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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

WILLIAM B. WEINBERGER,

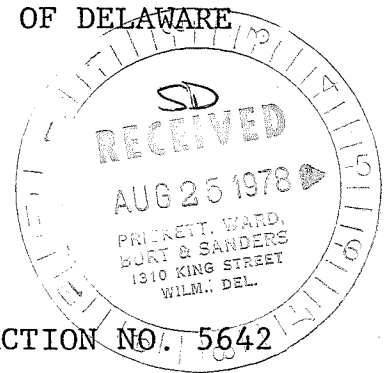
Plaintiff,

v.

CIVIL ACTION NO. 5642

UOP INC., THE SIGNAL COM-
PANIES, INC., SIGCO INCORPOR-
ATED, LEHMAN BROTHERS KUHN
LOEB, INC., CHARLES S. ARLEDGE,
BREWSTER L. ARMS, ANDREW J.
CHITIEA, JAMES V. CRAWFORD,
JAMES W. GLANVILLE, RICHARD A.
LENON, JOHN O. LOGAN, FRANK
J. PIZZITOLA, WILLIAM J. QUINN,
FORREST N. SHUMWAY, ROBERT S.
STEVENSON, MAYNARD P. VENEMA,
WILLIAM E. WALKUP and HARRY H.
WETZEL,

Defendants.



ANSWER OF UOP INC.

Defendant UOP Inc. ("UOP") hereby responds to the allegations set forth in the complaint as follows:

General Allegations

1. Denied.

2. It is admitted that UOP and The Signal Companies, Inc. ("Signal") are corporations of the State of Delaware and that Sigco, Incorporated ("Sigco") was a Delaware corporation prior to its merger into UOP. This defendant is without sufficient knowledge or information with which to affirm or deny the averments contained in the balance of this paragraph.

3. It is admitted that plaintiff purports to bring the action in the capacities described in this paragraph, but denied that he has standing to so act.

4. Denied, except admitted that on May 26, 1978, James V. Crawford was President and Chief Executive Officer of UOP; James W. Glanville was a Managing Director and Member of the Board of Lehman Brothers Kuhn Loeb Incorporated ("Lehman Brothers"); John O. Logan was Chairman of the Board of UOP; Charles S. Arledge, Brewster L. Arms, Andrew J. Chithea, William E. Walkup and Harry H. Wetzel were employees of Signal or a subsidiary company of Signal other than UOP and directors of Signal; and that all of the individual defendants were elected as directors of UOP at the stockholders meeting held on May 26, 1978.

5. Admitted that prior to the filing of the Merger Agreement on May 26, 1978, Signal owned about 50.5% of UOP's outstanding stock (excluding shares held in UOP's treasury), and alleged that after the filing of such agreement on such date, Signal owned 100% of UOP's outstanding stock. This defendant further admits the second sentence of paragraph 5 of the complaint.

6. Denied.

7. Denied, except alleged that UOP was aware of its record and had an opinion as to its future prospects.

8. Denied, except alleged that on February 28, 1978, James V. Crawford, a director of Signal and UOP's President and Chief Executive Officer, discussed with officers and directors of Signal the acquisition by Signal for cash of the approximately 49.5% of UOP's outstanding common stock which Signal did not then own. On February 28, 1978, a public announcement was made that such discussion had occurred and that the price and terms of a possible transaction had not been finalized. Further alleged

that on March 6, 1978, after further discussions and approval of the transaction by the Board of UOP, a public announcement was made that the agreed price per share was \$21.00.

9. Denied, except admitted that the merger proposal was formally presented to UOP's Board at its meeting on March 6, 1978; that at such meeting UOP's Board considered, inter alia, an opinion of the investment banking firm of Lehman Brothers that the proposed merger was fair and equitable to stockholders of UOP other than Signal; and that James W. Glanville was a Managing Director and Member of the Board of Lehman Brothers and a director of UOP.

10. Denied, except admitted that each of the UOP directors named in this paragraph (other than James V. Crawford) abstained from voting on the proposed merger; that each of these directors stated at the March 6, 1978 UOP Board meeting that had he voted, he would have voted in favor of the merger; and that such facts were disclosed at page 9 of the Proxy Statement.

11. Admitted.

12. Denied, except alleged that on May 26, 1978, the annual meeting of stockholders of UOP was held and the plan of merger proposed and recommended to the stockholders was approved by the holders of a majority of the shares (exclusive of the shares owned by Signal) who were present and voted at the meeting, and by 76.19 percent of all outstanding shares; there were less than three percent of the outstanding UOP shares which were voted in opposition to the merger. Further alleged that following the results of that election, the Merger Agreement was effectuated on May 26, 1978.

Class Action Count

- 13. Denied.
- 14. Denied.
- 15. Denied.
- 16. Denied.

Derivative Count No. 1

17. Denied, except admitted that Signal owned 50.5% of the stock of UOP, that Lehman Brothers was retained by UOP to render its opinion as to whether the proposed merger was fair and equitable to stockholders of UOP other than Signal; and that Lehman Brothers was paid a fee by UOP of \$150,000 in connection with the rendering of such opinion.

Derivative Count No. 2

- 18. Denied.
- 19. Denied.
- 20. Denied.

