present value of such future tax savings shall be equal to 68% of the Tax savings that would be available to such Indemnified Company Stockholder if taxable gain or loss with respect to any shares of Spinee capital stock received by the Indemnified Company Stockholder in the Spinoff then held by the Indemnified Company Stockholder were recognized on the date Parent's indemnification payment to the Indemnified Company Stockholder is made hereunder.

Section 5.14 Indemnification.

(a) Parent agrees, subject to the terms and conditions of this Section 5.14, to indemnify, defend and hold harmless each Indemnified Company Stockholder from any Indemnified Tax.

(b) Parent's obligation to indemnify a particular Indemnified Company Stockholder from an Indemnified Tax shall be of no force or effect if:

(i) any of the fact statements set forth in the Tax Schedule are not true and correct or any Listed Officer or Listed Director fails to cooperate with Parent in Parent's defense against the Indemnified Tax as reasonably requested by Parent and with Parent responsible for the reasonable out-of-pocket expenses of the Listed Officer or Listed Director, and the untruthfulness or incorrectness of such fact or such failure to cooperate is material to a determination that an Indemnifiable Disqualification has occurred; or

(ii) in the case of a Listed Officer or Listed Director, any representation made by any Listed Officer or Listed Director in any such person's representation letter is not true and correct and such failure is material to a determination that an Indemnifiable Disqualification has occurred; or

(iii) the Indemnified Company Stockholder does not notify Parent within 15 business days of the Indemnified Company Stockholder's receipt of any written question or other notice from the Internal Revenue Service to the effect that the Internal Revenue Service is reviewing the Spinoff (in which event, notwithstanding the introduction to this subsection (b), Parent's obligation to indemnify, defend and hold harmless the Indemnified Company Stockholder from the Indemnified Tax shall not cease to be of any force or effect, but instead shall be reduced to the extent such failure adversely affects Parent's ability to defend against the Indemnified Tax); or

(iv) provided that Parent agrees to undertake the defense against the Indemnified Tax in a writing given to the Indemnified Company Stockholder within 15 business days following such notification and thereafter diligently pursues such defense, the Indemnified Company Stockholder: (x) does not permit Parent to control such defense or takes any action inconsistent with such per mission, (y) does not cooperate with Parent in such defense as reasonably requested by Parent and with Parent responsible for the reasonable out-of-pocket expenses of the Indemnified Company Stockholder, or (z) consents to the entry of any judgment or enters into any settlement with respect to the Indemnified Tax without Parent's prior written consent (which shall not be unreasonably withheld, determined solely with regard to the impact of the settlement on the Parent) (it being understood that the Indemnified Company Stockholder may retain separate counsel to monitor such defense, at the Indemnified Company Stockholder's expense); or

(v) Parent's ability to defend against the Indemnified Tax with respect to an Indemnified Company Stockholder is adversely affected as a result of another Indemnified Company Stockholder who is a Listed Officer, Listed Director, or a party to the Stockholders Agreement (x) failing to permit Parent to control such other Indemnified Company Stockholder's defense against an Indemnified Tax in a proceeding to which the proviso in Section 5.14 (b)(iv) applied or (y) consenting to the entry of any judgment or entering into any settlement with respect to an Indemnified Tax in a proceeding to which the proviso in Section 5.14 (b)(iv) applied without Parent's prior written consent (which shall not be unrea-

sonably withheld), in which event, notwithstanding the introduction to this subsection (b), Parent's obligation to indemnify, defend and hold harmless the Indemnified Company Stockholder from the Indemnified Tax shall not cease to be of any force or effect, but instead shall be reduced to the extent such failure or consent or entry adversely affects Parent's ability to defend against the Indemnified Tax).

(c) In the event (i) Parent does not agree to undertake the defense of the Indemnified Tax in a writing given to the Indemnified Company Stockholder within 15 business days following such notification, or does not thereafter diligently pursue such defense, and (ii) Parent does not agree to pay the Indemnified Tax in a writing given to the Indemnified Company Stockholder within 15 business days following such notification, and (iii) the Indemnified Company Stockholder wishes to conduct its own defense of the Indemnified Tax, and (iv) the Indemnified Company Stockholder gives written notification to Parent that the Indemnified Company Stockholder intends to commence, no sooner than 15 business days from such notice, its own defense of such Indemnified Tax, the Indemnified Company Stockholder thereafter may conduct such defense and may, without Parent's consent, consent to the entry of any judgment or enter into any settlement with respect to the Indemnified Tax. In the event such conditions are met, the Indemnified Tax shall include any costs reasonably incurred by the Indemnified Company Stockholder in defending against or contesting the validity of the Indemnified Tax. For the avoidance of doubt, Parent shall not be obligated to indemnify any Indemnified Company Stockholder for costs of defense where Parent has decided not to contest the Indemnified Tax and has so advised the Indemnified Company Stockholder, and agreed to pay the Indemnified Tax, in a writing given to the Indemnified Stockholder within the 15 business day period described above.

(d) Amounts to be paid by Parent to the Indemnified Company Stockholder pursuant to this Section will be increased by such additional amounts (the "Additional Amounts") as necessary so that the amounts received by the Indemnified Company Stockholder, net of any Taxes thereon (including Taxes on such Additional Amounts), will not be less than the amounts the Indemnified Company Stockholder would have received if such Taxes had not

been imposed. The Additional Amounts shall be determined by using the maximum income tax rate applicable to long-term capital gains or ordinary income (based on the respective portions of the amounts received by the Indemnified Company Stockholder so characterized) for the year the payment is made.

(e) In the event (i) Parent pays an amount to an Indemnified Company Stockholder pursuant to this Section with respect to such Indemnified Company Stockholder and (ii) it is subsequently determined that such Indemnified Company Stockholder is not entitled to indemnification hereunder, such Indemnified Company Stockholder shall be obligated, promptly upon written demand, to reimburse Parent for such amount paid.

(f) Each Indemnified Company Stockholder is an express third party beneficiary of the provisions of this Section, and the benefits of this Section shall not be withdrawn from or denied to any Indemnified Company Stockholder without such Indemnified Company Stockholder's written consent. Notwithstanding the preceding sentence, no such written consent is required to the extent subsection (b) above operates to eliminate the benefits of this Section 5.14.

ARTICLE VI

CONDITIONS

Section 6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any and all of which may be waived in whole or in part by the Company, Parent or the Purchaser, as the case may be, to the extent permitted by applicable law:

(a) Shareholder Approval. This Agreement shall have been approved and adopted by the requisite vote of the holders of the Shares, if required by applicable law, in order to consummate the Merger;

(b) Statutes; Court Orders. No statute, rule or regulation shall have been enacted or promulgated by

any governmental authority which prohibits the consummation of the Merger; and there shall be no order or injunction of a court of competent jurisdiction in effect precluding consummation of the Merger; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve such order or injunction;

(c) Purchase of Shares in Offer. Parent, the Purchaser or their affiliates shall have purchased Shares pursuant to the Offer; and

(d) Other Government Approvals. Any other material governmental approvals required to be obtained prior to the consummation of the Merger shall have been obtained; provided, that Parent shall employ its commercially reasonable best efforts to obtain any such required approvals.

ARTICLE VII

TERMINATION

Section 7.1 Termination. This Agreement may be terminated and the Transactions contemplated herein may be abandoned at any time prior to the Share Purchase Date:

(a) By the mutual written consent of Parent and the Company.

(b) By either of the Company or Parent:

(i) if (x) the Offer shall have expired without any Shares being purchased therein or (y) the Purchaser shall not have accepted for payment all Shares tendered pursuant to the Offer by February 20, 2000 or, in the event that the failure of the conditions to the Offer as of February 20, 2000 is as a result of any waiting periods under applicable laws having not expired, or any approvals under applicable laws having not been received, by February 20, 2000, June 30, 2000, provided, however, that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available (A) to any party whose failure to fulfill any obligation under

this Agreement has been the cause of, or resulted in, the failure of Parent or the Purchaser, as the case may be, to purchase the Shares pursuant to the Offer on or prior to such date, or (B) after Purchaser shall have purchased Shares pursuant to the Offer; or

(ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), which permanently restrains, enjoins or otherwise prohibits the acceptance for payment of, or payment for, Shares pursuant to the Offer or the Merger and such order, decree, ruling or other action shall have become final and non-appealable.

(c) By the Company:

(i) if Parent, the Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate this Agreement pursuant to this Section 7.1(c)(i) if the Company is at such time in breach of its obligations under this Agreement such as to cause a material adverse effect on the Company and its Subsidiaries, taken as a whole;

(ii) in connection with entering into a definitive agreement in accordance with Section 5.4(e), provided it has complied with all provisions thereof, including the notice provisions therein, and that it makes simultaneous payment of the Termination Fee; or

(iii) if Parent or the Purchaser shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach cannot be or has not been cured, in all material respects, within 30 days after the giving of written notice to Parent or the Purchaser, as applicable.

