

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1995

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-17995

AMTECH CORPORATION  
(Exact Name of Registrant as Specified in its Charter)

Texas  
(State of Incorporation)

75-2216818  
(I.R.S. Employer  
Identification Number)

17304 Preston Road  
Building E-100  
Dallas, Texas 75252  
(Address of Principal Executive Offices)

(214) 733-6600  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes    X    No  
-----    -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 1995
----- Common Stock, par value \$.01 per share	----- 14,665,108

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AMTECH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

(Unaudited)

	June 30, 1995	December 31, 1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents (Note 5)	\$32,859	\$14,217
Short-term marketable securities	9,557	35,695
Accounts receivable, net of allowance for doubtful accounts of \$261,000 in 1995 and \$209,000 in 1994	9,646	6,089
Accounts receivable from related parties	959	1,349
Inventories (Note 2)	8,066	8,199
Deferred income taxes	1,103	1,060
Prepaid expenses	392	425
	-----	-----
Total current assets	62,582	67,034
Property and equipment, at cost	18,250	16,166
Accumulated depreciation	(8,183)	(7,281)
	-----	-----
	10,067	8,885
Deferred income taxes	1,691	1,810
Goodwill, net (Notes 3 and 5)	3,946	--
Other assets	2,797	2,893
	-----	-----
	\$ 81,083	\$80,622
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 2,788	\$ 1,607
Accrued expenses	2,330	1,869
	-----	-----
Total current liabilities	5,118	3,476
Deferred license revenues	1,329	1,810
Contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, \$1 par value, 10,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value, 30,000,000 shares authorized; shares issued and outstanding: 14,662,608 in 1995 and 14,599,283 in 1994	147	146
Additional paid-in capital	75,436	75,086
Unrealized gain (loss) on marketable securities	368	(411)
Retained earnings (accumulated deficit)	(1,315)	515
	-----	-----
Total stockholders' equity	74,636	75,336
	-----	-----
	\$ 81,083	\$80,622
	=====	=====

See accompanying notes.

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AMTECH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1995	1994	1995	1994
	-----	-----	-----	-----
Sales	\$ 13,001	\$18,513	\$ 26,936	\$37,472
Operating costs and expenses:				
Cost of sales	8,434	8,357	17,807	16,685
Research and development	1,883	1,560	3,525	3,075
Marketing, general and administrative	3,994	3,652	7,683	7,395
	-----	-----	-----	-----
	14,311	13,569	29,015	27,155
Operating income (loss)	(1,310)	4,944	( 2,079)	10,317
Investment income (loss)	(101)	522	352	832
	-----	-----	-----	-----
Income (loss) before income taxes	(1,411)	5,466	(1,727)	11,149
Provision (benefit) for income taxes	(154)	2,063	(190)	4,066
	-----	-----	-----	-----
Net income (loss)	\$ ( 1,257)	\$ 3,403	\$ (1,537)	\$ 7,083
	=====	=====	=====	=====
Earnings (loss) per share (Note 1)	\$ (0.09)	\$ 0.23	\$ (0.10)	\$ 0.48
	-----	-----	-----	-----
Shares used in computing earnings (loss) per share	14,658	14,764	14,639	14,807
	=====	=====	=====	=====

See accompanying notes.

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AMTECH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1995	1994	1995	1994
Cash flows from operating activities:				
Net income (loss)	\$ (1,257)	\$ 3,403	\$ (1,537)	\$ 7,083
Adjustments to reconcile net income (loss) to net cash from operating activities:				
Depreciation and amortization	757	783	1,486	1,549
Deferred income taxes	(90)	(7)	(75)	527
Tax benefit from exercise of stock options	27	722	63	2,167
Change in assets and liabilities:				
Increase in accounts receivable	(375)	(1,326)	(1,871)	(1,102)
(Increase) decrease in inventories	451	(1,111)	663	(2,338)
(Increase) decrease in prepaid expenses	15	41	(287)	42
(Increase) decrease in other assets	(364)	(8)	164	214
Increase (decrease) in current liabilities	(392)	2,161	(19)	1,644
Decrease in deferred license revenues	(240)	(247)	(481)	(489)
Total adjustments	(211)	1,008	(357)	2,214
Net cash provided (used) by operating activities	(1,468)	4,411	(1,894)	9,297
Cash flows from investing activities:				
Purchases of property and equipment	(277)	(377)	(848)	(1,274)
Purchase of Cotag International Limited	(10)	--	(5,784)	--
Increase in other assets	(62)	(106)	(114)	(281)
Purchases of marketable securities	--	(15,203)	--	(19,224)
Sales and maturities of marketable securities	2,994	7,078	27,318	16,322
Net cash provided (used) by investing activities	2,645	(8,608)	20,572	(4,457)
Cash flows from financing activities:				
Proceeds from issuances of common stock	126	--	273	224
Payment of cash dividends	--	(292)	(293)	(584)
Net cash provided (used) by financing activities	126	(292)	(20)	(360)
Effect of exchange rate changes on cash and cash equivalents	(14)	--	(16)	--
Increase (decrease) in cash and cash equivalents	1,289	(4,489)	18,642	4,480
Cash and cash equivalents, beginning of period	31,570	31,335	14,217	22,366
Cash and cash equivalents, end of period	\$32,859	\$ 26,846	\$32,859	\$ 26,846

See accompanying notes.

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AMTECH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Basis of Presentation

The accompanying financial statements, which should be read in conjunction with the audited consolidated financial statements included in the Company's 1994 Annual Report to Shareholders and Form 10-K, are unaudited but have been

prepared in the ordinary course of business for the purpose of providing information with respect to the interim periods. The Condensed Consolidated Balance Sheet at December 31, 1994 was derived from the audited Consolidated Balance Sheet at that date which is not presented herein. Management of the Company believes that all adjustments necessary for a fair presentation for such periods have been included and are of a normal recurring nature. The results of operations for the three-month and six-month periods ended June 30, 1995 are not necessarily indicative of the results to be expected for the full year.

Earnings per share is computed based on the weighted average number of shares of common stock and dilutive common equivalent shares outstanding.

2. Inventories

Inventories consist of the following:

	June 30, 1995 -----	December 31, 1994 -----
Raw materials	\$4,843,000	\$4,486,000
Work in process	2,536,000	2,168,000
Finished goods	687,000 -----	1,545,000 -----
	\$8,066,000 =====	\$8,199,000 =====

3. Acquisition

In late January 1995, the Company purchased all of the stock of Cotag International Limited for approximately \$5,800,000, including acquisition expenses. Cotag is located in Cambridge, England and manufactures radio frequency identification security systems for hands-free electronic access control and other related applications. The results of operations for Cotag are included in the consolidated financial statements of the Company beginning February 1, 1995. The acquisition of Cotag resulted in goodwill of approximately \$4,100,000, which is being amortized over ten years.

4. Contingencies

In October 1992, the Company filed suit against AT/Comm Incorporated ("AT/Comm"), one of the Company's competitors in certain markets, in federal district court for the Northern District of Texas, Dallas Division. The suit currently alleges unfair competition and requests an affirmative determination that the Company's technology and products do not infringe on certain patents held by AT/Comm. AT/Comm subsequently filed claims against the Company, which do not request any specific damage amounts, alleging unfair competition and related claims and patent infringement. In September 1994, the court ruled that the Company's radio frequency rail car identification products do not infringe two AT/Comm patents and in June 1995, the court dismissed AT/Comm's unfair competition and related claims. The Company's motion for summary judgment, which seeks to dismiss AT/Comm's claim relating to an AT/Comm patent covering certain read/write electronic toll collection systems, is still pending. The Company believes the remaining claim pending against it is without merit and intends to vigorously defend against it.

In December 1994, the Company agreed to provide up to approximately \$2,300,000 in convertible debt and equity financing to WaveLink Technologies, Inc. ("WaveLink") of Ontario, Canada, which will result in an ownership of up to 75% of WaveLink's equity, assuming eventual full conversion of the convertible debt by the Company. WaveLink and certain of its employees are the subject of a \$7,800,000 suit brought by Teklogix, Inc., their former employer. The suit alleges improper use of confidential information, theft of technology,

misappropriation of business opportunities and similar improprieties. WaveLink has denied any wrongdoing by it or its employees and has advised the Company that it intends to vigorously defend the litigation.

While the final outcome of these matters cannot be predicted with certainty, the Company believes that the final resolution of these matters will not have a material adverse effect on the consolidated financial position of the Company.

#### 5. Subsequent Event

Effective August 1, 1995, the Company purchased substantially all of the net assets of Cardkey Systems, Inc. and Cardkey Systems, Ltd. (collectively, "Cardkey"). The initial purchase price was approximately \$18,000,000 in cash with further payments of between \$5,000,000 and \$6,000,000 to be made over the next two and one-half years. The primary operating companies of Cardkey are located in Simi Valley, California and Reading, England. Cardkey sells, installs and services electronic access control systems through an international network of direct sales offices and resellers. Cardkey's sales in 1994 were approximately \$65,000,000. The acquisition of Cardkey is expected to result in goodwill of up to \$4,500,000, depending upon the yet to be determined amount of purchased in-process research and development acquired in the transaction.

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#### Item 2.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Results of Operations

Sales for the three months and six months ended June 30, 1995 decreased \$5,512,000 or 30% and \$10,536,000 or 28%, respectively, from the comparable periods in 1994. Shipments to the rail industry decreased from \$10,833,000 to \$2,531,000 for the three month period and from \$24,386,000 to \$5,200,000 for the six month period, primarily as a result of the substantial completion in mid-1994 of tag deliveries for the implementation of the Association of American Railroads' mandatory standard for automatic equipment identification. Sales volumes of the Company's products and services for the electronic toll and traffic management (ETTM) sector of its markets increased, primarily as a result of revenues of approximately \$3,850,000 and \$8,000,000 in the three month and six month periods, respectively, from a system integration services contract. Sales of Cotag International Limited ("Cotag"), which was acquired by the Company in late January 1995, were included in the Company's consolidated financial statements beginning in February 1995 and amounted to approximately \$2,000,000 and \$3,500,000 in the three month and six month periods ended June 30, 1995, respectively.

Cost of sales for the three months and six months ended June 30, 1995 increased \$77,000 or 1% and \$1,122,000 or 7% from the comparable periods in 1994. Gross profit as a percentage of sales decreased from 55% for the second quarter of 1994 to 35% for the second quarter of 1995 and from 55% for the first six months of 1994 to 34% for the first six months of 1995. This decrease was primarily due to a reduction in the percentage of sales attributable to the Company's manufactured products. The business mix for 1995 continues to trend toward lower margin systems integration project work in the ETTM market.

Research and development expenses for the three months and six months ended June 30, 1995 increased \$323,000 or 21% and \$450,000 or 15% from the comparable periods in 1994. The increase was primarily attributable to joint venture expenditures funded by the Company and the inclusion of Cotag's expenses beginning in February 1995. These increases were partially offset by research and development expenditures included in cost of sales relating to software development costs associated with the installation of customer projects. The Company expects to spend increasing amounts for new research and development initiatives for the remainder of 1995, such as its investment in WaveLink Technologies, Inc. ("WaveLink"), a new Canadian enterprise developing a product line for the radio frequency data collection market, and to commit the necessary resources required by Cotag.

Marketing, general and administrative expenses for the three months and six months ended June 30, 1995 increased \$342,000 or 9% and \$288,000 or 4% from the comparable periods in 1994. The increases are primarily attributable to the inclusion of Cotag's expenses beginning in February 1995. This increase was

partially offset by a decrease in outside consultant costs incurred to pursue and support new business opportunities.

Investment income for the three months and six months ended June 30, 1995 decreased from a gain of \$522,000 to a loss of \$101,000 and from a gain of \$832,000 to a gain of \$352,000, respectively. The decrease for both periods was primarily attributable to declines in certain of the Company's cash and cash equivalent investments.

The income tax benefit as a percentage of the loss before taxes was 11% for the three months and six months ended June 30, 1995. The primary difference between the statutory and effective tax rates is the effect of unbenefitted foreign losses.