FIRST AFFIRMATIVE DEFENSE

21. The complaint fails to state a claim upon which relief may be granted.

SECOND AFFIRMATIVE DEFENSE

22. Plaintiff is not qualified to fairly and adequately represent the interests of the purported class and his claims are not typical of the claims of the purported class members.

THIRD AFFIRMATIVE DEFENSE

23. Plaintiff lacks standing to maintain the derivative counts because, inter alia, he was not a stockholder of UOP when the complaint was filed.

FOURTH AFFIRMATIVE DEFENSE

24. On February 28, 1978, after the discussions described in paragraph 8, above, Signal and UOP publicly announced their negotiations with respect to the proposed merger. On March 6, 1978, at the meeting of the Board of Directors of UOP described in paragraph 9, above, the merger transaction among Signal, Sigco and UOP was approved by the UOP Board of Directors and this approval was publicly announced. On March 7, 1978, a letter was sent by UOP to each of its stockholders advising them of the Board action. A copy of said letter is attached hereto as Exhibit A. On March 22, 1978, Signal, Sigco and UOP executed an Agreement Regarding Merger, a copy of which is attached hereto as Exhibit B. On the same date, Sigco and UOP executed a Merger Agreement, a copy of which is attached hereto as Exhibit C. Consummation of such agreements was conditioned upon, inter alia, the following: (i) approval thereof by the holders of a majority of the shares of UOP's Common Stock, other than those owned by Signal, present and voting at the meeting, and by not less than two-thirds of the shares of UOP's Common Stock outstanding on the record date for such meeting, and (ii) at the option of the parties, the absence of pending or threatened litigation at the closing of the merger. On or about May 5, 1978, the Proxy Statement (Exhibit A to the complaint) was mailed to plaintiff and all other members of the purported class.

25. The Proxy Statement advised the plaintiff and the members of the purported class of, inter alia, the following: (i) the several conditions to the consummation of the merger, including the greater-than-statutory stockholder vote required and the absence of pending or threatened litigation, set forth

above; (ii) the provisions of Delaware law regarding the right of dissenting stockholders to seek appraisal, including the procedures to be followed with respect thereto, in the event that any stockholder, including plaintiff, believed that the merger price of \$21.00 per share was unfair or inadequate; (iii) financial information relative to the affairs of UOP together with other data regarding the business affairs and prospects of UOP; and (iv) the various business reasons considered by the Board of UOP and the Board of Signal for approving the merger, together with a copy of the opinion of Lehman Brothers stating its opinion that the merger price of \$21.00 per share was "fair and equitable to the stockholders of UOP other than Signal."

26. On May 26, 1978, at the time and place previously designated for the meeting of UOP stockholders, the annual meeting of UOP was held, the requisite number of affirmative votes was received, and the merger was approved by the UOP stockholders. The merger was thereupon consummated in accordance with the notification contained in the Proxy Statement that the merger would "take place immediately upon a favorable vote of the stockholders."

27. At no time prior to the consummation of the merger on May 26, 1978 did the plaintiff take any steps to prevent or delay the merger; to cause any change in the terms of the merger, including the price, or even to communicate with management to express any concern about or disagreement with the merger as proposed, including the price. Plaintiff did not vote against the merger, nor did he avail himself of the appraisal rights given him under 8 Del. C. § 262, of which he had been advised. No litigation was commenced prior to the completion of the merger by plaintiff or by anyone else seeking to prevent the merger. In

fact, it was not until July 6, 1978, at the time that the present action was instituted by plaintiff, that the plaintiff made any of the claims contained in the complaint.

28. Following the merger, the Common Stock of UOP ceased trading on, and was delisted from, all stock exchanges upon which it had been previously traded; the Common Stock of Signal began to trade and has continued to trade at prices which reflect the public's belief that Signal now owns 100% of the stock, and therefore the assets, liabilities and results of operations of UOP; numerous stockholders of UOP have exchanged their certificates formerly representing Common Stock of UOP for cash in the amount of the merger price, incurring federal and local tax liabilities; and Signal has reported combined financial results of operations with UOP as a wholly-owned subsidiary for the quarter ended June 30, 1978. As a result, numerous innocent and disinterested third parties have irrevocably changed their position in reliance upon the final consummation of the merger.

29. By reason of the foregoing, the plaintiff, and each member of the purported class, has ratified the merger and each provision thereof, and is therefor barred from instituting or maintaining this lawsuit.

FIFTH AFFIRMATIVE DEFENSE

30. By reason of the facts alleged in paragraphs 24 through 28 above, plaintiff and each member of the purported class is estopped from instituting and maintaining this lawsuit.

SIXTH AFFIRMATIVE DEFENSE

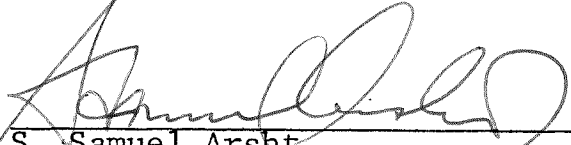
31. By reason of the facts alleged in paragraphs 24 through 28 above, the claims of plaintiff and each member of the purported class are barred by laches from instituting and maintaining this lawsuit.