(d) By Parent:

(i) if, due to an occurrence, not involving a breach by Parent or the Purchaser of their obligations hereunder, which makes it impossible to satisfy any of the conditions set forth in Annex A hereto, Parent, the Purchaser, or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer;

(ii) if prior to the Share Purchase Date, the Company shall have breached any representation, warranty, covenant or other agreement contained in this Agreement which (A) would give rise to the failure of a condition set forth in paragraph (f) or (g) of Annex A hereto and (B) cannot be or has not been cured, in all material respects, within 30 days after the giving of written notice to the Company;

(iii) if either Parent or the Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (e) of Annex A hereto; or

(iv) if either Parent or the Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (h) of Annex A hereto.

Section 7.2 Effect of Termination. In the event of the termination of this Agreement pursuant to its terms, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void, and there shall be no liability on the part of the Parent or the Company except (A) for fraud or for breach of this Agreement prior to such termination and (B) as set forth in Sections 5.2(a) (the last sentence thereof), 7.2 and 8.1. Any termination of this Agreement shall not affect, and the Company agrees not to rescind or modify, any approval previously granted under Section 203 of the DGCL with respect to the Stockholders Agreement or the transactions contemplated thereby. The provisions of Section 5.14 shall survive any termination of this Agreement if

the option granted to Parent pursuant to Section 2.1(a) of the Stockholders Agreement is exercised.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Fees and Expenses.

(a) Except as contemplated by this Agreement, including Section 8.1(b) hereof, all costs and expenses incurred in connection with this Agreement and the consummation of the Transactions shall be paid by the party incurring such expenses.

(b) If (x) the Company shall terminate this Agreement pursuant to Section 7.1(c)(ii), (y) either the Company or Parent terminates this Agreement pursuant to Section 7.1(b)(i) or Parent terminates this Agreement pursuant to Section 7.1(d)(ii) and, in the case of this subclause (y), (a) prior thereto there shall have been publicly announced another Acquisition Proposal that is financially superior to the Offer and Merger (either at the time it is made or at any time prior to the termination of this Agreement) or Indication of Interest and (b) an Acquisition Proposal shall be consummated on or prior to November 15, 2000, or (z) Parent terminates this Agreement pursuant to Section 7.1(d)(iv) and, in the case of this subclause (z), an Acquisition Proposal on terms financially superior to the Offer and Merger shall be consummated on or prior to November 15, 2000, the Company shall pay to Parent an amount equal to $80,000,000 (eighty million dollars) (the "Termination Fee"), which Termination Fee shall be payable in same day funds and, in the case of clause (x), no later than the termination of this Agreement; provided, however, that no Termination Fee shall be payable if the Purchaser or Parent was in material breach of its representations, warranties or obligations under this Agreement at the time of its termination. No separate additional amount shall be payable hereunder to Parent to reimburse it for out-of-pocket expenses.

(c) If Parent shall terminate this Agreement pursuant to Section 7.1(d)(iii) hereof, the Company shall pay to Parent an amount equal to 50% of the Termination

Fee, which amount shall be payable in same day funds upon the termination of this Agreement and, if an Acquisition Proposal shall be consummated on or prior to November 15, 2000, the Company shall pay to Parent an amount equal to the Termination Fee less any amount theretofore paid pursuant to this Section 8.1(c), which amount shall be payable in same day funds no later than the consummation of such Acquisition Proposal.

Section 8.2 Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company contemplated hereby, by written agreement of the parties hereto, by action taken by their respective Boards of Directors (which in the case of the Company shall include approvals as contemplated in Section 1.3(c)), at any time prior to the Closing Date with respect to any of the terms contained herein.

Section 8.3 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any schedule, instrument or other document delivered pursuant to this Agreement shall survive the completion of the Offer.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by an overnight courier service, such as Federal Express, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or the Purchaser, to:

Honeywell International Inc.
101 Columbia Road
Morristown, New Jersey 07912
Attention: General Counsel
Telephone No.:973-455-2000
Telecopy No.: 973-455-4217

with a copy to:

Skadden, Arps, Slate, Meagher &
Flom LLP

919 Third Avenue
New York, New York 10022
Attention: David J. Friedman, Esq.
Telephone No.: (212) 735-3000
Telecopy No.: (212) 735-2000

and

if to the Company, to:

Pittway Corporation
200 S. Wacker Drive
Chicago, Illinois 60606
Attention: President and CEO
Telephone No.:312-831-1070
Telecopy No.: 312-382-0722

with a copy to:

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Brian D. Hogan, Esq.
Telephone No.: (312) 861-2000
Telecopy No.: (312) 861-2200

Section 8.5 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." As used in this Agreement, the term "affiliates" shall have the meaning set forth in Rule 12b-2 of the Exchange Act.

Section 8.6 Counterparts. This Agreement may be executed in counterparts, each of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties.

Section 8.7 Entire Agreement; No Third Party Beneficiaries This Agreement and the Confidentiality Agreement (including the documents and the instruments referred to herein and therein): (a) constitute the entire agreement and supersedes all prior agreements and

understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) except as provided in Sections 2.4, 5.8 and 5.14, are not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 8.8 Severability. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the parties agree that the court making such determination shall have the power to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

Section 8.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law thereof.

Section 8.10 Assignment. Neither this Agreement not any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written content of the other parties, except that the Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to Parent or to any direct or indirect wholly owned Subsidiary of Parent (in which event such Subsidiary shall become a party to this Agreement and the parties will make such amendments as are appropriate to reflect such assignment. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, Parent, the Purchaser and the Company have caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

HONEYWELL INTERNATIONAL INC.

By /S/ J. Kevin Gilligan

Name: J. Kevin Gilligan
Title: President, Home and Building Control-Solutions and Services, Authorized Signatory

HII-2 ACQUISITION CORP.

By /S/ J. Kevin Gilligan

Name: J. Kevin Gilligan
Title: President

PITTWAY CORPORATION

By /S/ King Harris

Name: King Harris
Title: President and CEO

CERTAIN CONDITIONS OF THE OFFER. Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) the Purchaser's rights to extend and amend the Offer at any time in its sole discretion (subject to the provisions of this Agreement), the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-l(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and, subject to the terms of the Merger Agreement, may terminate or amend the Offer as to any Shares not then paid for, if (i) any applicable waiting period under the HSR Act has not expired or terminated, (ii) the Minimum Condition has not been satisfied, or (iii) at any time on or after the date of this Agreement and before the Share Purchase Date, any of the following events shall occur:

(a)(i) there shall be threatened or pending any suit, action or proceeding by any Governmental Entity against the Purchaser, Parent, the Company or any Subsidiary of the Company or (ii) there shall be instituted or pending any suit, action or proceeding before any court which, in the case of either (i) or (ii), in the good faith judgment of Parent and Purchaser, after consulting with legal counsel, is likely to result in any change or effect (or any development that, insofar as can reasonably be foreseen, is likely to result in any change or effect) that will constitute a Company Material Adverse Effect or is materially adverse to the ability of Parent to consummate this Agreement, the Offer, the acquisition of Shares pursuant to the Offer or the Merger, and which in the case of either (i) or (ii), is (A) seeking to prohibit or impose any material limitations on Parent's or the Purchaser's ownership or operation (or that of any of their respective Subsidiaries or affiliates) of all or a material portion of the businesses or assets of the Company and its Subsidiaries taken as a whole, or to compel Parent or the Purchaser or their respective Subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the

Company or Parent and their respective Subsidiaries, in each case taken as a whole, (B) challenging the acquisition by Parent or the Purchaser of any Shares under the Offer, seeking to restrain or prohibit the making or consummation of the Offer or the Merger or the performance of any of the other transactions contemplated by this Agreement, or seeking to obtain from the Company, Parent or the Purchaser any damages that are material in relation to the Company and its Subsidiaries taken as a whole, (C) seeking to impose material limitations on the ability of the Purchaser, or render the Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares pursuant to the Offer and the Merger, (D) seeking to impose material limitations on the ability of Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, or (E) which otherwise is reasonably likely to have a Company Material Adverse Effect; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve any such pending or threatened suit, action or proceeding;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated, or deemed applicable, pursuant to an authoritative interpretation by or on behalf of a Government Entity, to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (A) through (E) of paragraph (a) above; provided, that Parent shall employ its commercially reasonable best efforts to oppose, contest and resolve any such judgment, order, injunction or enforcement by any such Government Entity;

(c) there shall have occurred (i) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory) or (ii) any limitation (whether or not mandatory) by any United States governmental authority on the extension of credit generally by banks or other financial institutions, in each instance to the extent,

but only to the extent, that such events affect Parent's ability to obtain financing for the Offer;