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As a result of the foregoing, the Company experienced a net loss of \$1,257,000 and \$1,537,000 for the three months and six months ended June 30, 1995 as compared to net income of \$3,403,000 and \$7,083,000 for the same periods in 1994. Including the effect of the acquisition of Cardkey, completed as of August 1, 1995, the Company currently expects consolidated revenues for calendar year 1995 to be between \$77,000,000 and \$86,000,000. Additionally, the Company anticipates reporting a consolidated net loss for the full year of between (\$0.35) and (\$0.60) per share, depending largely on the ultimate one-time charge to earnings to be determined for purchased in-process research and development acquired in the Cardkey transaction.

#### Liquidity and Capital Resources

At June 30, 1995, the Company's principal source of liquidity consisted of cash and cash equivalents of \$32,859,000 and marketable securities of \$9,557,000. The Company's June 30, 1995 liquidity will be affected by the acquisition of Cardkey in August 1995 with the payment of approximately \$18,000,000 in cash and further payments of between \$5,000,000 to \$6,000,000 which are scheduled to be made over the next two and one-half years. The Company expects to invest up to \$1,600,000 during the remainder of 1995 for various property and equipment, a substantial amount of which will be required by Cardkey, Cotag and WaveLink. In addition, in December 1994, the Company entered into an agreement to provide up to approximately \$2,300,000 of debt and equity financing to WaveLink. Approximately \$1,000,000 had been advanced as of July 31, 1995.

With total current liabilities at June 30, 1995 of approximately \$5,000,000 and no long-term debt, the Company believes that cash provided by operating activities and existing cash investments will be sufficient to meet the capital requirements for the current businesses for at least the next two years.

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#### PART II - OTHER INFORMATION

##### Item 1. Legal Proceedings

The information set forth under Part I, Notes to Condensed Consolidated Financial Statements, Note 4 is incorporated herein by reference.

##### Item 5. Other Information

On August 1, 1995, pursuant to a Purchase Agreement (as amended, the "Purchase Agreement"), dated as of June 20, 1995, by and among Amtech Corporation, a Texas corporation, Cardkey Systems, Inc., an Oregon corporation ("Cardkey US"), Cardkey Systems, Ltd., a United Kingdom corporation ("Cardkey UK"), and Cardkey Sicherheitssysteme GmbH ("Cardkey Germany"), a German corporation and wholly-owned subsidiary of Cardkey UK, and Assa Abloy AB, a Swedish corporation, Amtech Corporation, acting directly or through directly or indirectly owned subsidiary companies (collectively, "Amtech"), purchased substantially all of the assets of the electronic access control business of Cardkey US, Cardkey UK, Cardkey Germany, and the stock of Cardkey Systems Pacific Pty PTE, an Australian corporation and wholly-owned subsidiary of Cardkey US. The purchased assets include accounts receivable, inventory, property and equipment, U.S. and foreign patent and trademark and other

intellectual property rights, and certain contract rights.

Amtech and its subsidiary companies paid an initial purchase price of approximately \$18,000,000 in cash, which was the estimated net asset value of the assets acquired and liabilities assumed. The initial purchase price will be adjusted by mid-September to account for differences between the estimated net asset value and the actual net asset value as of the closing date, determined according to audited financial statements. Further payments of between \$5,000,000 to \$6,000,000 are scheduled to be made over the next two and one-half years.

The source of the funds used to pay the purchase price was cash and cash equivalents. The property and equipment assets acquired from the selling entities were used by them in the electronic access control business, and Amtech plans to continue to use such assets in the electronic access control business.

The foregoing includes a brief description of certain terms of the Purchase Agreement and related agreements. Any description or disclosure made in this Quarterly Report on Form 10-Q with respect to these agreements is qualified in its entirety by reference to the Purchase Agreement, which is Exhibit 2.1 to this Quarterly Report on Form 10-Q, the Amendment to Purchase Agreement, which is Exhibit 2.2 to this Quarterly Report on Form 10-Q, the Promissory Note, which is Exhibit 2.3 to this Quarterly Report on Form 10-Q and the Guaranty, which is Exhibit 2.4 to this Quarterly Report on Form 10-Q. Each of the foregoing documents is specifically incorporated herein by reference. Amtech will furnish supplemental copies of any exhibits and schedules to these agreements to the Securities and Exchange Commission upon request.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

Description of Exhibits  
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- 2.1 Purchase Agreement among Amtech Corporation, Assa Abloy, AB, et.al.\*  
-- --
- 2.2 Amendment to Purchase Agreement.\*
- 2.3 Promissory Note of Viking Acquisition Company, in the original principal amount of \$6,000,000, dated August 1, 1995, payable to Cardkey Systems, Inc.\*
- 2.4 Guaranty of Amtech Corporation, dated August 1, 1995.\*
- 23.1 Consent of KPMG.\*
- 23.2 Consent of Crowe, Chizek and Company.\*
- 99.1 Audited Financial Statements of Cardkey Systems, Inc.\*
  - (1) Report of Crowe, Chizek and Company, Independent Auditors.
  - (2) Balance Sheets as of December 31, 1994 and 1993.
  - (3) Statements of Operations for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.
  - (4) Statements of Shareholders' Equity for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.
  - (5) Statements of Cash Flows for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.



(6) Notes to Financial Statements.

99.2 Unaudited Condensed Financial Statements of Cardkey Systems, Inc.\*

- (1) Unaudited Condensed Balance Sheets as of March 31, 1995 and December 31, 1994.
- (2) Unaudited Condensed Statements of Operations for the three months ended March 31, 1995 and 1994.
- (3) Unaudited Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
- (4) Notes to Unaudited Condensed Financial Statements.

99.3 Audited Financial Statements of Cardkey Systems, Ltd.\*

- (1) Report of KPMG, Registered Auditors.
- (2) Consolidated Profit and Loss Accounts for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (3) Consolidated Balance Sheets as of December 31, 1994 and 1993.

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- (4) Consolidated Cash Flow Statements for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (5) Statements of Recognized Gains and Losses for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (6) Notes to Financial Statements.

99.4 Unaudited Condensed Financial Statements of Cardkey Systems, Ltd.\*

- (1) Unaudited Condensed Balance Sheets as of March 31, 1995 and December 31, 1994.
- (2) Unaudited Condensed Statements of Operations for the three months ended March 31, 1995 and 1994.
- (3) Unaudited Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
- (4) Notes to Unaudited Condensed Financial Statements.

99.5 Pro Forma Condensed Financial Information of Amtech Corporation.\*

- (1) Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 1995.
- (2) Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 1994.
- (3) Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 31, 1995.
- (4) Notes to Unaudited Pro Forma Condensed Financial Statements.

(b) No reports of the registrant on Form 8-K have been filed with the Securities and Exchange Commission during the three months ended June 30, 1995.

\* Filed herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMTECH CORPORATION  
(Registrant)

Date: August 10, 1995

By: /s/Steve M. York

-----  
Steve M. York  
Senior Vice President, Chief Financial  
Officer, and Treasurer  
(Principal Financial Officer and  
Duly Authorized Officer)

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EXHIBIT INDEX  
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Exhibit No. -----	Description -----
2.1	Purchase Agreement among Amtech Corporation, Assa Abloy, AB, et. al. -- ---
2.2	Amendment to Purchase Agreement.
2.3	Promissory Note of Viking Acquisition Company, in the original principal amount of \$6,000,000, dated August 1, 1995, payable to Cardkey Systems, Inc.
2.4	Guaranty of Amtech Corporation, dated August 1, 1995.
23.1	Consent of KPMG.
23.2	Consent of Crowe, Chizek and Company.
99.1	Audited Financial Statements of Cardkey Systems, Inc.  (1) Report of Crowe, Chizek and Company, Independent Auditors.  (2) Balance Sheets as of December 31, 1994 and 1993.  (3) Statements of Operations for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.  (4) Statements of Shareholders' Equity for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.  (5) Statements of Cash Flows for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993.

(6) Notes to Financial Statements.

99.2 Unaudited Condensed Financial Statements of Cardkey Systems, Inc.

- (1) Unaudited Condensed Balance Sheets as of March 31, 1995 and December 31, 1994.
- (2) Unaudited Condensed Statements of Operations for the three months ended March 31, 1995 and 1994.
- (3) Unaudited Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
- (4) Notes to Unaudited Condensed Financial Statements.

99.3 Audited Financial Statements of Cardkey Systems, Ltd.

- (1) Report of KPMG, Registered Auditors.
- (2) Consolidated Profit and Loss Accounts for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (3) Consolidated Balance Sheets as of December 31, 1994 and 1993.
- (4) Consolidated Cash Flow Statements for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (5) Statements of Recognized Gains and Losses for the year ended December 31, 1994 and the ten months ended December 31, 1993.
- (6) Notes to Financial Statements.

99.4 Unaudited Condensed Financial Statements of Cardkey Systems, Ltd.

- (1) Unaudited Condensed Balance Sheets as of March 31, 1995 and December 31, 1994.
- (2) Unaudited Condensed Statements of Operations for the three months ended March 31, 1995 and 1994.
- (3) Unaudited Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
- (4) Notes to Unaudited Condensed Financial Statements.

99.5 Pro Forma Condensed Financial Information of Amtech Corporation.

- (1) Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 1995.
- (2) Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 1994.
- (3) Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 31, 1995.
- (4) Notes to Unaudited Pro Forma Condensed Financial Statements.

PURCHASE AGREEMENT

This Purchase Agreement (this "Agreement") is made and entered into as of June 20, 1995, by and among Amtech Corporation, a Texas corporation, ("Purchaser"), Cardkey Systems, Inc., an Oregon corporation ("Cardkey US"), Cardkey Systems, Ltd., a United Kingdom corporation ("Cardkey UK"), and Cardkey Sicherheitssysteme GmbH, a German corporation and wholly-owned subsidiary of Cardkey UK ("Cardkey Germany"), and Assa Abloy AB, a Swedish Corporation ("Shareholder").

WITNESSETH:

WHEREAS, the above-mentioned Cardkey entities and Cardkey Systems Pacific Pty PTE, an Australian corporation and wholly-owned subsidiary of Cardkey US ("Cardkey Australia") (collectively, "Sellers") and Shareholder, through its ownership of Sellers, are in the business of manufacturing, distributing, and selling certain electronic access control ("EAC") products;

WHEREAS, Sellers and Shareholder desire to sell to Purchaser, and Purchaser, acting through one or more controlled subsidiaries (such controlled subsidiaries are referred to herein as "Purchaser's designee"), desires to purchase from Sellers, certain of the assets of Sellers related to the EAC business and the issued and outstanding capital shares of Cardkey Australia from Shareholder;

WHEREAS, the Shareholder, directly or indirectly, owns all of the issued and outstanding capital shares of the various Sellers; and

WHEREAS, Purchaser has requested that the Shareholder enter into this Agreement as a condition and inducement to Purchaser's execution hereof, and the Shareholder has agreed to do so;

WHEREAS, Purchaser has previously transferred to Shareholder a good faith deposit in the amount of \$200,000, which is to be held in an interest bearing account by Shareholder, and disposed of as provided for in Section 2.1(a) and Section 10.3 of this Agreement (such funds including accrued interest are referred to herein as the "Good Faith Deposit");

WHEREAS, the chief executive offices of the Sellers are currently located in New York, N.Y., and New York, N.Y. will be the sole place of business of the Sellers in the United States after the Closing; and

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NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I  
Purchase and Sale

1.1 Agreement to Purchase and Sell. Sellers agree to convey, transfer, assign, and deliver to Purchaser (or Purchaser's designee), and Purchaser, either directly or indirectly, agrees to purchase and take at the Closing (as such term is defined in Article 3 hereof), the Assets (as

hereinafter defined). Subject to the provisions of Section 1.2, the "Assets" -----  
shall mean, without limitation, the assets and properties listed on Exhibit A -----  
attached hereto and all other of Sellers' and (to the extent any of such assets  
or properties are held directly by Shareholder), Shareholder's assets and  
properties used in the access control business of Sellers as of the date hereof,  
or acquired or assumed by Sellers or Shareholder thereafter in the ordinary  
course of business and so used, wherever located, other than assets disposed of  
in the ordinary course of business to a third party, and specifically including:

(a) All inventories (excluding obsolete inventories), including  
finished goods, work in process or raw materials, goods in manufacture by  
third parties, materials, supplies, and accounts receivable;

(b) All tangible and intangible intellectual property, including  
but not limited to patents, trade secrets, the names "Cardkey," "Cardkey  
Reflection," "Pegasys" and other trade marks, tradenames, service marks,  
copyrights, mask work registrations, and the like, all technical  
documentation in whatever form, owned or licensed by or on behalf of  
Sellers to enable any of them to conduct their business worldwide, all  
rights and benefits under all non-disclosure, noncompete, and  
confidentiality provisions that any Seller is the beneficiary of, all of  
the foregoing without payment of royalty to any third party;

(c) All furniture and other personal property, fixtures, equipment  
and software (whether in source or executable code);

(d) All agreements, contracts, leases, instruments, arrangements  
and commitments (and all amendments, supplements, and modifications  
thereto) listed in the Schedules to Section 4.14;  
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(e) All prepayments of any nature relating to the Assets or the  
Assumed Liabilities (as such term is defined in Section 1.3);  
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(f) All customer and prospect lists, and all books and records of  
Sellers' access control business and all confidential and proprietary  
information of Sellers;

(g) All rights under third party contracts for development of any  
hardware or software product and all warranties made by third parties in  
favor of the Shareholder or any of the Sellers and relating to the Sellers'  
access control business;

(h) All the issued and outstanding securities (the "Cardkey  
Australia Shares") of Cardkey Australia;

(i) All goodwill relating to the access control business of Sellers  
and the Shareholder; and

(j) All books and records relating the access control business  
being acquired.