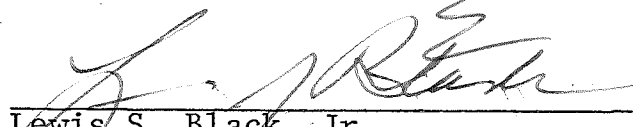
SEVENTH AFFIRMATIVE DEFENSE

32. By reason of the facts alleged in paragraphs 24 through 28 above, plaintiff and each member of the purported class has waived each and all of the claims set forth in the complaint.

WHEREFORE, defendant, UOP Inc. demands that the complaint be dismissed with prejudice, that costs be assessed against plaintiff, and prays for such other relief as may be fair and equitable.

MORRIS, NICHOLS, ARSHT & TUNNELL


S. Samuel Arsht


Lewis S. Black, Jr.
American International Building
Twelfth and Market Streets
Wilmington, Delaware 19801
Attorneys for Defendant UOP Inc.

DATED: August 25, 1978



Inc.

World Headquarters
Ten UOP Plaza - Algonquin & Mt. Prospect Roads
Des Plaines, Illinois 60016
Telephone 312-391-2000

March 7, 1978

To: UOP Inc. Stockholders

On March 6, 1978, your Board of Directors met to consider an offer of merger from The Signal Companies, Inc. As you know, Signal previously acquired 50.5% of the outstanding stock of UOP Inc. in May, 1975.

On February 28, 1978, both companies had announced that negotiations were being conducted for the acquisition for cash by Signal of the 49.5% of UOP which it does not presently own. Signal management subsequently announced that they would recommend a price in the range of \$20 to \$21 a share for their Board of Directors to consider in extending an offer.

An offer of \$21.00 per share of stock was extended formally on March 6, 1978 and the UOP Board of Directors unanimously gave its approval and elected to recommend that UOP shareholders vote in favor of this merger at the annual stockholders' meeting scheduled to be held in May of this year.

Full details of the proposed merger and terms for the cash payment for all outstanding stock, not presently held by Signal, will be contained in the proxy statement to be mailed to shareholders in time for their consideration prior to the annual stockholders meeting.

A handwritten signature in cursive script, reading "J. V. Crawford".

J. V. Crawford
President and Chief Executive Officer

A handwritten signature in cursive script, reading "J. O. Logan".

J. O. Logan
Chairman of the Board of Directors

APPENDIX C

AGREEMENT REGARDING MERGER

This Agreement Regarding Merger (herein, as the same may be amended from time to time in accordance with its terms, called the "Agreement") is made this 22nd day of March, 1978 by and among UOP Inc., a Delaware corporation (herein called "UOP"), The Signal Companies, Inc., a Delaware corporation (herein called "Signal"), and Sigco Incorporated, a Delaware corporation (herein called "Sigco").

Signal is the owner of all of the outstanding capital stock of Sigco and of 5,800,000 shares of Common Stock, \$1.00 par value, of UOP. To enhance its investment, to eliminate potential conflicts of interest, to provide for a freer flow of resources between and among UOP, Signal and Signal's other wholly-owned subsidiaries, to provide certain other economies, and for other purposes, Signal wishes to merge Sigco into UOP. As a result, each of the outstanding shares of UOP's Common Stock, \$1.00 par value, other than those shares owned by Signal or by the Treasury of UOP, would be converted into and become a right to receive \$21.00 per share, and thereafter Signal would own all of UOP's outstanding Common Stock, \$2.00 par value. UOP has determined that the merger is in its best interests because it would, among other things, provide access to greater financial, technical and other resources and result in certain economies, and has further determined that the terms and conditions of such merger are fair and equitable to its stockholders other than Signal and to recommend the merger on such terms and conditions to its stockholders.

Accordingly, the parties agree as follows:

Article I

MERGER AGREEMENT AND EFFECTIVE DATE

A Merger Agreement between UOP and Sigco (herein called the "Merger Agreement"), providing for the merger of Sigco into UOP (herein called the "merger"), is being executed concurrently with this Agreement. Subject to the terms and conditions of this Agreement and the Merger Agreement, the Merger Agreement shall be filed with the Secretary of State of the State of Delaware and become effective in accordance with its terms. The date of the merger's effectiveness is herein called the "Effective Date."

Article II

REPRESENTATIONS AND WARRANTIES OF UOP

UOP represents and warrants to Signal and Sigco as follows:

2.01. *Reports.* UOP has filed all documents required to be filed by it with the Securities and Exchange Commission (herein called the "Commission") under the Securities Exchange Act of 1934 (herein called the "Act") and the rules and regulations thereunder, and will in the near future file its annual report on Form 10-K for its year ended December 31, 1977 (herein called the "UOP 10-K"), and all such documents at the time of filing thereof conformed or will conform in all material respects to the requirements of the Act and such rules and regulations, and did not include and will not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2.02. *Financial Statements.* The consolidated financial statements of UOP heretofore delivered to Signal, as examined and reported on by Arthur Andersen & Co., fairly present the financial position of UOP and its consolidated subsidiaries and the results of their operations and changes in financial position as of the dates and for the periods indicated, in conformity with generally accepted accounting principles consistently applied during the periods indicated, except as otherwise stated therein. Such consolidated financial statements for the year ended December 31, 1977 are herein called the "UOP Financial Statements."

2.03. *Capital Stock.* The authorized and outstanding Capital Stock of UOP at December 31, 1977, and the outstanding options, warrants or rights to purchase or convert any obligation into Capital Stock of UOP at December 31, 1977, are as set forth in the UOP Financial Statements. There has been no change in such Capital Stock or options, warrants or rights since December 31, 1977 except as a result of the exercise, cancellation or satisfaction of options outstanding on that date.