(d) there shall have occurred any events, changes or effects after the date of this Agreement which, either individually or in the aggregate, has had or is reasonably likely to have a Company Material Adverse Effect; provided that (i) any adverse change in the business relationship of the Company or any of its Subsidiaries with any of its customers as a result of (x) the Company's entering into this Agreement or (y) the Transactions, (ii) any effect of any such adverse change on the business, assets, liabilities, properties, results of operations or financial condition of the Company and its Subsidiaries, (iii) any adverse effect of any decision by any customer of the Company or any of its Subsidiaries that accounted for 5% or more of the consolidated net sales of the Company for the fiscal year ending December 31, 1999 to change the mix or channel of purchasing of products ordered or to be ordered from the Company or any of it Subsidiaries, (iv) any adverse effect on the business relationship between the Company and its Subsidiaries, on the one hand, and Protection One Alarm Monitoring, Inc. and its affiliates, on the other hand, resulting from the financial condition of Protection One Alarm Monitoring, Inc. and its affiliates and (v) any adverse effect of changes in foreign currency exchange rates shall be excluded when making any determination whether a Company Material Adverse Effect has occurred;

(e)(i) the Board or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or the Purchaser its approval or recommendation of the Offer, the Merger or this Agreement, approved or recommended any Acquisition Proposal or, upon the request of Parent, failed to reaffirm its approval or recommendation of the Offer, the Merger or this Agreement, or (ii) the Company shall have entered into any agreement with respect to any Acquisition Proposal in accordance with Section 5.4(e) of this Agreement;

(f) the representations and warranties of the Company set forth in this Agreement (which for these purposes shall exclude all qualifications or exceptions relating to "materiality" and/or Company Material Adverse Effect) shall not be true and correct, in each case (i)

as of the date referred to in any representation or warranty which addresses matters as of a particular date, or (ii) as to all other representations and warranties, as of the date of this Agreement and as of the scheduled expiration of the Offer, such that the aggregate effect of all such representations and warranties which are not true and correct shall have had or be reasonably likely to have a Company Material Adverse Effect;

(g) the Company shall have failed to perform any obligation or to comply with any agreement or covenant with the Company to be performed or complied with by it under this Agreement other than any failure which, except for the provisions of Section 1.3(a), would not have, or be reasonably likely to have, either individually or in the aggregate, a Company Material Adverse Effect;

(h) any person (other than any person beneficially owning (as defined in Rule 13d-3 promulgated under the Exchange Act), or part of a group beneficially owning, 20% or more of the outstanding Common Capital Stock on the date of this Agreement) acquires beneficial ownership of at least 20% (or, with respect to any person beneficially owning, or part of a group beneficially owning, 10% or more on the date of this Agreement or with respect to any group of which such a person may be or become a member, 25%) of the outstanding Common Capital Stock;

(i) this Agreement shall have been terminated in accordance with its terms; or

(j) Kirkland & Ellis shall have withdrawn its tax opinion delivered pursuant to Section 5.13 of this Agreement and advised Parent in writing that, on account of such counsel's discovery of additional facts (a description of which shall be included in such writing) subsequent to the date of such opinion establishing that any of the fact statements set forth in the Tax Schedule are not true and correct, it has become such counsel's opinion that it is more likely than not that the Spinoff will fail to qualify as a distribution to which Section 355 of the Code applies as a result of (1) the negotiation (which began with the exploratory meeting between representatives of Parent and/or Honeywell Inc. and the Company commencing in May, 1999), execution and delivery

of this Agreement, (2) any of the Transactions, or (3) any action or inaction on the part of the Company at or before the Share Purchase Date.

The foregoing conditions are for the sole benefit of Parent and the Purchaser, may be asserted by Parent or the Purchaser and may be waived by Parent or the Purchaser in whole or in part at any time and from time to time in the sole discretion of Parent or the Purchaser, subject in each case to the terms of this Agreement. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

STOCKHOLDERS AGREEMENT

This STOCKHOLDERS AGREEMENT, dated as of December 20, 1999 (this "Agreement"), is made and entered into among Honeywell International Inc., a Delaware corporation ("Parent"), HII-2 Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Parent ("Purchaser"), and the stockholders identified on the signature page hereof ("Stockholders").

RECITALS:

A. Parent, Purchaser and Pittway Corporation, a Delaware corporation ("Company"), propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), pursuant to which the Purchaser will merge with and into Company (the "Merger") on the terms and subject to the conditions set forth in the Merger Agreement. Except as otherwise defined herein, terms used herein with initial capital letters have the respective meanings ascribed thereto in the Merger Agreement.

B. As of the date hereof, Stockholders, in the aggregate, beneficially own and are entitled to dispose of (or to direct the disposition of) and to vote (or to direct the voting of) the shares of Class A Stock, of the par value of $1.00 per share (the "Class A Shares"), of Company and the shares of Common Stock, of the par value of $1.00 per share ("Common Stock"), of Company identified on Appendix A hereto (the shares of Common Stock and the shares of Class A Stock are sometimes referred to together as the "Shares" and such Shares, together with any other shares of capital stock of Company the beneficial ownership of which is acquired by Stockholders during the period from and including the date hereof through and including the earlier of (i) the expiration of the Option Period (as defined herein) and (ii) the expiration of this Agreement, but less approximately 250,000 shares in the aggregate which are identified on Appendix A as being reserved for charitable contributions and are thus outside the coverage of this Agreement, are collectively referred to herein as "Subject Shares").

C. Pursuant to the Merger Agreement, Purchaser shall commence a cash tender offer (the "Offer") to purchase at a price of $45.50 per Share all outstanding Shares, including all of the Subject Shares.

D. As a condition and inducement to Parent's and Purchaser's willingness to enter into the Merger Agreement, Parent and Purchaser have requested that Stockholders agree, and Stockholders have agreed, to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained in this Agreement and the Merger Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

AGREEMENT TO TENDER

Section 1.1 Agreement to Tender. Promptly following the commencement of the Offer, Stockholders shall tender, in accordance with the terms of the Offer, all Subject Shares then owned by them. Stockholders shall not withdraw from the Offer any Subject Shares tendered pursuant to the Offer unless and until the Merger Agreement is terminated.

ARTICLE II

OPTION

Section 2.1 (a) Grant of Option. Stockholders hereby grant to Parent an irrevocable option (the "Option") to purchase the Subject Shares on the terms and subject to the conditions set forth herein, at a price per Subject Share equal to $45.50 in cash or any higher price paid or to be paid by Parent and Purchaser pursuant to the Offer (such price being referred to as the "Option Consideration").

(b) When Option Exercisable. The Option shall become exercisable (unless earlier terminated) from and after the time and date of the Option Triggering Event. The "Option Triggering Event" is the first to occur of the following: (x) the termination by the Company of the Merger Agreement pursuant to Section 7.1(c)(ii) other than a termination, prior to 5:00 p.m. (New York time) on February 20, 2000, in connection with a Superior Proposal (as hereinafter defined) from any party (or an affiliate of such party) which made an Acquisition Proposal or gave an Indication of Interest prior to 12:00 p.m. (New York time) on February 3, 2000 (such time and date, the "Initial Offer Expiration Date"), (y) the termination by Parent of the Merger Agreement pursuant to Section 7.1(d)(iii) other than a termination, prior to 5:00 p.m. (New York time) on February 20, 2000, in connection with a Superior Proposal from any party (or an affiliate of such party) which made an Acquisition Proposal or gave an Indication of Interest prior to the Initial Offer Expiration Date, (z) the termination by the Company or Parent of the Merger Agreement pursuant to Section 7.1(b)(i) if prior to such termination there shall have been publicly announced an Acquisition Proposal that is financially superior to the Offer and Merger (either at the time it is made or at any time prior to the termination of the Merger Agreement) or Indication of Interest (a "Superior Proposal") and (zz) the termination by Parent of the Merger Agreement pursuant to Section 7.1(d)(ii) as a result of the Company's willful material breach of a covenant in the Merger Agreement if prior to such breach the Company shall have received a Superior Proposal.

(c) When Option Terminates. The Option shall terminate (whether or not it shall have become exercisable) on the time and date of the first to occur of the following: (x) the purchase of Shares in the Offer, (y) any termination of the Merger Agreement on or prior to the Initial Offer Expiration Date, (z) the termination of the Merger Agreement after the Initial Offer Expiration Date other than in connection with an Option Triggering Event, (zz) 100 days after the beginning of the Option

Period and (zzz) the Initial Offer Expiration Date if, as of such date, there shall have been no publicly announced Acquisition Proposal or Indication of Interest and all conditions, other than the Minimum Condition, shall have been satisfied. The period beginning at the time and date the Option shall become exercisable and ending on the time and date the Option shall terminate is referred to herein as the "Option Period."

Section 2.2 Exercise of Option. (a) Parent may exercise the Option, in whole but not in part, at any time during the Option Period. Notwithstanding anything in this Agreement to the contrary, Parent shall be entitled to purchase all Subject Shares in accordance with the terms hereof during the Option Period, and the expiration of the Option Period shall not affect any rights hereunder which by their terms do not terminate or expire prior to or as of such expiration.