(k) All other assets necessary or incidental to the foregoing.

To the extent that the sale, conveyance, transfer or assignment of  
any agreement, permit, lease, contract or other document or instrument requires  
the consent of any person other than Purchaser or Sellers, neither Section 1.1  
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or any other provision of this Agreement shall constitute an agreement to effect  
the sale, conveyance, transfer or assignment thereof if such action would  
constitute a breach thereof or would be ineffective unless and until such  
consent or waiver of such person has been obtained. From the Closing until the  
date such sale, conveyance, transfer or assignment is effective, Sellers shall  
make available to Purchaser the economic and practical benefits of any such  
agreement, permit, lease, contract or other document or instrument. Nothing  
herein shall relieve Sellers from providing those consents required to be  
delivered pursuant to Section 3.2(f); however, if a third party consent cannot  
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be obtained at Closing (as hereinafter defined) because of reasons outside the parties' control and the economic and practical benefits of any such agreement, permit, lease, contract, or other document or instrument are made available to Purchaser as determined by Purchaser in its sole discretion (but acting in good faith) the parties agree in good faith to accomplish the Closing without such third party consent having been obtained.

Sellers shall convey to Purchaser (or Purchaser's designee) good and marketable title to the Assets being sold and purchased

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hereunder free and clear of any liabilities obligations, liens, claims, encumbrances or contingencies of any nature (collectively, "Encumbrances"), except as expressly provided for herein.

1.2 Excluded Assets. The Assets shall exclude any assets or properties of  
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Sellers listed on Exhibit B hereto (the "Excluded Assets").

1.3 Assumed Liabilities. It is understood and agreed that neither the  
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Purchaser nor its designee intends to, and neither shall, assume any obligation or liability of Sellers or Shareholder of any character whatsoever, other than the Assumed Liabilities. "Assumed Liabilities" as used in this Agreement means the liabilities listed on Exhibit C and any other liabilities Purchaser's  
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designee expressly agrees in writing to assume. It is understood and agreed that neither Purchaser nor its designee will assume any of the liabilities or obligations listed on Exhibit B.

1.4 Special Real Estate Arrangements. As noted below under Section 3.2(j)  
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and Section 3.4(c), Purchaser's designee agrees, inter alia, to assume the  
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leasehold at 22 Stadium Way, Reading, England. As an inducement to Purchaser's designee, Shareholder agrees to pay to Purchaser (or its designee) an amount equal to 50% of the difference, if a positive number, obtained from subtracting (i) any income derived by Purchaser (or its designee) for renting the property to an party not affiliated with Purchaser during the 36 months, beginning the first day of the calendar month following the effective date of the Closing, from (ii) the lease amounts paid by Purchaser (or its designee) to the property's landlord during the 36 months, beginning the first day of the calendar month following the effective date of the Closing. This calculation shall be made for each month during the 36 month period. Shareholder acknowledges that Purchaser (and its designee) shall have complete authority to attempt to sublease the 22 Stadium Way property and shall have complete discretion as to the terms and conditions of any sublease relating thereto.

Purchaser (or its designee) shall within 30 days of the end of each month during the 36 month period provide to Shareholder an invoice for any amounts required to be paid under the provisions of the preceding paragraph with respect to the relevant month. Such invoice shall be accompanied by such documentation as Shareholder may reasonably request. Shareholder shall pay such invoiced amounts within 30 days of receipt of the invoice.

If the subtraction described above produces a negative amount for any particular month, no amounts shall be paid by Shareholder with respect to such month. Fifty percent of any negative amounts resulting from this calculation for any month during the 36 month period shall, at the end of the 36 month period, be netted against

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the amounts paid by Shareholder pursuant to this Section. Purchaser shall pay to Shareholder the amount, if any, by which 50% of the aggregate of such negative amounts exceed the amounts paid by Shareholder pursuant to this Section.

1.5 Special Simi Valley Sublease Arrangements. As noted in Section 3.2(d),  
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Cardkey UK and Purchaser's designee shall at or prior to the Closing enter into

a sublease relating to the Simi Valley Property. The parties propose to execute a Sublease Agreement substantially in the form of Exhibit J attached hereto.

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Prior to the Closing, the parties agree to negotiate the details of the Sublease Agreement in good faith, consistent with the following principles: (i) Purchaser's designee's sublease and occupancy of such portion of the Simi Valley property as corresponds to its needs shall extend so long as Cardkey US is bound by the leasehold of such property; the rent to be paid by Purchaser's designee shall be at a fair market rate for the quantity and type of space needed to conduct its business in Simi Valley; Cardkey US and Purchaser's designee shall utilize their best efforts to terminate the underlying lease at the earliest practicable date coinciding with the initial term of Purchaser's designee's desired occupancy term; and neither Purchaser nor its designee shall be responsible for any financial obligations under the underlying lease (such as, for example, balloon payments for excess buildout allowances), other than the agreed-to lease payments and ordinary course of business operating expenses.

1.6 Special U.K. Pension Plan Arrangements. Shareholder and Sellers, on  
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the one hand, and Purchaser, on the other hand, agree that they will work together in a cooperative fashion between the date hereof and the Closing to locate an insurance company (or other suitable third party) and to cause such insurance company (or other suitable third party) to assume the obligations under the Cardkey U.K. defined benefit pension plan. Shareholder and Sellers, on the one hand, and Purchaser, on the other hand, each agree to split on a 50-50% basis the costs, if any, associated with such third party's assumption of the obligations under such plan (up to an aggregate cost of \$100,000). If such aggregate costs are determined to be more than \$100,000 or the parties are unable to locate a third party to assume such obligations, then the parties shall negotiate in good faith to find a mutually agreeable solution.

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ARTICLE II  
Purchase Price

2.1 Consideration. Subject to adjustment as set forth in Sections 2.3 and  
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2.4 below, the aggregate consideration to be paid by Purchaser for the Assets  
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shall be the aggregate of (a) and (b) of this Section 2.1 and be payable as  
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follows (all currency amounts stated in this Agreement are U.S. dollars):

(a) Purchaser shall pay to Sellers at the Closing by wire transfer in immediately available United States funds, \$165,000 plus the amount of the Net Book Value of Sellers' assets to be acquired and liabilities to be assumed relating to their access control business as determined from reference to Exhibit A, Exhibit B, Exhibit C, and Exhibit D attached

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hereto, relating to the assets to be acquired and liabilities to be assumed, dated March 31, 1995 (collectively, the "Unaudited Closing Balance Sheets"), minus the amount of the Good Faith Deposit (which Sellers may convert to their account upon the Closing). As used in this Agreement, "Net Book Value" shall mean the net amount obtained from subtracting the amounts designated as "Liabilities" to be assumed by Purchaser's designee from the amounts designated as "Assets" to be acquired by Purchaser's designee, in each case, as reflected on the applicable balance sheet. For purposes of such determination, any intra-company accounts between or among Sellers or any of them and Shareholder shall be reconciled and netted-out.

(b) Purchaser's designee(s) shall deliver to Sellers at Closing a Promissory Note (herein so called) in the original principal amount of \$6 million in the form of Exhibit E hereto, which shall be payable in two \$3

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million cash payments on March 31 of each of 1997 and 1998 and guaranteed by Purchaser pursuant to the form of Guaranty attached hereto as Exhibit F;

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provided, that, Purchaser may at its option, in lieu of the 1998 payment, make a payment of \$2 million on March 31, 1996. The payments under such promissory note shall be secured by Purchaser as provided in the form of Escrow Agreement attached as Exhibit G hereto (the "Escrow Agreement").  
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2.2 Taxes. All sales, use, transfer, excise, and other such taxes arising  
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out of the sale of the Assets shall be borne by Purchaser and not by Sellers and  
Shareholder. This Section 2.2 is not intended to vitiate the indemnity being  
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provided by Sellers and Shareholder in Section 9.1(e).  
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2.3 Purchase Price Adjustment.  
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(a) The amounts payable by Purchaser to Sellers for the Assets as set  
forth in Section 2.1(a) above shall be adjusted as provided for in this Section  
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2.3. Within 45 days of the Closing, Sellers (with cooperation from Purchaser)  
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shall cause an audited balance sheet dated as of the date of Closing of the  
Sellers ("Audited Closing Balance Sheet") and related audited consolidated  
statements of earnings and cash flows covering the period subsequent to December  
31, 1994, and until the Closing (collectively, the "Audited Closing Financial  
Statements") to be prepared by Coopers & Lybrand or such other "Big 6"  
accounting firm as may be agreed to by the parties in accordance with U.S.  
generally accepted accounting principles, applied in a manner consistent with  
the principles used in preparing the Unaudited Closing Balance Sheets. The  
Audited Closing Balance Sheet shall reconcile and net-out any intra-company  
accounts between or among Sellers or any of them and Shareholder. The Audited  
Closing Balance Sheet shall be accompanied by such ledgers and other accounting  
records that support the information set forth in the Audited Closing Balance  
Sheet as Purchaser shall reasonably request. The Audited Closing Balance Sheet  
shall convert all foreign currency amounts to U.S. dollars at the exchange rate  
in effect on the Closing Date, as reported in the Wall Street Journal as of the  
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Closing Date.

Purchaser shall within 30 days of its receipt of the Audited Closing Balance  
Sheet, inform Sellers whether it disputes any aspect of the Audited Closing  
Balance Sheet. The parties shall work together in good faith to resolve any  
disagreements relating to the Audited Closing Balance Sheet within 45 days of  
the delivery of the Audited Closing Balance Sheet to Purchaser. In the event  
the parties are unable to resolve any such dispute, the dispute shall be  
resolved in accordance with the provisions set forth in Section 2.3(c).  
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(b) The cash consideration to be paid pursuant to Section 2.1(a) shall be  
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adjusted to equitably account for changes in Net Book Value reflected on the  
Audited Closing Balance Sheet, as determined from a comparison of the Unaudited  
Closing Balance Sheets and the Audited Closing Balance Sheet. Within 30 days of  
the delivery of the Audited Closing Balance Sheet to Purchaser, an appropriate  
payment shall be made by Purchaser to Sellers, or vice versa, as applicable, to  
reflect the adjustment in Net Book Value. Such payment shall bear interest from  
the date of Closing until paid at a rate of interest equal to the rate of  
interest being paid with respect to six month U.S. Treasury bills, as reported  
in the Wall Street Journal as of the Closing date.  
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(c) In the event the parties are unable to resolve any such dispute within  
such 40 business day period the dispute shall be submitted to Price Waterhouse  
or such "Big Six" accounting firm as may be mutually agreeable to the parties.  
For this purpose either party may sign and send an appointment letter in the  
form set out in Appointment Letter attached hereto as Exhibit H. Such  
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accounting firm shall act as an expert for the benefit of the parties. The  
conclusions of such accounting firm, which shall be given within a sixty (60)  
day period from the date of its appointment, shall be final, binding, and non-  
appealable. The fees and expenses of such accounting firm shall be borne  
equally by the Purchaser, on the one hand, and the Sellers, on the other hand.