2.04. *No Adverse Change.* Since the date of the UOP Financial Statements, there has been no material adverse change in the business, prospects, properties, consolidated financial position or consolidated results of operations of UOP and its subsidiaries, or any material litigation commenced or threatened against UOP or any of its subsidiaries.

2.05. *Authority.* UOP has full corporate power and authority to enter into this Agreement and the Merger Agreement and, subject to the conditions herein and therein set forth, to carry out the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Merger Agreement and, subject to the satisfaction of the conditions herein and therein set forth, the consummation of the transactions contemplated hereby and thereby will not violate any provision of UOP's Certificate of Incorporation or Bylaws, or violate any provision of or result in the acceleration of any obligation or the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security, mortgage, lien, order, arbitration award, judgment or decree to which UOP or any of its subsidiaries is a party or by which UOP or any of such subsidiaries or any of their respective properties is bound; and will not violate any other restriction of any character to which UOP or any of its subsidiaries is subject.

2.06. *Accuracy of Statements.* Neither this Agreement, the Merger Agreement, nor any statement, list, certificate or other written information furnished or to be furnished by UOP to Signal or Sigco in connection with this Agreement or the Merger Agreement or any of the transactions contemplated hereby or thereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

Article III

REPRESENTATIONS AND WARRANTIES OF SIGNAL AND SIGCO

Signal and Sigco represent and warrant to UOP as follows:

3.01. *Reports.* Signal has filed all documents required to be filed by it with the Commission under the Act and the rules and regulations thereunder, and will in the near future file its annual report on Form 10-K for its year ended December 31, 1977 (herein called the "Signal 10-K"), and all such documents at the time of filing thereof conformed or will conform in all material respects to the requirements of the Act and such rules and regulations, and did not include and will not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3.02. *Financial Statements.* The consolidated financial statements of Signal heretofore delivered to UOP, as examined and reported on by Haskins & Sells, fairly present the financial position of Signal and its consolidated subsidiaries and the results of their operations and changes in financial position as of the dates for the periods indicated, in conformity with generally accepted accounting principles consistently applied during the periods indicated, except as otherwise stated therein. Such consolidated financial statements for the year ended December 31, 1977 are herein called the "Signal Financial Statements."

3.03. *No Adverse Change.* Since the date of the Signal Financial Statements, there has been no material adverse change in the business, prospects, properties, consolidated

financial position or consolidated results of operations of Signal and its subsidiaries, or any material litigation commenced or threatened against Signal or any of its subsidiaries.

3.04. *Authority.* Signal and Sigco have full corporate power and authority to enter into this Agreement and the Merger Agreement and, subject to the conditions herein and therein set forth, to carry out the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Merger Agreement and, subject to the conditions herein and therein set forth, the consummation of the transactions contemplated hereby and thereby will not violate any provision of Signal's or Sigco's Certificates of Incorporation or Bylaws, or violate any provision of or result in the acceleration of any obligation or the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security, mortgage, lien, order, arbitration award, judgment or decree to which Signal or any of its subsidiaries is a party or by which Signal or any of such subsidiaries or any of their respective properties is bound, and will not violate any other restriction of any character to which Signal or any of its subsidiaries is subject.

3.05. *Accuracy of Statements.* Neither this Agreement, the Merger Agreement, nor any statement, list, certificate or other written information furnished or to be furnished by Signal or Sigco to UOP in connection with this Agreement or the Merger Agreement or any of the transactions contemplated hereby or thereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

Article IV

COVENANTS OF UOP

UOP agrees that from the date hereof to the Effective Date:

4.01. *Stockholders' Meeting; Other Action.* UOP will duly convene and hold a meeting of its stockholders for the purpose of approving the Merger Agreement and authorizing the transactions contemplated thereby and will take all other action required by it to carry out the transactions contemplated by the Merger Agreement.

4.02. *Access to Information.* UOP will give to Signal and to Signal's accountants, counsel and other representatives full access, without unreasonable interference with business operations, to all of the properties, books, contracts, commitments and records of UOP and its subsidiaries, will furnish to Signal all such documents and copies of documents and records and information relating to UOP and its subsidiaries and will make its officers and employees available to Signal as Signal shall from time to time reasonably request. Signal agrees to keep confidential any information so obtained so long as it shall remain confidential.

4.03. *Ordinary Course.* UOP and its subsidiaries shall operate their business only in the usual, regular and ordinary course and manner.

4.04. *Amendments, Stock.* UOP shall not amend its Certificate of Incorporation or Bylaws and shall not issue or acquire any shares of UOP Capital Stock, except upon exercise of outstanding stock options; and no option, warrant or other right to purchase or to convert any obligation into shares of UOP Capital Stock shall be granted or issued.

4.05. *No Dividends, Etc.* No dividend or other distribution or payment shall be declared, paid or made by UOP with respect to its Common Stock, \$1.00 par value, except that the regular quarterly dividend of \$.20 per share for the first quarter of the fiscal year ending December 31, 1978 previously declared by the Board of Directors of UOP in accordance with UOP's regular dividend policy may be paid.