(b) If Parent wishes to exercise the Option, it shall deliver to Stockholders a written notice (an "Exercise Notice") to that effect which specifies a date (an "Option Closing Date") (not earlier than three business days after the date such Exercise Notice is delivered and not later than the last day of the Option Period) for the consummation of the purchase and sale of such Subject Shares (an "Option Closing"). If the Option Closing cannot be effected on the Option Closing Date specified in the Exercise Notice by reason of a preliminary or final injunction or any other applicable judgment, decree, order, law or regulation, or because any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), shall not have expired or been terminated, the Option Closing Date specified in the Exercise Notice shall be extended to the fifth business day following the elimination of all such impediments but in no event shall the Option Closing Date be later than the last day of the Option Period. The place of the Option Closing shall be at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022 and the time of the Option Closing shall be 10:00 a.m. (New York Time) on the Option Closing Date.

Section 2.3 Payment and Delivery of Certificates. At the Option Closing, Parent shall pay to Stockholders the Option Consideration payable in respect of the Subject Shares to be purchased from Stockholders at the Option Closing, and Stockholders shall deliver to Parent such Subject Shares, free and clear of all Liens, with the certificate or certificates evidencing such Subject Shares being duly endorsed for transfer by Stockholders and accompanied by all powers of attorney and/or other instruments necessary to convey valid and unencumbered title thereto to Parent, and shall, to the extent permissible, assign to Parent (pursuant to a written instrument in form and substance satisfactory to Parent) all rights that Stockholders may have to require Company to register such Subject Shares under the Securities Act of 1933, as amended (the "Securities Act"). Transfer taxes, if any, imposed solely as a result of the exercise of the Option shall be borne by Purchaser.

Section 2.4 Rescission of Exercise. If the Option is exercised and, for any reason, neither Purchaser nor any third-party shall have acquired 100% of the Shares by a date which is nine months after such exercise at a price per Share equal to or greater than the Option Consid-

eration, then at the election of all of the Stockholders (upon five-days notice given within ten months after such exercise) the Option exercise shall be rescinded. Upon any such rescission, the Stockholders shall return to Parent the aggregate Option Consideration (plus investment income, if any, realized thereon) and Parent shall return to the Stockholders the Subject Shares free and clear of any encumbrances, etc. (plus any dividends (and investment income, if any, realized thereon)). Throughout the period during which the Option is subject to rescission, Parent and Purchaser shall take no action which would (i) adversely affect the voting rights in respect of the Subject Shares, but Parent shall be entitled to exercise full voting rights related to the Subject Shares or (ii) cause the Company to make or pay any special dividends or distributions. The foregoing notwithstanding, the provisions of this Section 2.4 shall not apply if Purchaser or one of its affiliates makes, following the exercise of the Option and during such nine month period, an offer to all holders of Shares to purchase any or all of their Shares at a price per Share equal to or greater than the Option Consideration, which offer shall be subject to no conditions other than the absence of an injunction.

Section 2.5 Adjustment upon Changes in Capitalization, Etc. In the event of any change in the capital stock of Company by reason of a stock dividend, split-up, merger, recapitalization, combination, exchange of shares, extraordinary distribution or similar transaction, the type and number or amount of shares, securities or other property subject to the Option, and the Option Consideration payable therefor, shall be adjusted appropriately, and proper provision shall be made in the agreements governing such transaction, so that Parent shall receive upon exercise of the Option the type and number or amount of shares, securities or property that Parent would have retained and/or been entitled to receive in respect of the Subject Shares if the Option had been exercised immediately prior to such event relating to Company or the record date therefor, as applicable. The provisions of this Section 2.4 shall apply in a like manner to successive stock dividends, split-ups, mergers, recapitalizations, combinations, exchanges of shares or extraordinary distributions or similar transactions.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Certain Representations and Warranties of Stockholders. Stockholders represent and warrant to Parent and Purchaser as follows:

(a) Ownership. Stockholders are the sole record and beneficial owner of the Class A Shares and the shares of Common Stock identified on Appendix A hereto and have, in the aggregate, full and unrestricted power to dispose of and to vote such Shares, subject to applicable securities laws. Stockholders do not beneficially own any securities of Company on the date hereof other than such Shares (excluding for these purposes any Shares subject to unexercised stock options and other awards under Company plans). Stockholders, in the aggregate, together with William Harris Investors, Inc. in its capacity as investment advisor, have

sole voting power and sole power to issue instructions with respect to the matters set forth in Articles I and II hereof, sole power of disposition, sole power of conversion, sole power to demand appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Subject Shares with no limitations, qualifications or restrictions on such rights, subject to applicable securities laws and the terms of this Agreement. As of the date hereof, the Subject Shares entitle the holders thereof to cast not less than 4,488,330 votes and a majority of the votes entitled to be cast by all holders of Common Stock.

(b) Power and Authority; Execution and Delivery. Each Stockholder has all requisite legal capacity, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Stockholders and the consummation by Stockholders of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Stockholders. This Agreement has been duly executed and delivered by Stockholders and, assuming that this Agreement constitutes the valid and binding obligation of the other parties hereto, constitutes a valid and binding obligation of Stockholders, enforceable against Stockholders in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity.

(c) No Conflicts. The execution and delivery of this Agreement do not, and, subject to compliance with the HSR Act, to the extent applicable, the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not (i) conflict with or result in any breach of any organizational documents applicable to Stockholders or (ii) conflict with, result in a breach or violation of or default (with or without notice or lapse of time or both) under, or give rise to a material obligation, a right of termination, cancellation, or acceleration of any obligation or a loss of a material benefit under, or require notice to or the consent of any person under any agreement, instrument, undertaking, law, rule, regulation, judgment, order, injunction, decree, determination or award binding on Stockholders, other than any such conflicts, breaches, violations, defaults, obligations, rights or losses that individually or in the aggregate would not (i) impair the ability of Stockholders to perform Stockholders' obligations under this Agreement or (ii) prevent or delay the consummation of any of the transactions contemplated hereby.

(d) No Encumbrances. Except as applicable in connection with the transactions contemplated by the Recitals hereto or Article II hereof, the Subject Shares and the certificates representing the Subject Shares are now, and at all times during the term hereof will be, held by Stockholders, or by a nominee or custodian for the benefit of Stockholders, free and clear of all liens, claims, security interests, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever ("Liens"), except for any such encumbrances arising hereunder. Upon exercise of the Option, Parent shall acquire the Subject Shares, free and clear of all Liens.

(e) No Finder's Fees. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial adviser's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Stockholders.

Section 3.2 Representations and Warranties of Parent and Purchaser. Parent and Purchaser hereby represent and warrant to Stockholders that:

(a) Power and Authority; Execution and Delivery. Parent and Purchaser each has all requisite legal capacity, corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and Purchaser and the consummation by Parent and Purchaser of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent and Purchaser. This Agreement has been duly executed and delivered by Parent and Purchaser and, assuming that this Agreement constitutes the valid and binding obligation of Stockholders, constitutes a valid and binding obligation of Parent and Purchaser, enforceable against Parent and Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity.

(b) No Conflicts. The execution and delivery of this Agreement do not, and, subject to compliance with the HSR Act, to the extent applicable, the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not (i) conflict with or result in any breach of any organizational documents applicable to Parent or Purchaser or (ii) conflict with, result in a breach or violation of or default (with or without notice or lapse of time or both) under, or give rise to a material obligation, right of termination, cancellation, or acceleration of any obligation or a loss of a material benefit under, or require notice to or the consent of any person under any agreement, instrument, undertaking, law, rule, regulation, judgment, order, injunction, decree, determination or award binding on Parent or Purchaser, other than any such conflicts, breaches, violations, defaults, obligations, rights or losses that individually or in the aggregate would not (i) impair the ability of Parent and Purchaser to perform their obligations under this Agreement or (ii) prevent or delay the consummation of any of the transactions contemplated hereby.

(c) Purchase Not for Distribution. The Option and the Subject Shares to be acquired upon exercise of the Option are being and shall be acquired by Parent without a view to public distribution thereof otherwise than in compliance with the Securities Act and applicable state securities laws and shall not be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act and in compliance with applicable state securities laws and except in compliance with Sections 2.4 and 5.7 hereof.

ARTICLE IV

CERTAIN COVENANTS

Section 4.1 Certain Covenants of Stockholders.

(a) Restriction on Transfer of Subject Shares, Proxies and Noninterference. From and after the date hereof and prior to expiration of the Option Period, Stockholders shall not, directly or indirectly: (A) except pursuant to the terms of this Agreement and for the tender of Subject Shares in the Offer and for sales, transfers and gifts to other Stockholders which do not affect the status of the Subject Shares hereunder, offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any or all of the Subject Shares; (B) except pursuant to the terms of this Agreement, grant any proxies or powers of attorney (other than in connection with the Company's year 2000 annual meeting or to facilitate performance hereunder), deposit any of the Subject Shares into a voting trust or enter into a voting agreement with respect to any of the Subject Shares; or (C) willfully take any action that would make any representation or warranty contained herein untrue or incorrect or have the effect of impairing the ability of Stockholders to perform Stockholders' obligations under this Agreement or preventing or delaying the consummation of any of the transactions contemplated hereby or by the Merger Agreement, except as permitted by this Agreement.