2.4 Accounts Receivable.  
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(a) Purchaser (or its designee) shall use reasonable efforts to collect the outstanding accounts receivable included in the Assets and reflected on the Audited Closing Balance Sheet (the "Accounts Receivables"). For purposes of this Section 2.4(a), "reasonable efforts" shall mean those actions customarily

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taken by Purchaser (or its designee) in the normal course of the conduct of the acquired company's business to collect outstanding accounts receivable. Upon the request of Sellers or Shareholder with respect to individual accounts receivable, "reasonable efforts" shall also include the initiation of litigation and the suspension of supplies, to the extent such actions are customarily taken by Purchaser (or its designee) in the normal course of the conduct of the acquired company's business.

(b) Payment of the Accounts Receivables shall be applied as directed by the customer. Purchaser undertakes to advise its customers that payment is preferred to be applied to the oldest invoice. Purchaser shall provide Sellers with a monthly report (in the form and with the content produced by the acquired company's accounting systems in the normal course of business) relating to the collection of the Accounts Receivables. If Purchaser, or its designee, in Sellers' reasonable opinion, is not collecting the Accounts Receivable in the manner prescribed in 2.4(a) above, Sellers, as attorneys in fact for Purchaser, may, with Purchaser's prior written consent (not to be unreasonably withheld), at Seller's own expense initiate litigation with respect to individual accounts receivable and take all other actions necessary to enforce the collection of such accounts receivable.

(c) Sellers and Shareholder jointly and severally guarantee the collectability of 90% of the net (of the allowance for doubtful accounts reflected on the Audited Closing Balance Sheet) accounts receivable reflected on the Audited Closing Balance Sheet. If, by a date that is twelve (12) months after Closing, Purchaser has not collected an amount that is equal to or greater than 90% of the

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aggregate amount of the face amounts of such accounts receivable (net of the allowance for doubtful accounts), then Sellers and Shareholder agree, jointly and severally, to immediately reimburse Purchaser for the difference between the amount actually collected by Purchaser and 90% of the aggregate amount of such accounts receivable (net of the allowance for doubtful accounts). Upon reimbursement, Purchaser shall transfer to Sellers or their designee all rights to collect payment for an amount of uncollected accounts receivable (chosen according to the oldest uncollected accounts receivable) equal to the amount for which Sellers and Shareholder have reimbursed Purchaser as provided in the immediately preceding sentence. Furthermore, at Purchaser's option, Sellers and Shareholder shall either: (i) reimburse Purchaser for fifty percent (50%) of the amount of the uncollected accounts receivable (for purposes of determining the "amount of the uncollected accounts receivable" any accounts receivable for which Purchaser has been reimbursed as provided for in the second preceding sentence will be deemed to have been collected), the right to collect payment for such uncollected accounts receivable still remaining with Purchaser or (ii) purchase the uncollected accounts receivable for a consideration of seventy-five percent (75%) of the amount of such uncollected accounts receivable (for purposes of determining the "amount of the uncollected accounts receivable" any accounts receivable for which Purchaser has been reimbursed as provided for in the second preceding sentence will be deemed to have been collected), all rights to collect payment for such uncollected accounts receivable being transferred to Sellers or their designee. Reimbursement or consideration to be paid to Purchaser under this Section 2.4, if any, shall in the first instance be paid by

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Sellers or Shareholder through set-off from the balance of the Purchase Price to be paid by Purchaser pursuant to Section 2.1(b) above.  
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2.5 Allocation of Purchase Price. Purchaser, Sellers and Shareholder  
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agree that the purchase price for the Assets shall be allocated as set forth in

Exhibit I hereto.  
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ARTICLE III  
Closing

3.1 Time and Place. The closing (the "Closing") shall take place on July  
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31, 1995, in either Dallas, Texas or Simi Valley, California, as mutually agreed  
to by the parties.

3.2 Closing Deliveries by Sellers and Shareholder. At the Closing,  
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Sellers and Shareholder, if applicable, shall deliver to Purchaser the following  
documents:

(a) an Assignment and Bill of Sale with respect to the Assets;

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(b) duly executed instruments of assignment of the intellectual  
property included in the Assets;

(c) duly executed and acknowledged instruments of assignment of the  
real property leased by the Sellers included in the Assets;

(d) a Sublease Agreement in the form of Exhibit J hereto relating to  
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the Simi Valley Property (the "Simi Valley Sublease Agreement");

(e) an opinion from counsel for Sellers and the Shareholder in the  
form and substance reasonably acceptable to Purchaser;

(f) all consents, approvals and authorizations of third parties  
specified by Purchaser and required to be obtained by the Sellers in order  
to effect the transactions contemplated hereby;

(g) releases of any liens, claims, or encumbrances on any of the  
Assets;

(h) a listing of all of the fixed assets included in the Assets and  
reflected on the Unaudited Closing Balance Sheets;

(i) certificates representing the Cardkey Australia Shares and  
appropriate stock transfer powers relating thereto and the corporate minute  
books and other corporate records of Cardkey Australia and such other  
evidence that Purchaser may reasonably request demonstrating that Cardkey  
Australia is a duly organized and validly existing corporation organized  
under the laws of Australia;

(j) assignments executed by the Sellers relating to the real estate  
leases included in the Assets, including the Reading, England building  
locations at 22 and 23 Stadium Way and the Canadian building location;

(k) the Escrow Agreement; and

(l) all such executed documents as may be required to change the names  
of Sellers to other names bearing no similarity to the Sellers' names prior  
to Closing, including, without limitation, valid and enforceable amendments  
to the charter documents of the Sellers providing for such change of name  
and appropriate name change notices for each state or jurisdiction in which  
the Sellers are qualified to transact business.

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3.3 Closing and Post-Closing Filings. At or after the Closing, and  
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without further consideration, Sellers shall at Sellers' and Shareholder's  
expense execute and deliver to Purchaser such further instruments of conveyance  
and transfer as Purchaser may reasonably request in order more effectively to  
convey and transfer to Purchaser any of the Assets, or for aiding, assisting,  
collecting and reducing to possession any of the Assets and exercising rights  
with respect thereto. After the Closing, situations may arise where Purchaser  
determines that instruments of conveyance and transfer have not been made and

that are required to be made to effectively convey and transfer to Purchaser certain of the Assets. Purchaser shall notify Shareholder of these situations, and Shareholder shall at its expense cause Sellers (or their successors-in-interest) to execute and deliver such instruments of conveyance and transfer. If Shareholder fails to make or cause such filings to be made, then Purchaser and Purchaser's designee, as attorneys-in-fact for Sellers, may, after prior written notice to Shareholder, at Sellers' and Shareholder's expense file all such instruments of conveyance and transfer. Purchaser and its designee shall provide copies of all such filings to Shareholder.

3.4 Closing Deliveries by Purchaser. At the Closing, Purchaser or its designee, as applicable, shall deliver to Sellers the following documents:

(a) the consideration provided for in Section 2.1;

(b) an Assumption Agreement, executed by Purchaser's designee, relating to the Assumed Liabilities, including the real property leased by the Sellers and included in the Assets, including but not limited to the Reading, England leased premises described as 22 and 23 Stadium Way, but specifically excluding the Simi Valley property and the Reading, England property located at 21 Stadium Way;

(c) the Simi Valley Sublease Agreement;

(d) the Escrow Agreement;

(e) the Promissory Note and the Guaranty; and

(f) an opinion of Purchaser's counsel in form and substance reasonably acceptable to Sellers and Shareholder.

#### ARTICLE IV

#### Representations and Warranties of Sellers and Shareholders

Sellers and the Shareholder jointly and severally represent and warrant to Purchaser as follows:

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4.1 Organization. Each Seller is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation. Each Seller has full power to own its properties and to conduct its business as presently conducted. Each Seller is duly authorized, qualified, or licensed to do business and is in good standing as a corporation in each state or jurisdiction in which any of its Assets are located or in which it conducts business or operations. Set forth on Schedule 4.1 hereto is a listing of each Seller, the jurisdiction of its incorporation, and the states or countries where it either owns any assets or is registered, licensed, or qualified to do business.

4.2 Authority. Sellers and the Shareholder have all requisite power and authority to execute and enter into this Agreement and all other agreements and instruments contemplated hereby to be executed and delivered by Sellers or the Shareholder (the "Seller Documents") and to perform their obligations hereunder and thereunder. The execution, delivery and performance by Sellers and the Shareholder of this Agreement and the Seller Documents have been duly authorized by all necessary action, corporate or otherwise, by Sellers and the Shareholder and this Agreement has been duly executed and delivered and is, and the Seller Documents will be, when executed and delivered by Sellers and the Shareholder, legal, valid and binding agreements of Sellers and the Shareholder, enforceable against Sellers and the Shareholder in accordance with their respective terms.

4.3 Title; Sufficiency. The Assets are owned solely by Sellers (or, where applicable, by Shareholder), and Sellers (or Shareholder) have good and marketable title to the Assets owned by them and valid leasehold interests in all Assets leased by them, in each case free and clear of any Encumbrances.

Title to the assets being used by Cardkey Australia shall by the Closing have been conveyed to it from Abloy Security Pty Ltd. All leases of properties or assets included in the Assets are valid, subsisting and effective in accordance with their terms, and the Sellers enjoy peaceful possession of all such properties or assets. Except as provided in Schedule 4.3 hereto, the execution

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and delivery of this Agreement and the Seller Documents by Sellers and the Shareholder are sufficient to convey, and upon the execution and delivery thereof will convey, to and vest in Purchaser good and marketable title to the Assets, free and clear of all Encumbrances. The Assets being conveyed to Purchaser (or its designee) hereunder constitute all of the assets owned, leased, or used by Sellers and Shareholder in the access control business of Sellers, and are of an amount and character sufficient to enable Purchaser (or its designee) to conduct the access control business of Sellers in a manner consistent with the conduct of such business prior to the Closing.

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4.4 Condition of Assets. The Purchased Assets are fit for the purposes

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for which they are presently being used, and are in good condition and repair, ordinary wear and tear excepted. The Assets and the Excluded Assets constitute all of the assets and properties utilized by Sellers in connection with their access control product businesses.

4.5 No Violation. Neither the execution or delivery of this Agreement or

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any of the Seller Documents nor the consummation of the transactions contemplated hereby or thereby, including the conveyance of the Assets to Purchaser, will conflict with or result in the breach of any term or provision of, or violate, or constitute a default under, or result in the creation of, any Encumbrance upon the Assets pursuant to, or give any third party the right to accelerate any obligation under, (i) any charter provision, bylaw, agreement, indenture, deed of trust, instrument, order, law, or regulation to which any of the Sellers or Shareholder is a party or by which any of the Sellers, the Shareholder, or any of the Assets is in any way bound or obligated or (ii) any of the items listed on Schedules 4.14, 4.19, and 4.26 (except as indicated on  
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such Schedules).

4.6 Governmental Consents. No consent, approval, order or authorization

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of, or registration, qualification, designation, declaration or filing with, any governmental authority is required on the part of any of the Sellers or Shareholder in connection with the transactions contemplated by this Agreement, except for applicable filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and applicable filings to the Federal Cartel Office in Germany.

4.7 Financial Statements. The Shareholder has delivered to Purchaser a

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true and complete copy of the unaudited consolidated balance sheet of the Sellers as of March 31, 1995 (the "Unaudited Balance Sheet"), and true and complete copies of the audited consolidated balance sheets of the Sellers as of December 31, 1992, December 31, 1993, and December 31, 1994, and the related consolidated statements of earnings and cash flow for the 12 months then ended (the audited consolidated balance sheets and related statements of earnings and cash flows are referred to herein as the "Audited Financial Statements"). Prior to Closing, the Shareholder will have delivered the latest available unaudited balance sheets and the related consolidated statements of earnings and cash flows for the interim periods after December 31, 1994, and prior to the Closing (the Unaudited Balance Sheet and such unaudited financial statements are collectively referred to as the "Unaudited Financial Statements"). The Audited Financial Statements and the Unaudited Financial Statements are collectively referred to herein as the "Financial Statements."

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The Audited Financial Statements present (and, upon their delivery to Purchaser, the Unaudited Financial Statements and the Audited Closing Financial Statements (as defined in Section 2.3)) will present fairly the financial

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condition of the Sellers at the dates therein specified and the results of their operations for the periods therein specified and, except as described on

Schedule 4.7, have been (and will be) prepared in accordance with (or reconciled

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to) U.S. generally accepted accounting principles ("GAAP").

The Financial Statements do not (and will not) contain any items of a special or nonrecurring nature, except as expressly stated therein. The Financial Statements have been (and will be) prepared from the books and records of the Sellers, which accurately and fairly reflect all the transactions of, acquisitions and dispositions of assets by, and incurrence of liabilities by the Sellers.