4.06. *Consents and Approvals.* UOP shall obtain any necessary consents and approvals of other persons and governmental authorities to the performance by UOP of the

transactions contemplated by this Agreement and the Merger Agreement. UOP shall make all filings, applications, statements and reports to all federal or state governmental agencies or entities which are required to be made prior to the Effective Date by or on behalf of UOP or any of its subsidiaries pursuant to any statute, rule or regulation in connection with the transactions contemplated by this Agreement and the Merger Agreement.

Article V

COVENANTS OF SIGNAL AND SIGCO

Signal and Sigco agree that from the date hereof to the Effective Date:

5.01. *Corporate and Other Action.* Signal and Sigco will take all necessary corporate and other action required of them to carry out the transactions contemplated by this Agreement and the Merger Agreement by Signal and Sigco. Prior to the Effective Date, Signal shall contribute to Sigco sufficient cash to pay for all shares of UOP Common Stock, \$1.00 par value, issued or issuable and exchangeable for cash pursuant to the merger.

5.02. *Information for UOP Proxy Statement.* Signal will furnish to UOP all information concerning Signal and its subsidiaries which UOP reasonably requests for inclusion in the proxy solicitation material to be transmitted by UOP to its stockholders in connection with the meeting referred to in Section 4.01.

5.03. *Consents and Approvals.* Signal and Sigco shall obtain any necessary consents and approvals of other persons and governmental authorities to the performance by Signal and Sigco of the transactions contemplated by this Agreement and the Merger Agreement. Signal and Sigco shall make all filings, applications, statements and reports to all federal or state government agencies or entities which are required to be made prior to the Effective Date by or on behalf of Signal or Sigco pursuant to any statute, rule or regulation, in connection with the transactions contemplated by this Agreement and the Merger Agreement.

Article VI

CONDITIONS PRECEDENT TO OBLIGATIONS OF SIGNAL AND SIGCO

The obligations of Signal and Sigco under this Agreement and the Merger Agreement are, at the option of Signal and Sigco, subject to satisfaction of the following conditions precedent on or before the Effective Date.

6.01. *Warranties True as of Effective Date.* The representations and warranties of UOP contained herein shall be true in all material respects on and as of the date of this Agreement, and shall also be true in all material respects (except for such changes as are permitted by the terms of this Agreement) on and as of the Effective Date with the same force and effect as though made on and as of the Effective Date.

6.02. *Compliance with Covenants; Certificate.* UOP shall have performed all obligations and agreements and complied with all covenants contained in this Agreement and the Merger Agreement to be performed and complied with by it on or prior to the Effective Date; all consents or approvals herein provided for or required for the consummation by UOP of the transactions contemplated herein or in the Merger Agreement shall have been obtained by UOP; the holders of a majority of the shares of UOP's Common Stock, \$1.00 par value, other than those owned by Signal, present and voting on the merger proposal at the meeting referred to in Section 4.01 shall have voted for the merger, provided that not less than two-thirds of the shares of UOP's Common Stock, \$1.00 par value, including shares owned by Signal, outstanding on the record date for such meeting shall have voted for the merger; and UOP shall have delivered to Signal and Sigco a certificate dated as of the Effective Date of its President or a Vice President, certifying to the correctness of all warranties and representations of UOP as of such date and as to compliance with Section 6.01 and this Section 6.02.

6.03. *Opinion of Counsel.* Signal and Sigco shall have received an opinion, dated the Effective Date, of Messrs. Rogers & Wells, as counsel for UOP, to the effect that:

(a) UOP is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

(b) This Agreement and the Merger Agreement have been duly and validly authorized, executed and delivered by UOP and constitute valid and binding obligations of UOP.

(c) All proceedings, other than the filing and recording of the Merger Agreement in Delaware, necessary under Delaware law on the part of UOP to effect the merger have been duly taken by UOP in accordance with law.

(d) The execution, delivery and performance of this Agreement and the Merger Agreement by UOP will not violate any provision of its Certificate of Incorporation or Bylaws, nor violate any provision of, or result in the acceleration of any obligation or the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security, mortgage, lien, order, arbitration award, judgment or decree known to such counsel to which UOP is a party or by which UOP or its properties is bound.

6.04. *Proceedings Satisfactory to Counsel.* All corporate proceedings taken by UOP and all instruments executed and delivered by UOP on or prior to the Effective Date in connection with the transactions herein contemplated shall be satisfactory in form and substance to counsel for Signal and Sigco.

6.05. *Litigation.* No action or proceeding shall have been instituted or threatened by any third party which would enjoin, restrain or prohibit, or might result in substantial damage in respect of, this Agreement or the Merger Agreement or consummation of the transactions contemplated hereby and thereby, and no court order shall have been entered which enjoins, restrains or prohibits this Agreement or the Merger Agreement or consummation of the transactions contemplated hereby and thereby.

Article VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF UOP

The obligations of UOP under this Agreement and the Merger Agreement are, at the option of UOP, subject to the satisfaction of the following conditions precedent on or before the Effective Date:

7.01. *Warranties True as of Effective Date.* The representations and warranties of Signal and Sigco contained herein shall be true in all material respects on and as of the date of this Agreement, and shall also be true in all material respects (except for such changes as are permitted by the terms of this Agreement) on and as of the Effective Date with the same force and effect as though made by Signal and Sigco on and as of such date.