(b) Releases. Each Stockholder hereby fully, unconditionally and irrevocably releases, effective as of the Effective Time, any and all claims (other than claims for dividends) and causes of action that Stockholder has or may have, in its capacity as a stockholder of Company, against Company or any of its Subsidiaries or any present or former director, officer, employee or agent of Company or any of its Subsidiaries (collectively, the "Released Parties") arising or resulting from or relating to any act, omission, event or occurrence prior to the Effective Time.

(c) No Solicitation. Each Stockholder shall not, in its capacity as a Stockholder, directly or indirectly, encourage, solicit or initiate discussions or negotiations with any person or entity (other than Parent or any affiliate of Parent) concerning any business combination merger, tender offer, exchange offer, sale of assets, sale of shares of capital stock or debt securities or similar transactions involving Company or any Subsidiary, division or operating or principal business unit of Company. If any Stockholder receives any inquiry or proposal with respect thereto, then such Stockholder shall promptly inform Parent of the existence thereof. Prior to the beginning of the Option Period, the Stockholders, in their capacity as Stockholders, may respond to any such inquiry or proposal; after the beginning of the Option Period, the Stockholders shall not respond to any such inquiry or proposal. Each Stockholder will immediately cease and cause to be terminated existing activities, discussions or negotiations (if any) with any parties conducted heretofore with respect to any of the foregoing. Nothing contained herein

shall prohibit any Stockholder from acting in its capacity as an officer and/or director. Actions taken in conformity with this subsection (c) shall not be a violation of subsection (a).

(d) Reliance by Parent. Each Stockholder understands and acknowledges that Parent and Purchaser are entering into the Merger Agreement in reliance upon the Stockholders' execution and delivery of this Agreement.

ARTICLE V

MISCELLANEOUS

Section 5.1 Fees and Expenses. Each party hereto shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the transactions contemplated hereby.

Section 5.2 Amendment; Termination. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. This Agreement shall terminate at the end of the Option Period (other than the provisions of Section 1.1 which shall terminate in accordance with its terms) or, if the Merger Agreement is terminated prior to Initial Offer Expiration Date, upon the termination of the Merger Agreement. Notwithstanding the foregoing, the obligations of Parent under Section 5.12 shall survive any termination of this Agreement.

Section 5.3 Extension; Waiver. Any agreement on the part of a party to waive any provision of this Agreement, or to extend the time for any performance hereunder, shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

Section 5.4 Entire Agreement; No Third-Party Beneficiaries. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement, and is not intended to confer upon any person other than the parties any rights or remedies; provided, however, that the provisions of Section 4.1(b) are intended to inure to the benefit of, and to be enforceable by, the Released Parties.

Section 5.5 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

Section 5.6 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, or sent by overnight courier or telecopy (providing proof of delivery) to the address set forth below (or, in each case, at such other address as shall be specified by like notice).

If to Parent or Purchaser:

Honeywell International Inc.
101 Columbia Road
Morristown, New Jersey 07962
Attention: Office of the General Counsel
Telecopy: (973) 455-4217

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Attention: David J. Friedman
Telecopy: (212) 735-2000

If to Stockholders: The persons identified on Appendix B hereto.

Section 5.7 Assignment. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise, by Stockholders (other than transfers permitted by clause (A) of Section 4.1(a) hereof) without the prior written consent of Parent, or by Parent (other than to a direct or indirect wholly-owned subsidiary) without the prior written consent of the Stockholders, and any such assignment or delegation that is not consented to shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns (including without limitation any person to whom any Subject Shares are sold, transferred, assigned or passed, whether by operation of law or otherwise and no such sale, transfer, assignment or passing shall relieve a Stockholder of its obligations hereunder).

Section 5.8 Confidentiality. Stockholders recognize that successful consummation of the transactions contemplated by this Agreement may be dependent upon confidentiality with respect to the matters referred to herein. In this connection, pending public disclosure thereof, Stockholders hereby agree not to disclose or discuss such matters with anyone not a party to this Agreement (other than its counsel and advisors, if any) without the prior written consent of Parent, except for filings required pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or disclosures its counsel advises are necessary in order to fulfill its obligations imposed by law. In such event, Stockholders will, to the extent reasonably practicable, notify and consult with Parent concerning any such disclosure. Nothing contained herein shall prohibit any Stockholder from acting in its capacity as an officer and/or director.

Section 5.9 Further Assurances. Stockholders shall execute and deliver such other documents and instruments and take such further actions as may be necessary or appropriate or as may be reasonably requested by Parent or Purchaser in order to ensure that Parent and Purchaser receive the full benefit of this Agreement.

Section 5.10 Enforcement. Irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in the Court of Chancery in and for New Castle County in the State of Delaware (or, if such court lacks subject matter jurisdiction, any appropriate state or federal court in New Castle County in the State of Delaware), this being in addition to any other remedy to which they are entitled at law or in equity. Each of the parties hereto (i) shall submit itself to the personal jurisdiction of the Court of Chancery in and for New Castle County in the State of Delaware (or, if such court lacks subject matter jurisdiction, any appropriate state or federal court in New Castle County in the State of Delaware) in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (iii) shall not bring any action relating to this Agreement or any of the transactions contemplated hereby in any court other than the Court of Chancery in and for New Castle County in the State of Delaware (or, if such court lacks subject matter jurisdiction, any appropriate state or federal court in New Castle County in the State of Delaware).

Section 5.11 Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 5.12 Limited Indemnity. Parent shall indemnify the Stockholders against any reasonable legal expenses (but not against liability) incurred by all such Stockholders, in their capacity as such, as a result of any litigation (or threat of litigation) directly or indirectly related to this Agreement up to $100,000 in the aggregate and one-half of any such expenses in excess of $100,000.

Section 5.13 Several and Not Joint. The obligations of, and representations and warranties made by, each Stockholder shall be several and not joint and shall relate only to the Shares beneficially owned by such Stockholder.

Section 5.14 Preservation of Special Voting Rights. To the extent that the terms of this Agreement would cause the shares of Common Stock to lose their special voting rights, the terms of this Agreement shall be deemed modified ab initio, in whole or in part, to the extent, but only to the extent, necessary so that the shares of Common Stock do not lose their special voting rights.

Section 5.15 Descriptive Headings. The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 5.16 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each party and delivered to the other parties.

[signature page follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed as of the day and year first written above.

HONEYWELL INTERNATIONAL INC.

By:_____
Name:
Title: General Counsel

HII-2 ACQUISITION CORP.

By:_____
Name:
Title:

STOCKHOLDERS:

WILLIAM HARRIS INVESTORS, INC.

By:_____
Name:
Title:

Pittway Corporation
Class A Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Bern, LP	417,180		417,180		417,180	22,822
St. Louis, LP	530,808		530,808		530,808	29,039
Daniel Meyer Trust	59,324		59,324		59,324	3,245
Thomas Meyer	58,190		58,190		58,190	3,183
James Polsky	10,360		10,360		10,360	567
Jack Polsky	10,768		10,768		10,768	589
Charles Polsky	9,790		9,790		9,790	536
George Polsky	7,390		7,390		7,390	404
Jean Polsky	1,508		1,508		1,508	83
V.Polsky Tr fbo James	39,120		39,120		39,120	2,140
V.Polsky Tr fbo Jack	39,120		39,120		39,120	2,140
V.Polsky Tr fbo Charles	39,120		39,120		39,120	2,140
V.Polsky Tr fbo George	39,120		39,120		39,120	2,140
V.Polsky Tr fbo Jean	39,120		39,120		39,120	2,140
V.Polsky Tr fbo Jean	488		488		488	27
I.Harris Tr fbo Jean P.	4,890		4,890		4,890	268
R.Harris CL Trust A	17,300		17,300		17,300	946
R.Harris CL Trust B	17,300		17,300		17,300	946
R.Harris CL Trust C	17,300		17,300		17,300	946
Nancy Meyer Trust	34,702		34,702		34,702	1,898
Mary A. Barrows Wark	109,682		109,682		109,682	6,000
Patricia B. Rosbrow	39,740		39,740		39,740	2,174
Donna E. Barrows	102,186		102,186		102,186	5,590
Robert L. Barrows	131,258		131,258		131,258	7,180