4.8 Absence of Cardkey Australia Undisclosed Liabilities. Except as will

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be set forth in the Audited Closing Balance Sheet, there is no direct or indirect debt, obligation, or liability (whether absolute, accrued, contingent, liquidated, or otherwise, and whether due or to become due, asserted or unasserted, known or unknown), of Cardkey Australia arising out of any transaction entered into, any act or omission occurring, or any state of facts existing at, or prior to, the Closing other than those incurred in the ordinary course of business.

4.9 Absence of Material Adverse Change. Except as set forth on Schedule

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4.9 hereto, since March 31, 1995, there has not been: (i) any material adverse

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change in the condition (financial or otherwise), results of operations, business, prospects, assets or liabilities (contingent or otherwise) of Sellers or with respect to the manner in which Sellers conduct their business or operations; (ii) any increase in the current liabilities of Sellers except in the ordinary course of business, (iii) any increase in salary or wages of more than five percent or any material increase in bonus, commission or other compensation to any officers, employees or agents of Sellers; (iv) any pending or threatened labor or employee disputes or other material labor problems relating to any employees of Sellers; (v) any default (including, without limitation, any event that with the giving of notice or passage of time would cause a default), termination or threatened termination under (or amendment to) any material agreement, arrangement, contract, lease or license that constitutes a portion of the Assets or any other material contract or agreement relating to Sellers or any of the Assets; (vi) any material theft, damage, destruction, casualty loss, condemnation or eminent domain proceeding affecting any of the Assets, whether or not covered by insurance; (vii) any sale, assignment or transfer of any of the assets of Sellers, except in the ordinary course of business and consistent with past practices;

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(viii) any waiver by Sellers of any material rights related to Sellers' access control business or operations or any of the Assets; (ix) any other transactions, agreements, contracts, or commitments entered into by Sellers affecting Sellers' access control business or operations or any of the Assets, except in the ordinary course of business and consistent with past practices; or (x) any agreement or understanding to do or resulting in any of the foregoing.

4.10 Taxes.

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(a) Except as disclosed on Schedule 4.10, all required domestic, foreign,

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federal, provincial, local, and other tax returns, notices, and reports (including without limitation income, property, sales, use, franchise, capital stock, excise, added value, employees' income withholding, social security, and unemployment tax returns) relating to or involving the access control business of Sellers, the Assets, the Assumed Liabilities, or the employees of Sellers, or any of them, have been accurately prepared and duly and timely filed. All taxes required to be paid with respect to the periods covered by any such returns have been timely paid. The Sellers have remitted to the appropriate tax authority, when required by law to do so, all amounts collected by them on account of any use, value added or excise tax relating to or involving the access control business of Sellers, the Assets, the Assumed Liabilities, or the employees of Sellers, or any of them.

(b) Except as disclosed on Schedule 4.10, none of the Sellers has any tax

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deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax relating to or involving the access control business of Sellers, the Assets, the Assumed Liabilities, or the employees of Sellers, or any of them. No tax audit, action, suit, proceeding, investigation, or claim is now pending nor, to the knowledge of the Shareholder and the Sellers, threatened against any Seller relating to or involving the access control business of any Seller, the Assets, the Assumed Liabilities, or the employees of any Seller, or any of them, and to the knowledge of the Shareholder and the Sellers, no issue or question has been raised (and is currently pending) by any taxing authority in connection with any of the Sellers' tax returns or reports relating to or involving the access control business of any Seller, the Assets, the Assumed Liabilities, or the employees of any Seller, or any of them. Except as disclosed on Schedule 4.10,

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all of the tax years for 1994 and prior periods relating to the operations of Cardkey UK have been closed with the U.K. Inland Revenue and other relevant taxing authorities.

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(c) The Sellers have withheld or collected from each payment made to each of their employees the amount of all taxes required to be withheld or collected therefrom, and have paid the same to the proper tax receiving officers or authorized depositaries.

4.11 Litigation; Investigations. Except as set forth in Schedule 4.11

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hereto, there are currently no pending, and no Seller has knowledge of any threatened, lawsuits, administrative proceedings or reviews, or formal or informal complaints or investigations by any person or governmental authority against or relating to Sellers or any of their directors, employees or agents (in their capacities as such) or any of the Assets or to which any of the Assets is subject. No Seller is subject to any currently existing judgment, order, writ, injunction or decree relating to any of the Assets or the access control business or operations of Sellers.

4.12 Compliance. Sellers are currently complying with and have at all

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times complied with, and the Assets and the use, operation and maintenance thereof comply with and have at all times complied with, and neither Sellers nor any of the Assets nor the use, operation or maintenance thereof is in violation or contravention of, any applicable (including, without limitation, any material radio frequency, tax, environmental, health or employment) statute, law, ordinance, decree, order, rule or regulation of any governmental authority.

4.13 Environmental Compliance. None of the leased real property included

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in the Assets are on any federal or state "Superfund" list or has ever been the site of any activity that would violate any federal, state, local or foreign environmental statute or regulation, past or present, including, without limitation, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. (S) (S) 9601 et seq.) ("CERCLA"), the Resource

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Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C. (S) (S) 6901 et seq. ("RCRA"), the Clean Air Act, 42

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U.S.C. (S) (S) 7401 et seq., the Clean Water Act of 1977, 33 U.S.C. (S) (S) 1251

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et seq., the Toxic Substances Control Act, 15 U.S.C. (S) (S) 2601 et seq., and

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all other federal, state, local or foreign environmental laws or regulations relating to air pollution, water pollution, noise control and/or the handling, discharge, disposal or recovery of on-site or off-site hazardous substances (as defined in CERCLA), as each of the foregoing may have been amended from time to time. No hazardous substances (as defined in CERCLA) or solid wastes (as defined in the RCRA) have been handled, stored, treated, recycled or disposed of (as defined in RCRA) on any such real property that could have been released (as defined in CERCLA) or leaked, spilled or otherwise contaminated any such property or any other real property.

4.14 Certain Contracts.  
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(a) The following Schedules to this Agreement list the described material agreements, contracts, leases, instruments, arrangements and commitments (and all amendments, supplements, and modifications thereto) relating to Sellers and included in the Assets or the Assumed Liabilities or by which any of the Assets is in any way bound or obligated:

(i) all reseller, distribution and marketing agreements, contracts, or arrangements of or relating to any of the Sellers that are included in the Assets and are to be assumed by Purchaser or its designee (the "Distribution and Marketing Agreements") (Schedule 4.14(a)(i));  
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(ii) all real estate leases relating to property occupied or utilized by any of the Sellers that are included in the Assets and are to be assumed by Purchaser or its designee (the "Real Estate Leases") (Schedule 4.14(a)(ii));  
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(iii) all vehicle leases relating to vehicles utilized by any of the Sellers that are included in the Assets and are to be assumed by Purchaser or its designee (the "Vehicle Leases") (Schedule 4.14(a)(iii));  
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(iv) all equipment leases or conditional sales contracts relating to equipment utilized by any of the Sellers that are included in the Assets and are to be assumed by Purchaser or its designee (the "Equipment Leases") (Schedule 4.14(a)(iv));  
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(v) all agreements, contracts, leases, instruments, arrangements and commitments relating to the installation of access control systems that are included in the Assets and are to be assumed by Purchaser or its designee, other than those referenced in Section 4.14(a)(vi) and Section 4.14(a)(vii) (the "Project Agreements") (Schedule 4.14(a)(v));  
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(vi) all agreements, contracts, leases, instruments, arrangements and commitments of the Integrated Systems Group of Cardkey US that are included in the Assets and are to be assumed by Purchaser or its designee (the "ISG Agreements") (Schedule 4.14(a)(vi));  
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(vii) all agreements, contracts, leases, instruments, arrangements and commitments of the service and maintenance operation of Cardkey US that are included in the Assets and are to be assumed by Purchaser or its designee (the "Service and Maintenance Agreements") (Schedule 4.14(a)(vii));  
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(viii) all supply contracts of any of the Sellers that are included in the Assets and are to be assumed by Purchaser or its designee (the "Supply Agreements") (Schedule 4.14(a)(viii));  
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(ix) all agreements, contracts, leases, instruments, arrangements and commitments of any of the Sellers whereby any of them have outsourced to a third party the manufacturing of any products being distributed or marketed

by any of the Sellers (the "Outsourcing Agreements") (Schedule

4.14(a)(ix)); and

(x) all other material agreements, contracts, leases, instruments, arrangements and commitments relating to or affecting the Assets or any interest therein that are not otherwise disclosed in the above-referenced Schedules or in Schedule 4.16 below and that are included in the Assets or

the Assumed Liabilities and are to be assumed by Purchaser or its designee (the "Other Agreements") (Schedule 4.14(a)(x)).

(b) All agreements, contracts, leases, instruments, arrangements and commitments that are reasonably necessary to enable Purchaser (or its designee) to carry on the business of Sellers being purchased by Purchaser are listed in

Schedules 4.14(a)(i) - 4.14(a)(x). All of such agreements, contracts, leases,

instruments, arrangements and commitments referred to in this Section 4.14 (or

the related Schedules) are valid, binding and in full force and effect and enforceable in accordance with their respective terms and conditions. Sellers have performed all obligations to be performed by them under all such agreements, contracts, leases, instruments, arrangements and commitments and there is not under any such agreement, contract, lease, instrument, arrangement or commitment, any existing default or event of default or event that, with notice or lapse of time or both, would constitute a default. There has been no termination or threatened termination or notice of default under any such agreement, contract, lease, instrument, arrangement or commitment.

(c) Except as set forth in Schedule 4.14(a)(i) - 4.14(a)(x), no consent, approval, order or authorization of, filing with, or notice to, any person or entity will be required to (i) prevent the termination of any material right, privilege, license, or agreement listed in Schedule 4.14(a)(i) - 4.14(a)(x) or

to avoid the loss to Purchaser of the full enjoyment of the benefits under the items listed in such schedules or (ii) prevent the creation of any Encumbrance on any of the items listed in such schedules, upon the consummation of the transactions contemplated by this Agreement.

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#### 4.15 Warranty Reserves; ISG Agreements.

(a) The Sellers have delivered to Purchaser a copy of each standard form of written warranty currently provided by the Sellers to their respective customers relating to the sale of hardware, software, and services, as applicable. The Audited Closing Balance Sheet shall, to the extent required by GAAP, fully reflect all reserves for all warranty claims for hardware, software, or services sold or performed, as applicable, prior to the Closing under agreements, contracts, leases, instruments, arrangements and commitments that are included in the Assumed Liabilities.

(b) Each of the ISG Agreements listed in Schedule 4.14(a)(vi) was entered into with the contemplation that Sellers would realize a profit upon completion of the agreement in question. At the time of Closing, Sellers' shall not have realized a loss with respect to any such ISG Agreements. At the time of Closing, there shall be a reasonable prospect that all such ISG Agreements can be completed without a loss being realized with respect thereto, except to the extent a reserve for loss(es) with respect to the ISG Agreements has been specifically identified in the Unaudited Closing Balance Sheets or the Audited Closing Balance Sheet.

4.16 Employees. Schedule 4.16 hereto contains a true, correct, and complete listing of all of the current employees of Sellers, their current respective positions or job classifications, and their current respective wage scales or salaries, and accrued vacation pay, sick pay, and other relevant expense accruals, as the case may be.



4.17 Employee Benefit Plans and Employee Matters.

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(a) Except as provided in Schedule 4.17 hereto, Sellers do not currently

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sponsor, maintain or contribute for the benefit of Sellers' employees to any employee benefit plan within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any other profit-sharing, pension, stock option, severance, retirement, bonus, deferred compensation, group life and health insurance, or other employee benefit plan, trust, agreement, or arrangement ("Plans"). Sellers have made all contributions required by them to have been made with respect to the Plans. Purchaser or its designee shall assume the liabilities under such Plans, except as provided in Section 1.6 and, unless otherwise agreed in writing by Purchaser or its

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designee, except for those plans of Cardkey U.S. listed in Schedule 4.17.

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(b) Neither Purchaser nor its designee shall be subject to any liability resulting from (i) the termination by Sellers of any employee of Sellers from any profit-sharing, pension, stock option,

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severance, retirement, bonus, deferred compensation, group life and health insurance, vacation, sick leave, or other employee benefit plan or policy, or trust, agreement, or arrangement, whether or not legally binding or (ii) the termination (by Sellers) of the employment of any of Sellers' employees except as provided in Section 7.4.