7.02. *Compliance with Covenants; Certificate.* Signal and Sigco shall have performed all obligations and agreements and complied with all covenants contained in this Agreement and the Merger Agreement to be performed and complied with by them on or prior to the Effective Date; all consents or approvals herein provided for or required for the consummation by Signal or Sigco of the transactions contemplated herein or in the Merger Agreement shall have been obtained by Signal and Sigco; the holders of a majority of the shares of UOP's Common Stock, \$1.00 par value, other than those owned by Signal, present and voting on the merger proposal at the meeting referred to in Section 4.01 shall have voted for the merger, provided that not less than two-thirds of the shares of UOP's Common Stock, \$1.00 par value, including shares owned by Signal, outstanding on the record date of such meeting shall have voted for the merger; and Signal and Sigco shall have delivered to UOP certificates, dated as of the Effective Date, of the President or a

Vice President of Signal and of the President or a Vice President of Sigco, certifying as to the correctness of all warranties and representations of Signal and Sigco as of such date and as to compliance with Section 7.01 and this Section 7.02.

7.03. *Opinion of Counsel.* UOP shall have received an opinion, dated the Effective Date, of Messrs. Latham & Watkins, counsel for Signal and Sigco, to the effect that:

(a) Signal and Sigco are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware, with all requisite corporate power and authority to own, operate and lease their properties and to carry on their businesses as now being conducted.

(b) This Agreement and the Merger Agreement have been duly and validly authorized, executed and delivered by Sigco and constitute valid and binding obligations of Sigco; this Agreement has been duly and validly authorized, executed and delivered by Signal and constitutes a valid and binding obligation of Signal.

(c) All proceedings, other than the filing of the Merger Agreement in Delaware, necessary under Delaware law on the part of Signal or Sigco to effect the merger have been duly taken by Signal and/or Sigco in accordance with law.

(d) The execution, delivery and performance of this Agreement and the Merger Agreement by Signal and Sigco will not violate any provision of their Certificates of Incorporation or Bylaws, nor violate any provision of, or result in the acceleration of any obligation or the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security, mortgage, lien, order, arbitration award, judgment or decree known to such counsel to which Signal or Sigco is a party or by which Signal or Sigco or their respective properties is bound.

7.04. *Proceedings Satisfactory to Counsel.* All corporate proceedings taken by Signal and Sigco and all instruments executed and delivered by Signal and Sigco on or prior to the Effective Date in connection with the transactions herein contemplated shall be satisfactory in form and substance to counsel for UOP.

7.05. *Litigation.* No action or proceeding shall have been instituted or threatened by any third party which would enjoin, restrain or prohibit or might result in substantial damages in respect of, this Agreement or the Merger Agreement or consummation of the transactions contemplated hereby and thereby, and no court order shall have been entered which enjoins, restrains or prohibits this Agreement or the Merger Agreement or consummation of the transactions contemplated hereby and thereby.

Article VIII

MISCELLANEOUS

8.01. *Termination.* This Agreement and the Merger Agreement may be terminated (notwithstanding that approval thereof by stockholders of UOP or Sigco may have been obtained) any time prior to the Effective Date:

(a) With the consent of the Boards of Directors of UOP, Signal and Sigco; or

(b) By Signal and Sigco if any of the conditions provided in Article VI shall not have been satisfied, complied with or performed in any material respect, and Signal and Sigco shall not have waived such failure of satisfaction, noncompliance or nonperformance; or

(c) By UOP if any of the conditions provided in Article VII shall not have been satisfied, complied with or performed in any material respect, and UOP shall not have waived such failure of satisfaction, noncompliance or nonperformance.

In the event of any termination pursuant to this Section 8.01 (other than pursuant to subparagraph (a) hereof), written notice setting forth the reasons thereof shall forthwith

be given by UOP, if it is the terminating party, to Signal and Sigco, or by Signal and Sigco, if they are the terminating parties, to UOP. This Agreement shall terminate automatically if the Effective Date shall not have occurred on or before September 30, 1978, or such later date as shall have been agreed to by the parties hereto.

8.02. *Expenses, Etc. upon Termination.* In the event this Agreement is terminated as provided in Section 8.01 hereof, none of UOP, Signal and Sigco, or any officer, director or stockholder thereof, shall have any liability to any of the others or to any third party (including, without limitation, any officer, employee or stockholder) for costs, expenses (including, without limitation, legal and accounting fees and expenses), loss of anticipated profits or otherwise; it being understood that in the event of such termination each party shall bear its own legal, accounting and other fees, costs, losses and expenses.

8.03. *Amendment.* UOP, Signal and Sigco, with the approval of their respective Boards of Directors, but only in writing signed by UOP, Signal and Sigco, may amend, modify or supplement this Agreement at any time before or after approval of the Merger Agreement by the stockholders of UOP or Sigco; provided, however, that no such amendment, modification or supplement after such approval by the stockholders of UOP shall affect the rights of such stockholders in a manner which is materially adverse to such stockholders in the judgment of the Board of Directors of UOP.

8.04. *Brokers.* Each of the parties represents that no broker or finder has acted for it in connection with this Agreement or the Merger Agreement or the transactions contemplated hereby and thereby and that no broker or finder is entitled to any brokerage or finder's fee or other commission based on agreements, arrangements or understandings made by it.