Pittway Corporation
Class A Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Wilikenia, LP	495,506		495,506		495,506	27,107
Tr u/w Mildred fbo P.B. Rosbrow	5,946		5,946		5,946	325
Tr u/w Mildred fbo W.H. Barrows	5,940		5,940		5,940	325
Jerome Kahn Jr.	8,880		8,880		8,880	486
Irving Harris Foundation	36,000		36,000		36,000	1,970
Joan Harris Rev. Trust	6,000		6,000		6,000	328
Harris Foundation	660,934		660,934		660,934	36,157
Ben Harris Inv. Trust	3,020		3,020		3,020	165
I.Harris Tr fbo B.Harris	1,956		1,956		1,956	107
I.Harris Tr fbo D.Harris	1,956		1,956		1,956	107
W.W.Harris 1976 Trust fbo B. Harris	47,222		47,222		47,222	2,583
W.W.Harris 1976 Trust fbo D. Harris	46,622		46,622		46,622	2,551
W.W.Harris 1975 Trust fbo B. Harris	978		978		978	54
W.W.Harris 1975 Trust fbo D. Harris Daniel	978		978		978	54
Sid Barrows Grand-Children Trust	4,262		4,262		4,262	233
Sid Barrows & June H. Barrows Foundation	35,000		35,000		35,000	1,915

Pittway Corporation
Class A Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
2029, LP	436,786		436,786		436,786	23,895
I.Harris Foundation A	16,667		16,667		16,667	912
The Summer Fund	33,333		33,333		33,333	1,824
Neison Harris Trust	452,030	452,030		452,030		24,729
King Harris Trust	427,340	427,340		427,340		23,378
King Harris 401K	39,633	39,633		39,633		
Bette D. Harris Trust	257,798	257,798		257,798		14,103
Toni Paul Agency Trust	280,619		280,619		280,619	15,352
Katherine P Harris Trust	341,970	341,970		341,970		18,708
Bette D. Harris Trust For John Harris	26,634		26,634		26,634	1,457
Bette D. Harris Trust For Charles Paul	8,681		8,681		8,681	475
Bette D. Harris Trust For Kelly Paul	8,681		8,681		8,681	475
Bette D. Harris Trust For Alan Paul	8,680		8,680		8,680	475
Bette D. Harris Trust For Laurie Paul	8,680		8,680		8,680	475
K.Harris Childrens Trust	81,662		81,662		81,662	4,467
Toni Paul Children's Trust for C. Paul	15,860		15,860		15,860	868
Toni Paul Children's Trust for K. Paul	15,860		15,860		15,860	868

Pittway Corporation
Class A Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Toni Paul Children' Trust for A. Paul	15,860		15,860		15,860	868
Toni Paul Children's Trust for L. Paul	15,860		15,860		15,860	868
Pam Szokol Trust	48,843	48,843		48,843		2,672
Wm. J. Friend Trust	111,488		111,488		111,488	6,099
Wm. J. Friend 401K	2,538	2,538		2,538		
Scott Friend Trust	49,608		49,608		49,608	2,714
John B. Harris Trust	19,026		19,026		19,206	1,041
K. Harris Custodian For Charles Paul	7,004	7,004		7,004		383
K. Harris Custodian For Kelly Paul	6,762	6,762		6,762		370
Resurgent Investors LP	29,160	29,160		29,160		1,595
K.P. Harris Family Fd For P.F. Szokol	61,383		61,383		61,383	3,358
K.P. Harris Family Fd For S.C. Friend	61,383		61,383		61,383	3,358
King Harris Family Fd For John Harris	186,552		186,552		186,552	10,205
Toni Paul Family Fd For C.H. Paul	52,214		52,214		52,214	2,856

Pittway Corporation
Class A Stock
Share Ownership Information

*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Toni Paul Family Fd For K.L. Paul	52,214		52,214		52,214	2,856
Toni Paul Family Fd For A.H. Paul	52,214		52,214		52,214	2,856
Toni Paul Family Fd For L.B. Paul	52,214		52,214		52,214	2,856
Total Class A Stock	6,422,201	1,613,078	4,809,123	1,613,078	4,809,123	349,026

[FN]
*Note: To the extent that any Stockholder shall utilize less than this full number of reserved shares, the number of reserved shares for another Stockholder may be increased. In no event, shall the aggregate number of shares reserved by all Stockholders shares be increased.

Pittway Corporation
Common Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Bern, LP	303,992		303,992		303,992	5,748
St. Louis, LP	356,324		356,324		356,324	6,737
Daniel Meyer Trust	36,396		36,396		36,396	688
Thomas Meyer	41,192		41,192		41,192	779
James Polsky	6,276		6,276		6,276	119
Jack Polsky	6,608		6,608		6,608	125
Charles Polsky	6,008		6,008		6,008	113
George Polsky	4,536		4,536		4,536	86
Jean Polsky	926		926		926	17
V.Polsky Tr fbo James	24,000		24,000		24,000	454
V.Polsky Tr fbo Jack	24,000		24,000		24,000	454
V.Polsky Tr fbo Charles	24,000		24,000		24,000	454
V.Polsky Tr fbo George	24,000		24,000		24,000	454
V.Polsky Tr fbo Jean	24,000		24,000		24,000	454
V.Polsky Tr fbo Jean	300		300		300	6
I.Harris Tr fbo Jean P.	3,000		3,000		3,000	57
R.Harris CL Trust A	30,500		30,500		30,500	577
R.Harris CL Trust B	30,500		30,500		30,500	577
R.Harris CL Trust C	30,500		30,500		30,500	557
Nancy Meyer Trust	39,696		39,696		39,696	750
Mary A. Barrows Wark	82,902		82,902		82,902	1,567
Patricia B. Rosbrow	80,452		80,452		80,452	1,521
Donna E. Barrows	79,256		79,256		79,256	1,498
Robert L. Barrows	80,528		80,528		80,528	1,522

Pittway Corporation
Common Stock
Share Ownership Information
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*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Wilikenia, LP	303,992		303,992		303,992	5,748
Tr u/w Mildred fbo P.B. Rosbrow	3,648		3,648		3,648	69
Tr u/w Mildred fbo W.H. Barrows	3,644		3,644		3,644	69
Jerome Kahn Jr.	540		540		540	10
Harris Foundation	394,440		394,440		394,440	7,457
Ben Harris Inv. Trust	1,854		1,854		1,854	35
I.Harris Tr fbo B.Harris	1,200		1,200		1,200	23
I.Harris Tr fbo D.Harris	1,200		1,200		1,200	23
W.W.Harris 1976 Trust fbo B. Harris	62,100		62,100		62,100	1,174
W.W.Harris 1976 Trust fbo D. Harris	62,100		62,100		62,100	1,174
W.W.Harris 1975 Trust fbo B. Harris	600		600		600	11
W.W.Harris 1975 Trust fbo D. Harris Daniel	600		600		600	11
Sid Barrows Grand-Children Trust	2,615		2,615		2,615	49
2029, LP	267,967		267,967		267,967	5,066
Benjamin Family Trust	48,704		48,704		48,704	921
David Family Trust	48,704		48,704		48,704	921

Pittway Corporation
Common Stock
Share Ownership Information

*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Neison Harris Trust	415,980	415,980		415,980		7,856
King Harris Trust	216,444	216,444		216,444		4,092
Bette D. Harris Trust	19,500	19,500		19,500		369
Toni Paul Agency Trust	217,626		217,626		217,626	4,115
Katherine P Harris Trust	207,458	207,458		207,458		3,923
Bette D. Harris Trust For John Harris	14,618		14,618		14,618	276
Bette D. Harris Trust For Charles Paul	3,055		3,055		3,055	58
Bette D. Harris Trust For Kelly Paul	3,055		3,055		3,055	58
Bette D. Harris Trust For Alan Paul	3,054		3,054		3,054	58
Bette D. Harris Trust For Laurie Paul	3,054		3,054		3,054	58
K.Harris Childrens Trust	50,100		50,100		50,100	947
Toni Paul Children's Trust for C. Paul	8,672		8,672		8,672	164
Toni Paul Children's Trust for K. Paul	8,672		8,672		8,672	164

Pittway Corporation
Common Stock
Share Ownership Information

*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Toni Paul Children' Trust for A. Paul	8,672		8,672		8,672	164
Toni Paul Children's Trust for L. Paul	8,672		8,672		8,672	164
Pam Szokol Trust	30,236	30,236		30,236		572
Wm. J. Friend Trust	40,164		40,164		40,164	759
Scott Friend Trust	29,860		29,860		29,860	564
John B. Harris Trust	11,672		11,672		11,672	221
K. Harris Custodian For Charles Paul	4,298	4,298		4,298		81
K. Harris Custodian For Kelly Paul	4,148	4,148		4,148		78
K.P. Harris Family Fd For Wm. J. Friend	34,788		34,788		34,788	658
K.P. Harris Family Fd For P.F. Szokol	34,788		34,788		34,788	658
K.P. Harris Family Fd For S.C. Friend	34,788		34,788		34,788	658
King Harris Family Fd For John Harris	105,836		105,836		105,836	2,001
Toni Paul Family Fd For C.H. Paul	25,877		25,877		25,877	489

Pittway Corporation
Common Stock
Share Ownership Information

*Name of Stockholder	Shares Beneficially Owned	Sole Power to Dispose	Shared Power to Dispose	Sole Power to Vote	Shared Power to Vote	Shares Reserved for Charitable Contribution
Toni Paul Family Fd For K.L. Paul	25,877		25,877		25,877	489
Toni Paul Family Fd For A.H. Paul	25,877		25,877		25,877	489
Toni Paul Family Fd For L.B. Paul	25,877		25,877		25,877	489
Total Common Stock	4,166,518	898,064	3,268,454	894,064	3,268,454	78,776

[FN]

*Note: To the extent that any Stockholder shall utilize less than this full number of reserved shares, the number of reserved shares for another Stockholder may be increased. In no event, shall the aggregate number of shares reserved by all Stockholders shares be increased.