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4.18 Labor Matters. Sellers have no collective bargaining, union or labor

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agreements, contracts or other arrangements with any group of employees, labor union or employee representative(s). Sellers do not know of any organization effort currently being made or threatened by or on behalf of any labor union with respect to employees of Sellers. There are no labor controversies or work stoppages or slowdowns pending or, to the best knowledge of Sellers and the Shareholder, threatened against Sellers. Except as provided in Schedule 4.18

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hereto, there is no written or oral contract for employment with any of Sellers' employees.

4.19 Intellectual Property Rights.

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(a) Schedule 4.19 describes all patents, patent applications, trademarks

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(whether or not registered), trademark applications, service marks, trade names, copyrights, copyright applications, trade secrets, processes and any other material proprietary intellectual property, including without limitation proprietary computer software (whether in object or source form), inventions, trade secrets, know-how, and proprietary techniques (collectively, "Intellectual Property Rights"), owned or used by any of the Sellers in the access control business of any of the Sellers as currently conducted, except for such intellectual property rights of Shareholder that are not material (either individually or in the aggregate) to the conduct of the Sellers' access control business. The nature of the Sellers' ownership or rights with respect to such rights is also listed on Schedule 4.19. Except as disclosed on Schedule 4.19,

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the Sellers have the sole and exclusive right to use such Intellectual Property Rights. Neither the Shareholder nor any Sellers are obligated to pay any royalty or other consideration to any other person or entity to use such Intellectual Property Rights or to make, use, or sell any products that incorporate any such Intellectual Property Rights, except as disclosed on Schedule 4.19. All such royalties or other consideration disclosed on Schedule

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4.19 that are required to be paid have been paid. The Sellers own or have the

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right to use all the Intellectual Property Rights set forth in Schedule 4.19 in

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the geographic areas in which they are currently being used by Sellers with respect to products and services with which they are currently being used by

Sellers, without infringing on or otherwise acting adversely to the right or claimed right of any person. To the knowledge of any of the Sellers or the Shareholder, no other person or entity is infringing

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the rights of any of the Sellers in any such Intellectual Property Rights.

(b) Except as set forth in Schedule 4.19, no consent, approval, order or authorization of, filing with, or notice to, any person or entity will be required to (i) prevent the termination of any of the Intellectual Property Rights or to avoid the loss to Purchaser of the full enjoyment of the benefits under such Intellectual Property Rights or (ii) prevent the creation of any Encumbrance on any of such Intellectual Property Rights, upon the consummation of the transactions contemplated by this Agreement.

4.20 Insurance. The Assets which are of an insurable character are (and for the period prior to the Closing will be) insured against loss or damage to the extent and in the manner customary for companies engaged in similar businesses and operating similar properties. Set forth in Schedule 4.20 is a listing and brief description of all insurance policies (all of which policies are in full force and effect) relating to the Assets. No written notice of any cancellation or threatened cancellation of any such insurance contract has been received by Sellers, and such insurance contracts are in full force and effect in accordance with their terms.

4.21 Interests in Competitors. Other than as set forth on Schedule 4.21 hereto, neither Sellers, nor the Shareholder, nor any officer or director of Sellers or the Shareholder own, directly or indirectly, an interest in any corporation, partnership, firm, association, or other entity that is a competitor, customer, supplier or landlord of Sellers or that otherwise has material business dealings with Sellers.

4.22 Solvency. Each of the Sellers is solvent, is able to pay its debts as they become due, has capital sufficient to carry on its business as presently conducted and proposed to be conducted, and owns property that has both a fair value and a fair saleable value in excess of the amount required to pay its debts as they become due. Each of the Sellers will not be rendered insolvent by the transactions contemplated by this Agreement or the Seller Documents or any related transactions, and following the consummation of such transactions, each of the Sellers and Shareholder will be able to pay its debts as they become due, will have capital sufficient to carry on its business as then conducted and proposed to be conducted, and will own property that has a fair value and a fair saleable value in excess of the amount required to pay its debts as they become due.

4.23 Absence of Certain Business Practices. To the best knowledge of any Seller or Shareholder, none of the Sellers or

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Shareholder or any of their affiliates, directors, officers, employees or agents has, directly or indirectly, given or agreed to give any gift or similar benefit to any customer, supplier, competitor or governmental employee or official (domestic or foreign) that could subject the Purchaser to any damage or penalty in any civil, criminal or governmental litigation or proceeding.

4.24 Cardkey Australia.

(a) The authorized capital stock of Cardkey Australia consists of 1,000,000 shares of Common Stock, \$1.00 (AUS.) par value per share, of which 100 shares are outstanding. Except for one share of stock held in the name of a local nominee, all of such 100 outstanding shares of capital stock are owned of record and

beneficially by Cardkey U.S. All of such 100 shares are free and clear of all Encumbrances. There are (i) no outstanding securities convertible into or exchangeable for or having the right to acquire any equity or debt securities of Cardkey Australia and (ii) no outstanding subscriptions, warrants, options, or other arrangements or commitments obligating Cardkey Australia to issue, dispose of, or redeem any of its equity or debt securities.

(b) Cardkey Australia has no material assets or liabilities, except as noted in the Schedules relating thereto.

4.25 No Other Agreements. Neither Sellers nor the Shareholder have entered into any agreement, commitment, or understanding with any other person with respect to the sale, transfer, lease or other disposition of all or any portion of the Assets, except for sales, transfers or leases in the ordinary course of Sellers' business and consistent with past practices.

4.26 Governmental Authorizations. Each of the Sellers owns or possesses from each appropriate governmental or quasi-governmental agency, authority, commission, board, or other body (collectively, a "Governmental Body") all right, title, and interest in and to all permits, licenses, authorizations, approvals, quality certifications, franchises, or rights (collectively, "Permits") issued by any Governmental Body necessary to conduct its business as conducted on the date hereof. Each of such material Permits is described on Schedule 4.26 hereto. No loss or expiration of any such Permit is pending or, to the knowledge of any Seller, threatened or reasonably foreseeable, other than expiration in accordance with the terms thereof of Permits that may be renewed in the ordinary course of business without lapsing.

4.27 Inventory. (a) The type, quality, and quantity of raw materials, work in progress, and finished goods of Sellers are reasonably appropriate for the type, character, and volume of

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Sellers' business, (b) obsolete or discontinued items or items not meeting the specifications of Sellers are not included as assets in the Financial Statements as raw materials, work in progress, or finished goods, and (c) the inventories of finished goods owned by Sellers are merchantable for sale in the ordinary course of business without discount (other than discounts granted in the ordinary course of business consistent with past practice and not resulting from such inventory being unsaleable), subject to reserves reflected on the Latest Balance Sheet established in the ordinary course of business consistent with past practice.

4.28 No Misrepresentations. Each of the Sellers and Shareholder has, to their best knowledge, disclosed in or pursuant to this Agreement all facts material to their respective access control businesses, the Assets, and Assumed Liabilities. The Sellers and Shareholder have not received any appraisals, reports or other similar data or information relating to the condition of any properties or assets relating to the operations or included in the Assets. The representations, warranties and statements made by Sellers and the Shareholder in or pursuant to this Agreement and the Schedules hereto are true, complete and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make any such representation, warranty or statement, under the circumstances in which it was made, not misleading.

ARTICLE V  
Representations and Warranties of Purchaser

Purchaser represents and warrants to Sellers and the Shareholder as follows:

5.1 Organization. Purchaser (and, if applicable, Purchaser's designee) is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas or Delaware, as applicable.

5.2 Authority. Purchaser (and, if applicable, Purchaser's designee) has

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all requisite corporate power and authority to execute and enter into this Agreement and all other agreements and instruments contemplated hereby to be executed and delivered by Purchaser (the "Purchaser Documents") and to perform

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its obligations hereunder and thereunder. The execution, delivery and performance by Purchaser (and, if applicable, Purchaser's designee) of this Agreement and the Purchaser Documents have been duly authorized by all necessary action, corporate or otherwise, by Purchaser, and this Agreement has been duly executed and delivered and is, and the Purchaser Documents will be, when executed and delivered by Purchaser (and, if applicable, Purchaser's designee), legal, valid, and binding agreements of Purchaser (and, if

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applicable, Purchaser's designee), enforceable against Purchaser (and, if applicable, Purchaser's designee) in accordance with their respective terms.

5.3 No Violation. Neither the execution or delivery of this Agreement nor

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any of the Purchaser Documents nor the consummation of the transactions contemplated hereby or thereby will conflict with or result in the breach of any term or provision of, or constitute a default under, or give any third party the right to accelerate any obligation under, any charter provision, bylaw, agreement, indenture, deed of trust, instrument, order, law, or regulation to which Purchaser (and, if applicable, Purchaser's designee) is a party or by which Purchaser (and, if applicable, Purchaser's designee) or any of their respective assets or properties is in any way bound or obligated.

5.4 Governmental Consents. No consent, approval, order, or authorization

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of, or registration, qualification, designation, declaration, or filing with, any governmental authority is required on the part of Purchaser (and, if applicable, Purchaser's designee) in connection with the transactions contemplated by this Agreement, except for applicable filings under the HSR Act and applicable filings to the Federal Cartel Office in Germany.

5.5 No Misrepresentations. The representations, warranties, and

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statements made by Purchaser in or pursuant to this Agreement are true, complete, and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make any such representation, warranty, or statement, under the circumstances in which it was or will be made, not misleading.

5.6 Sufficient Funds. Purchaser has sufficient financial funds to

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accomplish the transactions contemplated by this Agreement.

5.7 Due Diligence. Purchaser has had the opportunity to conduct a due

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diligence review of the Sellers' access control businesses of a scope that is consistent with a transaction of this nature, including, without limitation, reviewing books and records, talking to key employees, and inspecting properties, and Purchaser has completed such due diligence to its satisfaction and has received adequate information in connection with such due diligence to enable it to evaluate the transactions contemplated by this Agreement.

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#### ARTICLE VI Sellers and Shareholder Covenants

Sellers and Shareholder, as applicable, covenant and agree as follows (all of which covenants and agreements shall be conditions to Purchaser's obligations hereunder):

6.1 Conduct of Business. Prior to the Closing, Sellers shall: (i)

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operate in the ordinary course and in accordance with their current methods of transacting business and shall use their respective best efforts to preserve the goodwill of Sellers and the goodwill of employees, customers, suppliers,

distributors, governmental authorities and others having business dealings with Sellers; (ii) maintain all qualifications and registrations that are required for Sellers to carry on their business, as noted in Section 4.26 above; (iii)

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not materially increase the salary, wages, bonus, commission, or other compensation of any officer, employee, agent, or representative of Sellers or enter into or amend in any material respect any profit-sharing, pension, stock option, severance, retirement, bonus, deferred compensation, group life, and health insurance, or other employee benefit plan, trust agreement, or arrangement affecting any such person, or any compensation, separation, or consultation agreement with any such person; (iv) not make or commit to make any capital expenditures, capital additions or capital improvements; (v) maintain books of account and records in the usual, regular and ordinary manner and consistent with past practices; (vi) maintain all insurance policies and required surety bonds, letters of credit, guaranties and similar instruments and commitments now in place for the benefit of Sellers; (vii) and not enter into any agreements relating to the lease or purchase of any real estate that is intended to be included in the Assumed Liabilities; and (viii) not enter into any agreements (including ISG Agreements) that are intended to be included in the Assumed Liabilities and that, in the aggregate, result in a bonding obligation of more than \$100,000.

6.2 No-Shop Provisions. Until August 15, 1995, Sellers and the

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Shareholder agree that they shall not directly or indirectly enter into an agreement or initiate contact with or participate in any discussions with any other party (including the management of Sellers) with respect to the direct or indirect sale of Sellers, Sellers' business or any of their material assets; will not pursue a public or private offering of Sellers' securities; and will not furnish to any person or entity any non-public information concerning Sellers for the purpose or with the intent of permitting such person or entity to evaluate a possible acquisition of the business or assets of Sellers. Shareholder and Sellers shall notify Purchaser immediately if Shareholder or Sellers become aware of any efforts to acquire Sellers or their businesses or assets.