8.05. *Non-Survival of Warranties, Etc.* Warranties, representations, covenants and agreements contained in this Agreement or the Merger Agreement or in documents or certificates delivered pursuant hereto or thereto on the Effective Date with respect to UOP, Signal or Sigco shall not survive the Effective Date.

8.06. *Notices.* Any notice, request, instruction or other document to be given hereunder, either party hereto shall be in writing and shall be deemed to have been given, when received, or when deposited in the United States mail, certified or registered mail, postage prepaid:

If to UOP:

UOP Inc.
Ten UOP Plaza
Algonguin and Mt. Prospect Roads
Des Plaines, Illinois 60016
Attention: President

If to Signal or Sigco:

The Signal Companies, Inc.
9665 Wilshire Boulevard
Beverly Hills, California 90212
Attention: President

or to such other address as any party hereto may designate for itself by notice given as herein provided.

8.07. *Place of Closing.* The closing of the transactions to be completed on the Effective Date shall take place at the offices of UOP at its address set forth in Section 8.06 on the Effective Date.

8.08. *Entire Agreement.* This Agreement and the Merger Agreement set forth the entire agreement and understanding of the parties with respect of the transactions contemplated hereby and thereby and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof and thereof.

8.09. *Waivers.* Each party may, by written instrument, extend the time for the performance of any of the obligations or other acts of any other party hereto, and (a) waive any

8.10. *Counterparts.* This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, UOP Inc., The Signal Companies, Inc. and Sigco Incorporated have each caused this Agreement Regarding Merger to be executed on its behalf by its President or one of its Vice Presidents, attested by its Secretary or an Assistant Secretary, and its corporate seal to be affixed hereto, all on the date first above written.

(Seal)

Attest:

(Seal)

Attest:

(Seal)

Attest:

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APPENDIX B

MERGER AGREEMENT

This Merger Agreement is made this 22nd day of March, 1978, between Sigco Incorporated, a Delaware corporation (herein called "Sigco"), and UOP Inc., a Delaware corporation (herein called "UOP").

The respective Boards of Directors of Sigco and UOP deem it advisable and in the best interests of each of such corporations and their respective stockholders that Sigco be merged into UOP in the manner herein contemplated.

Accordingly, the parties agree as follows:

Article I

MERGER

In accordance with the provisions of the General Corporation Law of the State of Delaware, Sigco shall be merged with and into UOP, which shall be, and is herein sometimes referred to as, "the surviving corporation," and the name of which shall continue to be UOP Inc.

Article II

SURVIVING CORPORATION AND EFFECTIVE DATE

2.01. *Surviving Corporation.* Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of UOP shall continue unaffected and unimpaired by the merger, and the corporate franchises, existence and rights of Sigco shall be merged into UOP, and UOP shall, as the surviving corporation, be fully vested therewith. The separate existence and corporate organization of Sigco, except insofar as they may be continued by statute, shall cease when the merger shall become effective.

2.02. *Effective Date.* The merger herein contemplated shall become effective at the time (herein called the "Effective Time of the Merger") when this Merger Agreement is filed with the Secretary of State of the State of Delaware in accordance with the General Corporation Law of the State of Delaware.

Article III

CERTIFICATE OF INCORPORATION, BY LAWS AND DIRECTORS

3.01. *Certificate of Incorporation.* The Certificate of Incorporation of UOP is hereby amended, and shall be the Certificate of Incorporation of UOP, the surviving corporation, effective at the time of filing this Merger Agreement, by changing the Article thereof numbered "Fourth" so as to read in its entirety as follows:

"FOURTH: The total number of shares of stock which this corporation shall have authority to issue is one thousand (1,000) shares of Common Stock, \$2.00 par value."

3.02. *By Laws.* The By Laws of UOP in effect immediately prior to the Effective Time of the Merger shall continue in full force and effect as the By Laws of the surviving corporation until they shall thereafter be duly amended.

3.03. *Directors.* The directors of UOP immediately prior to the Effective Time of the Merger shall continue to be the directors of the surviving corporation, subject to the By Laws thereof, until the next annual meeting of stockholders or until their successors are elected and qualified. If, at or after the Effective Time of the Merger, a vacancy shall exist in the Board

of Directors of the surviving corporation, such vacancy may be filled in the manner provided in the By Laws thereof.

Article IV

CONVERSION OF SHARES

The manner of converting the shares of stock of Sigco into shares of stock of UOP and converting the shares of stock and options to purchase shares of stock of UOP into the right to receive cash, respectively, shall be as follows:

(a) Each share of Capital Stock, \$1.00 par value, of Sigco (herein called the "Sigco Stock") which shall be outstanding at the Effective Time of the Merger shall, at such time and by virtue of the merger without any action on the part of the holder thereof, be converted into and exchanged for one share of Common Stock, \$2.00 par value, of UOP, the surviving corporation.

(b) Each share of Common Stock, \$1.00 par value, of UOP (herein called the "UOP Stock"), other than those shares then held by The Signal Companies, Inc., a Delaware corporation (herein called "Signal"), or held in the Treasury of UOP, which shall be outstanding at the Effective Time of the Merger shall, at such time and by virtue of the merger without any action on the part of the holder thereof, be converted into and exchanged for the right to receive \$21.00 cash, payable by the surviving corporation, and each holder of such UOP Stock, at the Effective Time of the Merger (except Signal and the shares held in the Treasury of UOP) shall, upon the merger, cease being a stockholder of UOP and shall by such merger be converted from a stockholder into a creditor of UOP for an amount equal to the product of the number of shares of UOP Stock held of record by such holder at the Effective Time of the Merger and \$21.00. There is no preferred stock of UOP outstanding.