Appendix B

Address for Notice to Stockholders

with a copy to:

Sidley & Austin
Bank One Plaza
10 S. Dearborn Street
Chicago, Illinois 60603
Attention: Thomas A. Cole
Telecopy: (312) 853-7036

Stockholder Agreement signature pages.

Neison Harris Trust f/b/o Neison Harris
By: _____
Neison Harris, as Trustee and individually

King Harris Trust of 1990 f/b/o King W. Harris
By: _____
King W. Harris, as Trustee and individually

Sid Barrows Grandchildren's Trust
By: _____
June H. Barrows, as Trustee

Daniel Meyer Trust f/b/o Daniel Meyer
By: _____
Jerome Kahn, Jr., as co-Trustee
and _____
Daniel Meyer, as co-Trustee and individually

VHP-James 76 Trust

By: _____
Jerome Kahn, Jr., as co-Trustee
and _____
Jack Polsky, as co-Trustee

VHP-Jack 76 Trust
By: _____
Michael S. Resnick, as co-Trustee
and _____
Jack Polsky, as co-Trustee and individually

VHP-Charles 76 Trust
By: _____
Michael S. Resnick, as co-Trustee
and _____
Jack Polsky, as co-Trustee

VHP-George 76 Trust
By: _____
Michael S. Resnick, as co-Trustee
and _____
Jack Polsky, as co-Trustee

VHP-Jean 76 Trust
By: _____
Michael S. Resnick, as co-Trustee
and _____
Jack Polsky, as co-Trustee

Virginia H. Polsky Trust dtd 12/29/75 f/b/o Jean Polsky
By: _____
Jerome Kahn, Jr., as co-Trustee
and _____
Jack Polsky, as co-Trustee

Irving B. Harris Trust dtd 2/27/74 f/b/o Jean Polsky
By: _____
Virginia H. Polsky, as Trustee and individually

Bette D. Harris Trust f/b/o Bette D. Harris
By: _____
Bette D. Harris, as Trustee and individually

- ----------
Toni H. Paul

Katherine Harris Trust f/b/o Katherine Harris
By: _____
Katherine Harris, as co-Trustee and individually
and _____
King W. Harris, as co-Trustee

Nancy Meyer Trust f/b/o Nancy Meyer
By: _____
Nancy Meyer, as co-Trustee and individually
and _____
Jerome Kahn, Jr., as co-Trustee

Bette D. Harris Trust dtd 1/13/59 f/b/o John B. Harris
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee

Bette D. Harris Trust dtd 1/13/59 f/b/o Charles H. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee

Bette D. Harris Trust dtd 1/13/59 f/b/o Kelly L. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee

Bette D. Harris Trust dtd 1/13/59 f/b/o Alan H. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
and King W. Harris, as co-Trustee

Bette D. Harris Trust dtd 1/13/59 f/b/o Laurie B. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
and King W. Harris, as co-Trustee

King W. Harris Children's Trust
By: _____
Katherine Harris, as co-Trustee
and _____
Robert L. Barrows, as co-Trustee

Toni H. Paul Children's Trust f/b/o Charles H. Paul
By: _____
King W. Harris, as co-Trustee
and _____
Katherine Harris, as co-Trustee

Toni H. Paul Children's Trust f/b/o Kelly L. Paul
By: _____
King W. Harris, as co-Trustee
and _____
Katherine Harris, as co-Trustee

Toni H. Paul Children's Trust f/b/o Alan H. Paul
By: _____
King W. Harris, as co-Trustee
and _____
Katherine Harris, as co-Trustee

Toni H. Paul Children's Trust f/b/o Laurie B. Paul
By: _____
King W. Harris, as co-Trustee
and _____
Katherine Harris, as co-Trustee

Pam F. Szokol Trust f/b/o Pam F. Szokol
By: _____
Pam F. Szokol, as co-Trustee and individually
and _____
King W. Harris, as co-Trustee

William J. Friend Trust f/b/o William J. Friend
By: _____
William J. Friend, as Trustee
and _____
King W. Harris, as Trustee

Scott C. Friend Trust f/b/o Scott C. Friend
By: _____
King W. Harris, as co-Trustee
and _____
Scott C. Friend, as co-Trustee and individually

John B. Harris Trust f/b/o John B. Harris
By: _____
King W. Harris, as co-Trustee
and _____
John B. Harris, as co-Trustee and individually

- ----------
King W. Harris, as Custodian for Charles H. Paul

- ----------
King W. Harris, as Custodian for Kelly L. Paul

Resurgent Investors L.P.
By: _____
Neison Harris, as co-general partner
and _____
Bette D. Harris, as co-general partner

Neison Harris Trust dtd 1/12/54 f/b/o Pam F. Szokol
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee
and American National Bank
by:_____
Title:

Neison Harris Trust dtd 1/12/54 f/b/o Scott C. Friend
By: _____
Katherine Harris, as co-Trustee
And _____
King W. Harris, as co-Trustee
and American National Bank
by_____
Title:

Neison Harris Trust dtd 1/12/54 f/b/o John B. Harris
By: _____
Katherine Harris, as co-Trustee
And _____
King W. Harris, as co-Trustee
and American National Bank
by_____
Title:

Neison Harris Trust dtd 1/12/54 f/b/o Charles H. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee
and American National Bank
by:_____
Title:

Neison Harris Trust dtd 1/12/54 f/b/o Kelly L. Paul
By: _____
Katherine Harris, as co-Trustee
And _____
King W. Harris, as co-Trustee
and American National Bank
by:_____
Title:

Neison Trust dtd 1/12/54 f/b/o Alan H. Paul
By: _____
Katherine Harris, as co-Trustee
and _____
King W. Harris, as co-Trustee
and American National Bank
by:_____
Title:

Neison Trust dtd 1/12/54 f/b/o Laurie B. Paul
By: _____
Katherine Harris, as co-Trustee
And _____
King W. Harris, as co-Trustee
and American National Bank
by:_____
Title:

Mary Ann Barrows Wark Revocable Trust
By: _____
Mary Ann Barrows Wark, as co-Trustee and individually
And _____
David Wark, as co-Trustee

Patricia Barrows Rosbrow, individually, including,
without limitation, any community property interest

Thomas Rosbrow, individually, including,
without limitation, any community property interest

Donna E. Barrows

Robert L. Barrows

Trust u/w/of Mildred Harris f/b/o Patricia Barrows Rosbrow
By: _____
Irving B. Harris, as co-Trustee
And _____
Neison Harris, as co-Trustee

Trust u/w/of Mildred Harris f/b/o William H. Barrows
By: _____
Irving B. Harris, as co-Trustee
And _____
Neison Harris, as co-Trustee

Jerome Kahn, Jr. Revocable Trust
By: _____
Jerome Kahn, Jr., as Trustee and individually

Irving Harris Foundation
By: _____
William W. Harris, as President, Treasurer and a director

Harris Foundation
By: _____
Irving B. Harris, as Chairman, Treasurer and a Trustee

Benjamin Harris Investment Trust
By: _____
William W. Harris, as co-Trustee
And _____
Benjamin Harris, as co-Trustee

IBH - Benjamin 74 Trust
By: _____
William W. Harris, as co-Trustee
and _____
Benjamin Harris, as co-Trustee
and _____
Jerome Kahn, Jr., as co-Trustee

IBH - David 74 Trust
By: _____
William W. Harris, as co-Trustee
And _____
David Harris, as co-Trustee
and _____
Jerome Kahn, Jr., as co-Trustee

WWH - Benjamin 76 Trust
By: _____
Jerome Kahn, Jr., as co-Trustee
And _____
Benjamin Harris, as co-Trustee

WWH - David 76 Trust
By: _____
Jerome Kahn, Jr., as co-Trustee
And _____
David Harris, as co-Trustee

Benjamin 75 Trust
By: _____
Jerome Kahn, Jr., as co-Trustee
And _____
Benjamin Harris, as co-Trustee

David 75 Trust
By: _____
Jerome Kahn, Jr., as co-Trustee
And _____
David Harris, as co-Trustee

- ----------
Katherine Harris

- ----------
Neison Harris

- ----------
King W. Harris

- ----------
Bette D. Harris

- ----------
Pam F. Szokol

- ----------
William J. Friend

Thomas Meyer Trust f/b/o Thomas Meyer
By: _____
Thomas Meyer, as Trustee and individually

Julie Stevenson, individually, including, without limitation, any community property interest