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6.3 Fulfillment of Conditions. Prior to the Closing, Sellers shall not

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take any action that would cause the conditions to the obligations of the parties to effect the transactions contemplated hereby not to be fulfilled including, without limitation, taking or causing to be taken any action that would cause the representations and warranties made by Sellers and the Shareholder herein not to be true, correct and accurate as of the Closing.

6.4 Certain Acts. Prior to the Closing, Sellers shall take all reasonable

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steps (including, without limitation, the payment of any fees and expenses related thereto) that are within their power to cause to be fulfilled the conditions precedent to Purchaser's obligations to consummate the transactions contemplated hereby that are dependent upon the actions of Sellers.

6.5 Access and Information. Prior to the Closng, Sellers shall permit the

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authorized representatives of Purchaser to have reasonable access to Sellers' directors, officers, employees, agents, assets and properties, and all relevant books, records and documents of or relating to the Assets during normal business hours and shall furnish to Purchaser such information, financial records, and other documents with respect to Sellers' operations and business as Purchaser shall reasonably request. Prior to the Closing, Sellers shall permit Purchaser reasonable access to Sellers' accountants, auditors, customers and suppliers for consultation or verification of any information obtained by Purchaser and shall use their best efforts to cause such persons or entities to cooperate with Purchaser in such consultation and in verifying such information.

6.6 Environmental Testing.

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(a) Purchaser may engage one or more qualified firms to perform environmental tests at the real properties constituting a portion of the Assets (the "Environmental Tests"), which tests shall be performed as soon as

practicable. Promptly upon completion of the Environmental Tests, Purchaser shall deliver to Sellers copies of any written reports delivered to Purchaser in connection with the performance of such Environmental Tests. The cost of the Environmental Tests shall be borne solely by Purchaser.

(b) If the Environmental Tests disclose any conditions that are reportable or would require remedial action under applicable legal requirements, Sellers shall be liable therefor and shall be responsible for the timely notification of appropriate governmental authorities. As soon as practicable after the discovery of such conditions, Sellers shall, at their cost and expense, initiate and thereafter complete any remedial measures necessary to comply fully with the legal requirements applicable to such conditions; provided that, Sellers shall

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not not be obligated to complete any remedial

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measures if the cost of such remedial measures (that are not waived by Purchaser) exceeds \$300,000. In the event such remedial measures cannot be completed prior to the Closing, Purchaser may elect either to terminate this Agreement or to proceed with the Closing. If Purchaser elects to proceed with the Closing, Purchaser shall grant to Sellers reasonable access to such properties after the Closing for the purpose of Sellers' complying with its obligations under this Section 6.6, and Sellers shall remain responsible for the

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cost and expense of such remedial measures (subject to the limit provided above). Moreover, if Purchaser elects to proceed with the Closing, Purchaser shall not be entitled to assert a claim for indemnification against Sellers or Shareholder pursuant to Section 9.1(f) with respect to the environmental issue

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in question.

6.7 Repair and Casualty. Prior to the Closing:

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(a) Sellers shall make all normal and customary repairs to the Assets.

(b) If Sellers shall become aware of any loss, theft, casualty, or condemnation affecting any of the Assets, Sellers shall promptly advise Purchaser of such loss, theft, casualty or condemnation, as the case may be.

(c) If any material portion of the Assets are lost or stolen or suffer any damage or destruction, Sellers shall commence and thereafter diligently pursue the repair, replacement, or reconstruction of such Assets; provided that,

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Sellers shall not be obligated to do so if the cost of any such repair, replacement, or reconstruction (that is not waived by Purchaser) would exceed the proceeds of any insurance (excluding any deductible amount) payable to Sellers or Shareholder as a result of such loss by more than \$300,000. If the repair, replacement or reconstruction or any material portion of the Assets is not completed prior to the Closing, Purchaser may elect either to terminate this Agreement or to proceed with the Closing.

(d) If Purchaser elects to proceed with the Closing, Sellers shall, at the Closing, assign and transfer to Purchaser, without any additional consideration therefor: (A) all insurance proceeds to which Sellers are entitled in respect of such loss, theft, damage, or destruction and that Sellers have the right to retain pursuant to any applicable contract, agreement, policy, or instrument relating to such lost, stolen, damaged, or destroyed Assets; (B) all condemnation proceeds to which Sellers are entitled with respect to such condemnation and that Sellers have the right to retain; and (C) to the extent permissible by applicable legal requirements, all rights of Sellers with respect to any causes of action, whether or not litigation has commenced as of the Closing,

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in connection with such loss, theft, damage, destruction, or condemnation, and, notwithstanding anything to the contrary in this Agreement, either (1) the purchase price set forth in Section 2.1 above shall be reduced by the amount,

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after subtracting all insurance and condemnation proceeds received by Purchaser pursuant to clauses (A) and (B) above, necessary to pay for the repair,

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replacement, or restoration of any such Assets (which Assets shall be valued at full replacement cost) or (2) Sellers shall pay such amount to Purchaser at the Closing in immediately available funds in U.S. dollars.

(e) Sellers shall not compromise, adjust, or otherwise settle any property damage claim made that relates to any of the Assets and that exceeds \$100,000 without Purchaser's prior approval, unless Sellers are required to do so pursuant to any applicable legal requirement.

(f) Sellers shall consult with Purchaser regarding any condemnation or eminent domain proceedings affecting any of the Assets and shall not settle, compromise, or otherwise terminate same without Purchaser's prior approval, unless Sellers are required to do so pursuant to any applicable legal requirement.

6.8 Employees. Purchaser or its designee shall have the right (and the  
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obligation) to offer to employ any and all employees of the Sellers, except that neither Purchaser nor its designee shall be obligated to offer to employ any such employees listed in Schedule 7.4. Purchaser and Sellers shall as  
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stipulated in Section 7.4 provide all severance or other benefits required to be  
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paid or provided pursuant to any applicable laws, regulations, or agreements (including U.S. COBRA health/dental benefits) to those employees of Sellers listed in Schedule 7.4.  
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6.9 Supplemental Disclosure. Each of the Sellers and Shareholder shall  
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have a continuing obligation promptly to supplement or amend each of the Schedules hereto with respect to any matter that arises or is discovered after the date hereof that, if existing or known at the date of the execution and delivery of this Agreement, would have been required to be set forth or listed in the Schedules hereto; provided, however, that for purposes of satisfying the condition to closing set forth in Section 8.1(a), reference shall be made to the  
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Schedules as of the date of the execution of this Agreement (and not as supplemented by Sellers and Shareholder subsequent thereto), unless otherwise agreed in writing by the Purchaser.

6.10 Books and Records. Each of the Sellers hereby agrees that, for a  
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period of one year after the Closing, it shall provide or make available to the Purchaser for review and copying such books, records and other information relating to the operations or

the Assets prior to the Closing at such times as the other shall reasonably request solely for purposes of complying with any applicable law, rule or regulation.

6.11 Use of Names. From and after the Closing, the Sellers and  
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Shareholder will not use any of the names set forth on Schedule 6.11, or any  
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names bearing any similarity thereto or any derivatives thereof.

6.12 HSR Act Filing. Sellers and Shareholder shall cooperate with  
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Purchaser in making all necessary filings under the HSR Act. The HSR filing fees shall be borne equally by Sellers and Shareholder, on the one hand, and Purchaser, on the other hand. Otherwise, each party will bear its own legal and other expenses in connection with the preparation of such filings.

ARTICLE VII  
Purchaser Covenants

Purchaser (and Purchaser's designee, if applicable) covenants and agrees as

follows (which covenants and agreements shall be conditions to Sellers' and Shareholder's obligations hereunder):

7.1 Fulfillment of Conditions. Purchaser (and Purchaser's designee, if applicable) shall not take any action that would cause the conditions upon the obligations of the parties to effect the transactions contemplated hereby not to be fulfilled including, without limitation, taking or causing to be taken any action that would cause the representations and warranties made by Purchaser (and Purchaser's designee, if applicable) herein not to be true, correct and accurate as of the Closing.

7.2 Certain Acts. Purchaser (and Purchaser's designee, if applicable) shall take all reasonable steps (including, without limitation, the payment of any fees and expenses related thereto) that are within its power to cause to be fulfilled the conditions precedent to Sellers' obligations to consummate the transactions contemplated hereby that are dependent upon the actions of Purchaser (and Purchaser's designee, if applicable).

7.3 Bonds Relating to the Cardkey Business Agreements. Purchaser (and Purchaser's designee, if applicable) shall take all reasonable steps that are within its power to become liable under, or procure replacement bonds for, the bonds that Shareholder is currently liable for relating to certain of the Assumed Liabilities, including, but not limited to, Purchaser's entering into counter indemnification regarding bonds issued by the American International Group or any of its member companies such as AIG Europe (UK) Limited; provided that, neither Purchaser (nor Purchaser's designee, if applicable) warrants that Shareholder

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shall be released from such bonds; and provided further, that Purchaser shall not be obligated to pay any fees or incur any expenses in order to become liable under, or to procure, such replacement bonds.

7.4 Employees. Purchaser, or its designee, undertakes to employ all present employees of Sellers, except those employees of Cardkey US listed on Schedule 7.4 hereto. With the exception of those employees of Cardkey US listed on Schedule 7.4 hereto, Purchaser or its designee will assume all liabilities noted in Exhibit C hereto of Sellers in respect of such present employees of Sellers and those obligations and liabilities listed in Section 4.17. If Sellers desire to provide more than four weeks severance pay to any employee listed in Schedule 7.4 and if Purchaser has consented in writing to the payment of such excess amounts or if Sellers are obligated by contract to provide more than 4 weeks severance pay to any employee listed in Schedule 7.4, then, in either case, Purchaser shall reimburse Sellers at the Closing for any severance amounts in excess of 4 weeks paid by Sellers. Neither Purchaser, Shareholder, nor Sellers are aware of any obligation under law or contract to pay more than 4 weeks severance pay to any employee listed in Schedule 7.4. No employee of Sellers or Shareholder is intended to be a third party beneficiary of this Section 7.4.

7.5 HSR Act Filing. Purchaser shall cooperate with Sellers and Shareholder in making all necessary filings under the HSR Act. The HSR filing fees shall be borne equally by Sellers and Shareholder, on the one hand, and Purchaser, on the other hand. Otherwise, each party will bear its own legal and other expenses in connection with the preparation of such filings.



ARTICLE VIII  
Closing Conditions

8.1 Conditions to Obligations of Purchaser. The obligations of Purchaser  
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under this Agreement are subject to the satisfaction at or prior to the Closing  
of the following conditions, but compliance with any such conditions may be  
waived by Purchaser in writing:

(a) Representations and Warranties True; Conditions Satisfied. All  
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representations and warranties of Sellers and the Shareholder contained in  
this Agreement shall be true and correct in all material respects at and as  
of the Closing with the same effect as though such representations and  
warranties were made at and as of the Closing; Sellers and the Shareholder  
shall have performed and complied with all the covenants and agreements and  
satisfied all the conditions required by this Agreement to be performed,  
complied with or

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satisfied by them at or prior to the Closing; and Purchaser shall have  
received a certificate to the foregoing effect from the President or any  
Vice President of each Seller and the Shareholder.

(b) Litigation. Other than as disclosed on Schedule 4.11 at the time  
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of the execution of this Agreement, there shall be no pending or threatened  
litigation in any court or any proceeding before or by any administrative  
or governmental authority against the Shareholder, Sellers, or Purchaser to  
restrain or prohibit or obtain damages or other relief with respect to this  
Agreement or the consummation of the transactions contemplated hereby that  
would or might materially and adversely affect the closing of the  
transaction contemplated hereby or the value of the Assets.

(c) Closing Deliveries. Sellers and Shareholder shall have delivered  
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all of the items required by Section 3.2 to be delivered by them at the  
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Closing.

(d) Absence of Changes. There shall not have been any material  
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adverse changes in Sellers' business, prospects or financial condition.

(e) Compliance. All applicable regulatory requirements shall have  
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been complied with.

(f) Consents. All necessary contractual or governmental consents or  
-----  
clearances shall have been obtained and all necessary contractual or  
governmental notices shall have been given.