(c) Upon the merger each share of UOP Stock held by Signal (other than shares issued pursuant to paragraph (a) of this Article IV) or held as Treasury shares by UOP at the Effective Time of the Merger shall be cancelled.

(d) Each option or other right to acquire or purchase a share of UOP Stock which shall be outstanding, if any, at the Effective Time of the Merger shall, at such time and by virtue of the merger without any action on the part of the holder thereof, be converted into and exchanged for a right to receive, upon the payment of the exercise price and the satisfaction of all other conditions to the exercise thereof, \$21.00 cash.

(e) After the Effective Time of the Merger the surviving corporation shall cause to be delivered to Morgan Guaranty Trust Company of New York, New York, New York, as exchange agent (herein called the "Exchange Agent") the cash deliverable pursuant to this Merger Agreement. Each holder of UOP Stock at the Effective Time of the Merger (other than Signal or UOP or any stockholder of UOP who shall have perfected his appraisal rights) shall be entitled upon surrender to the Exchange Agent of the certificate or certificates for his shares of stock of UOP Stock for cancellation to receive the cash into which such shares shall have been converted in the merger. Unless and until any such certificates shall be so surrendered, the holder of such certificate shall not have any right to receive the cash into which such shares have been converted and in no event shall the holder of any such certificate have the right to receive any interest on the cash to be received.

Upon the expiration of one year after the Effective Time of the Merger, any unpaid cash held by the Exchange Agent for the benefit of holders of certificates formerly representing shares of UOP Stock shall be delivered to the surviving corporation and thereafter the Exchange Agent shall not be liable to any person claiming such cash.

Article V

APPROVAL, TERMINATION, EXPENSES

5.01. *Approval.* This Merger Agreement shall be submitted at the earliest practicable date to the stockholders of each of Sigco and UOP for adoption and, if adopted by the vote or written consent of the stockholders of Sigco as required by the Delaware General Corporation Law and the vote of the stockholders of UOP as provided for in the next sentence, shall be made effective as soon as practicable thereafter in the manner provided in Article II hereof. The vote for approval of the Merger Agreement by the stockholders of UOP shall be approval by the holders of a majority of the issued and outstanding shares of UOP Stock, other than those owned by Signal, present and voting at a meeting convened for the purpose of approving this Merger Agreement and the transactions contemplated hereby, provided that not less than two-thirds of the shares of UOP Stock, including shares owned by Signal, outstanding on the record date for such meeting shall have approved this Merger Agreement.

5.02. *Termination.* If the Agreement Regarding Merger, dated March 22, 1978 between UOP, Sigco and Signal, is terminated prior to the Effective Time of the Merger, this Merger Agreement shall simultaneously terminate without further action on the part of Sigco and UOP, notwithstanding prior approval by the stockholders of either or both Sigco and UOP.

5.03. *Expenses.* Sigco and UOP shall each bear and pay all costs and expenses incurred by it or on its behalf in connection with the consummation of the merger, including, without limiting the generality of the foregoing, fees and expenses of financial consultants, accountants and counsel.

Article VI

MISCELLANEOUS

6.01. *Counterparts.* This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.02. *Amendment.* At any time before or after approval and adoption by the respective stockholders of Sigco and UOP, this Merger Agreement may be amended or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the respective Boards of Directors of Sigco and UOP to be necessary, desirable or expedient to further the purposes of this Merger Agreement, to clarify the intention of the parties, to add to or to modify the covenants, terms or conditions contained herein or to effectuate or to facilitate any governmental approval of the merger or this Merger Agreement, or otherwise to effectuate or to facilitate the consummation of the transactions contemplated hereby; provided, however, that after the approval of the stockholders of Sigco or UOP: (i) neither paragraph (b) of Article IV of this Merger Agreement, nor the provisions of Section 5.01 hereof regarding the vote required by stockholders of UOP to approve this Merger Agreement, may be amended or supplemented without the vote of the majority of the issued and outstanding shares of UOP Stock, other than those owned by Signal, present and voting at a meeting convened for the purpose of approving and adopting the proposed amendment or supplement, provided that not less than two-thirds of the shares of UOP Stock, including shares owned by Signal, outstanding on the record date for such meeting shall have approved such amendment or supplement, and (ii) Section 3.01 of this Merger Agreement may not be amended without the vote or written consent of the majority of the issued and outstanding shares of UOP Stock on the record date for such determination.

6.03. *Governing Law.* This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, Sigco Incorporated and UOP Inc. have each caused this Merger Agreement to be executed on its behalf by its President or one of its Vice Presidents, attested by its Secretary or an Assistant Secretary, and its corporate seal to be affixed hereto, all on the date first above written.

(Seal)

Attest:

SIGCO INCORPORATED

/s/ L. Earl Logue
Secretary

By /s/ A. J. Chithea
President

(Seal)

Attest:

UOP Inc.

/s/ M. B. Peek
Secretary

By /s/ J. V. Crawford
President