- ----------
Julie Stevenson, individually, including, without limitation, any community property interest

James Polsky Investment Trust f/b/o James Polsky
By: _____

James Polsky, as Trustee and individually

Jack Polsky Investment Trust f/b/o Jack Polsky
By: _____
Jack Polsky, as Trustee and individually

Charles Polsky Investment Trust f/b/o Charles Polsky
By: _____
Charles Polsky, as Trustee and individually

George Polsky Investment Trust f/b/o George Polsky
By: _____
George Polsky, as Trustee and individually

Jean Polsky Investment Trust f/b/o Jean Polsky
By: _____
Jean Polsky, as Trustee and individually

Rosetta W. Harris CL Trust A
By: _____
Jack Polsky, as co-Trustee
And _____
William W. Harris, as co-Trustee
And _____
Neison Harris, as co-Trustee

Rosetta W. Harris CL Trust B
By: _____
Jack Polsky, as co-Trustee
And _____
William W. Harris, as co-Trustee
And _____
Neison Harris, as co-Trustee

Rosetta W. Harris CL Trust C
By: _____
Jack Polsky, as co-Trustee
And _____
William W. Harris, as co-Trustee
And _____
Neison Harris, as co-Trustee

Joan W. Harris Revocable Trust
By: _____
Joan W. Harris, as Trustee and individually

Benjamin Family Trust
By: _____
Robie Harris, as co-Trustee
And _____
Benjamin Harris, as co-Trustee
And _____
David Harris, as co-Trustee
And _____
Jerome Kahn, Jr., as co-Trustee
And _____
Boardman Lloyd, as co-Trustee

David Family Trust
By: _____
Robie Harris, as co-Trustee
And _____
Benjamin Harris, as co-Trustee
And _____
David Harris, as co-Trustee
And _____
Jerome Kahn, Jr., as co-Trustee
And _____
Boardman Lloyd, as co-Trustee

Bern L.P.
By: _____
William W. Harris, as President of Portbrid Management Co., Inc., which is the corporate general partner of Bern L.P.

Wilikenia L.P.
By: _____
Michael S. Resnick, as Vice-President of Wilikenia Management Co., which is the corporate general partner of Wilikenia L.P.

St. Louis L.P.
By: _____
Michael S. Resnick, as Vice-President of St. Louis Management Co., which is the corporate general partner of St. Louis L.P.

By: _____
Michael S. Resnick, as Vice-President of 2029 Management Co., which is the corporate general partner of 2029 L.P.

The Summer Fund
By: _____
Jack Polsky, as Vice-President

Irving Harris Foundation A
By: _____
Roxanne H. Frank, as Trustee

The Sidney Barrows and June H. Barrows Foundation
By: _____
June Barrows, as President

December 20, 1999

Honeywell International Inc.
Attention: Kevin Gilligan

Gentlemen:

Reference is made to the Agreement and Plan of Merger (the "Agreement") dated as of today's date by and among Honeywell International Inc. ("Parent"), HII-2 Acquisition Corp. ("Purchaser") and Pittway Corporation (the "Company"), which is about to be executed and delivered. Capitalized terms used herein that are defined in the Agreement have the meanings given those terms in the Agreement. This letter, and a second letter between us of even date herewith, will confirm certain related agreements among Parent, the Company, the Harris family and King Harris regarding compensation matters.

1. Key Executive Retention Program: Parent, the Company and the Harris family, as indicated on Schedule 1 attached, will implement the program described on Schedule 1.

2. Corporate Office Retention and Severance Program: The Company will provide severance benefits and pay-to-stay bonuses to all Corporate Office employees who are terminated following the Share Purchase Date as a result of the transactions contemplated by the Agreement. The Company expects to terminate all employees in the Tax, Audit, Benefits/Insurance, and Aircraft Departments. The Company will also selectively reduce its Accounting staff.

   The Company hopes to keep all employees expected to be terminated on staff until their services are no longer needed. To give them an incentive to stay, the Company will offer severance benefits (one week pay for every year of service) and pay-to-stay benefits which may range from two to six months' pay. Employees to be eligible for pay-to-stay benefits will be determined by Parent in its discretion. Parent and the Company will mutually agree to the size of individual pay-to-stay benefits.

3. Senior Executive Terminations: At the anniversary of the Share Purchase Date, Paul Gauvreau's and Ed Schwartz's Employment Agreements will be terminated by the Company without cause, triggering their rights under the Company's Change of Control Plan. The Company will pay each of them three times his 2000 base salary as well as one-year's additional bonus in an amount equal to his normal 1999 bonus.

Paul and Ed will receive customary year-end bonuses for 1999 and 2000. The 1999 year-end bonuses will be comprised of two parts: a normal bonus reflecting their work during the year, and an extra bonus to reward them for their work on the Agreement. The 2000 bonus will reflect their work during 2000.

4. King Harris Employment Agreement: The Company's Employment Agreement with King Harris will be modified, effective as of the Share Purchase Date, as provided in Schedule 2 attached.

5. Options: Parent will award new options in 2000, exercisable at fair market value on the grant date, to all current Company employees currently in the Company's option program. The options awarded are to have, at a minimum, the same Black-Scholes values that the Company's options granted in 1999 had at grant on an employee-by-employee basis.

The foregoing agreements may not be amended or modified without the written consent of the Company and King Harris.

Please confirm the foregoing agreements by executing one copy of this letter in the space provided below and returning the executed copy to me.

Very truly yours,

/s/ KING HARRIS

Individually, for Pittway Corporation, and on behalf of the Harris Family

Confirmed on the date first written above:
Honeywell International Inc.

By:

Its:

Schedule 1

EXECUTIVE	BLACK-SCHOLES $ VALUE OF PARENT 2000 VALUE OPTIONS(1)	UP FRONT BONUS ($)(2)	RETENTION BONUS ($)(3)	LTIP ($)(4)
Fradin	500,000	4,300,000	1,700,000	1,000,000
Roth	500,000	4,300,000	1,700,000	1,000,000
Levy	500,000	5,300,000	1,700,000	1,000,000
Hakanson	300,000		500,000	600,000
Kramvis	200,000	2,000,000	500,000	500,000
Conforti	500,000			
Guthart	500,000			
TOTAL	3,000,000	15,900,000	6,100,000	4,100,000

(1) Options: Parent will grant, promptly following the Share Purchase Date, at an exercise price equal to fair market value on the grant date.

(2) Up Front Bonus: 50% ($7,950,000) will be payable by the Company promptly following the Share Purchase Date. The Harris family will contribute this amount to the Company to fund the payment. 16.67% more will be payable by the Company on the first anniversary of the Share Purchase Date, 16.67% more will be payable by the Company on the second anniversary of the Share Purchase Date, and the remainder will be payable by the Company on the third anniversary of the Share Purchase Date. Parent guaranties these three final payments.

(3) Retention Bonus: Would cliff vest on the third anniversary of the Share Purchase Date. Three year performance targets for Ademco, ADI, Ademco International, Fire-Lite/Notifier and System Sensor will be mutually set by King Harris and Kevin Gilligan based on realistic, base-case type, performance. If an executive achieves the target for his operation, he will receive the Bonus from Parent.

(4) LTIP (Long-Term Incentive Program): More aggressive, but still realistic three-year performance targets for each major operation will be mutually set by Harris and Gilligan in 2000. If an executive achieves target performance, he will receive the LTIP from Parent on the third anniversary of the Share Purchase Date.

Schedule 2

CHANGES TO BE MADE IN KING HARRIS' EMPLOYMENT AGREEMENT

1. General: The employment agreement is to be between King Harris and Parent.

2. Section 2: Harris initially will be President/CEO of the Alarm Components and Systems Business (or whatever Parent decides to call it) of the Honeywell Home and Building Control Division. He will report to the President of the Home and Building Control Division. His title can be changed to CEO anytime after 90 days following the Share Purchase Date.

3. Section 2c: Harris will be allowed to continue serving on the for-profit and not-for-profit boards he currently serves on.

4. Section 3: Covered by Section 5.1 of the Agreement.

5. Section 3f: Harris will continue to receive his current executive benefits package. Options granted to him will have ten-year terms and will not expire on account of shift to Consultant status.

6. Section 3g: Harris will continue to receive these benefits as specified.

7. Sections 4 and 5(e): Covered by Section 5.1(e) of the Agreement.

8. Section 5: Harris will have a two-year employment agreement which could be extended on a year by year basis by mutual consent. On January 1, 2002 Harris could elect to become a Consultant to Parent. As a Consultant, he would receive $400,000 per year until age 65 and would be required to work no more than 8 hours per week on the average. He would also be reimbursed for business expenses and reasonable office expenses including the compensation of an assistant performing duties similar to those of his current assistant.

9. Section 6: If Harris dies, his estate or designated beneficiary will receive 100% of the amounts he would have received under the terms of the employment agreement.

10. The remainder of the employment agreement will mirror the current Employment Agreement.