8.2 Conditions to Obligations of Sellers and Shareholder. The obligations  
-----  
of Sellers and the Shareholder under this Agreement are subject to the  
satisfaction at or prior to the Closing of the following conditions, but  
compliance with any such conditions may be waived by Sellers and the Shareholder  
in writing:

(a) Representations and Warranties True; Conditions Satisfied. All  
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representations and warranties of Purchaser contained in this Agreement  
shall be true and correct in all material respects at and as of the Closing  
with the same effect as though such representations and warranties were  
made at and as of the Closing; Purchaser shall have performed and complied  
with all the covenants and agreements and satisfied all the conditions  
required by this Agreement to be performed, complied with, or satisfied by  
it at or prior to the Closing; and Sellers shall have received a  
certificate to the foregoing effect from an officer of Purchaser.

(b) Litigation. Other than as disclosed on Schedule 4.11 at the time  
 -----  
 of the execution of this Agreement, there shall be no pending or threatened litigation in any court or any proceeding before or by any administrative or governmental authority against the Shareholder, Sellers, or Purchaser to restrain or prohibit or obtain damages or other relief with respect to this Agreement or the consummation of the transactions contemplated hereby that would or might materially and adversely affect the closing of the transaction contemplated hereby.

(c) Closing Deliveries. Purchaser shall have delivered all of the  
 -----  
 items required by Section 3.4 to be delivered by it at the Closing.  
 -----

(d) Compliance. All applicable regulatory requirements shall have  
 -----  
 been complied with.

(e) Consents. All necessary governmental consents or clearances shall  
 -----  
 have been obtained and all necessary governmental notices shall have been given.

ARTICLE IX  
 Indemnification

9.1 Purchaser's Right to Indemnification. Sellers and the Shareholder  
 -----  
 shall jointly and severally indemnify and hold Purchaser, Purchaser's designee(s), and their respective directors, officers, employees, and agents (collectively, the "Purchaser Indemnified Parties" and individually, a "Purchaser Indemnified Party") harmless from any and all liabilities, obligations, claims, contingencies, damages, costs, and expenses (including all court costs and reasonable attorneys' fees) ("Claims") that any Purchaser Indemnified Party may suffer or incur as a result of or relating to:

(a) Subject to the limitations of Section 9.5(a) and Section 9.5(b),  
 -----  
 the breach or inaccuracy, or any alleged breach or inaccuracy, of any of the representations, warranties, covenants or agreements made by Sellers and/or the Shareholder herein or pursuant hereto, it being understood and agreed, however, that the covenants of Sellers and Shareholder in Section  
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 1.4, Section 1.6, Section 2.3(b), Section 2.4(c), Section 3.3, Section 7.4,  
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 and Article 11 are not subject to the limitations of Section 9.5(b);  
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(b) Subject to the limitations of Section 9.5(c), any lawsuit, claim,  
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 proceeding, or liability of any nature arising out of warranty or similar claims pertaining to hardware, software, or services sold or performed prior to the

Closing under agreements, contracts, leases, instruments, arrangements and commitments that are included in the Assumed Liabilities, but only to the extent that the amount of the Claim(s) exceeds the amount reserved therefor on the Audited Closing Balance Sheet;

(c) Subject to the limitations of Section 9.5(a) and Section 9.5(b),  
 -----  
 any lawsuit, claim, proceeding, or liability of any nature (other than those within the scope of (b) above and (d), (e), (f), (g), and (h) below) arising out of any act or transaction occurring prior to or as a result of the Closing, or arising out of facts or circumstances that existed at or prior to the Closing, including without limitation any liability or obligation arising from noncompliance with any bulk sales or similar law, or any liability or obligation of any nature of the Sellers (other than

Cardkey Australia) or Shareholder that is not included in the Assumed Liabilities;

(d) Subject to the provisions of Section 4.17 and Section 7.4, any liabilities, obligations, claims or contingencies of any nature due or payable at any time whatsoever (other than those within the scope of (g) below), to any director, officer, employee, agent, or representative of Sellers or Shareholder (including any of such persons terminated by Sellers or Shareholder before the Closing or after the Closing by Shareholder or Sellers (other than Cardkey Australia) and any such persons hired by Purchaser as of the Closing) in connection with their services to, or employment by, Sellers or Shareholder prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing, including without limitation any claims for violation of any foreign, federal, state, or local laws prohibiting employment discrimination, including without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act, applicable human or civil rights laws, claims for wrongful discharge or breach of contract, and claims for sexual harassment, emotional distress, defamation, or personal injury,

(e) any tax arising out of or resulting from the ownership of the Assets prior to the Closing, the operations of Sellers or Shareholder prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing, any transaction or activity of Sellers or Shareholder prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing, or any income derived by Sellers or Shareholder relating to the period prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing (whether such income arises from

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the operations of Sellers or Shareholder or from income tax gain realized as a result of the transactions contemplated by this Agreement);

(f) Subject to the limitations of Section 9.5(a) and Section 9.5(b), any lawsuit, claim, proceeding, or liability of any nature arising out of any violation of any foreign, federal, state, or local environmental laws or regulations, including without limitation, those relating to air pollution, water pollution, noise control and/or the handling, discharge, disposal or recovery of on-site or off-site hazardous substances.

(g) Subject to the limitations of Section 9.5(a) and Section 9.5(b) and subject to the provisions of Section 4.17, and Section 7.4, any wages, salaries or other such compensation to any director, officer, employee, agent, or representative of Sellers or Shareholder (including any of such persons terminated by Sellers or Shareholder at or prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing and any such persons hired by Purchaser as of the Closing) in connection with their services to, or employment by, Sellers or Shareholder prior to the Closing or Sellers (other than Cardkey Australia) or Shareholder after the Closing, including without limitation, any liabilities, obligations, claims or contingencies under any profit-sharing, pension, stock option, severance, retirement, bonus, deferred compensation, group life and health insurance, vacation, sick leave, or other employee benefit plan or policy, or under any trust, agreement, or arrangement of any nature;

(h) any lawsuit, claim, proceeding, or liability of any nature arising out of any breach or default by Sellers or Shareholder under any of the agreements, contracts, leases, instruments, arrangements, and commitments being assumed by Purchaser's designee as described in item 2 of Exhibit C hereto.

9.2 Sellers' or Shareholder's Right to Indemnification. Purchaser (and Purchaser's designee, if applicable) shall indemnify and hold Sellers and Shareholder and their respective directors, officers, employees, and agents

(collectively, the "Seller Indemnified Parties" and individually, a "Seller Indemnified Party") harmless from any and all Claims that any Seller Indemnified Party may suffer or incur as a result of or relating to:

(a) the breach or inaccuracy, or any alleged breach or inaccuracy, of any of the representations, warranties,

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covenants, or agreements made by Purchaser (or Purchaser's designee, if applicable) herein or pursuant hereto;

(b) liabilities, obligations, liens, claims, encumbrances, and contingencies (i) expressly assumed by Purchaser as an Assumed Liability or (ii) arising after the Closing in connection with the Assets or Purchaser's business, except in each case of (i) and (ii) to the extent that such liabilities, obligations, liens, claims, encumbrances, or contingencies are attributable to actions taken or omitted to be taken by Sellers and/or the Shareholder prior to the Closing in breach of this Agreement or give rise to a claim for indemnification in favor of Purchaser pursuant to Section

9.1;  
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(c) all sales, use, transfer, excise, and other taxes, if any, arising out of the sale of the Assets, but specifically excluding any taxes covered by Section 9.1(e);  
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(d) liabilities, obligations, liens, claims, encumbrances, and contingencies arising under the bonds specified in Section 7.3 to the

extent a Claim is made against Sellers or Shareholder thereunder that relates to the period prior to the Closing, subject to the allocation of liability principles specified in Section 9.5(c); and liabilities,

obligations, liens, claims, encumbrances, and contingencies under the bonds specified in Section 7.3 to the extent a Claim is made against

Sellers or Shareholder thereunder that arises during, and relates to, the period subsequent to the Closing.

9.3 Notice. The party seeking indemnification hereunder ("Indemnitee")

shall within 10 business days of receipt of any third-party Claim promptly notify the party from whom indemnification is sought ("Indemnitor") of any such

Claim as to which Indemnitee asserts a right to indemnification. Any indemnification obligations of an Indemnitor under this Article IX shall be paid

on a current basis. Indemnitee shall bill Indemnitor for any such Claims no more frequently than on a monthly basis, and Indemnitor shall promptly pay Indemnitee upon receipt of any such bill and in no event later than 30 days from receipt of invoice.

9.4 Defense of Third-Party Claims; Scope of Indemnity. The Indemnitor may

elect to assume and control the defense of any Claim, including the employment of counsel reasonably satisfactory to the Indemnitee and the payment of expenses related thereto, if (i) the Indemnitor provides reasonable evidence to the Indemnitee of its financial ability to satisfy such indemnification obligation and (ii) the Claim does not seek to impose any liability or obligation on the Indemnitee other than for money damages. If the Indemnitor so elects to assume and control the defense of a Claim,

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then the Indemnitee may employ separate counsel and participate in the defense thereof, but the Indemnitee shall be responsible for the fees and expenses of such counsel unless the Indemnitor has failed to adequately assume the defense of such Claim or to employ counsel with respect thereto. A claim for indemnity under Section 9.1 or Section 9.2 that arguably falls within the scope of both a

specific subsection thereof and a more general subsection thereof, shall be

governed by the specific subsection, rather than the general subsection.

9.5 Limitations on Indemnification.

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(a) Subject to the provisions of Section 9.5(d), the maximum  
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aggregate amount of indemnification that may be required of Sellers and  
Shareholder under Sections 9.1(a) and 9.1(c) shall be \$4.0 million and  
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Sections 9.1(f) and 9.1(g) shall be \$4.5 million, and in no event shall  
-----  
Sellers and Shareholder be required to pay an amount in excess of such  
amount pursuant to such Sections. The maximum aggregate amount of  
indemnification that may be required of Sellers and Shareholder under this  
Article IX shall be \$4.5 million, and in no event shall Sellers and  
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Shareholder be required to pay an amount in excess of such amount pursuant  
to this Article IX.  
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(b) Subject to the provisions of Section 9.5(d), the Sellers and  
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Shareholder, on the one hand, and Purchaser, on the other hand, shall not  
be required to indemnify, defend or hold harmless the other party pursuant  
to Sections 9.1(a) and 9.2(a) unless and until the amount of all Claims  
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exceeds, in the aggregate, \$200,000 (and then only to the extent that such  
Claims exceed \$200,000); the Sellers and Shareholder shall not be required  
to indemnify, defend or hold harmless the Purchaser Indemnified Parties  
pursuant to Sections 9.1(c) or 9.1(f) unless and until the amount of all  
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Claims exceeds, in the aggregate, \$50,000 (and then only to the extent that  
such Claims exceed \$50,000); and the Sellers and Shareholder shall not be  
required to indemnify, defend or hold harmless the Purchaser Indemnified  
Parties pursuant to Section 9.1(g) unless and until the amount of all  
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Claims exceeds, in the aggregate, \$10,000 (and then only to the extent that  
such Claims exceed \$10,000).

(c) Sellers, Shareholder, and Purchaser agree that the liability of  
the Sellers and Shareholder for any Claims arising under Section 9.1(b)  
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above (the "Project Related Claims")) shall be governed by the following  
principles:

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(i) Sellers and Shareholder shall not have any liability for  
the first \$300,000 of the Project Related Claims.

(ii) Sellers and Shareholder shall be responsible for 100% of  
the Project Related Claims, with respect to the cumulative amount of  
the Project Related Claims that is more than \$300,000 but less than  
\$2,150,000.

(iii) Sellers and Shareholder shall be responsible for 50% of the  
Project Related Claims, with respect to the cumulative amount of the  
Project Related Claims that is more than \$2,150,000 but less than that  
amount equal to 30% of the amounts represented by outstanding bonds  
(measured at the time of Closing) of either the Shareholder or Sellers  
relating to Sellers' access control business.

(iv) Sellers and Shareholder shall have no responsibility for  
any Project Related Claims, to the extent that the cumulative amount  
of all of the Project Related Claims exceeds that amount equal to 30%  
[\$5.4 million] of the amounts represented by outstanding bonds  
(measured at the time of Closing) of either the Shareholder or Sellers  
relating to Sellers' access control business.

(d) For purposes of honoring the indemnity obligations of Section 9.1  
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and Section 9.2, the Indemnitor agrees to make available for the benefit of  
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the Indemnitee any insurance proceeds collected or collectible by the Indemnitor with respect to an event that gives rise to a right for indemnification under Section 9.1 or Section 9.2. Each Indemnitor agrees

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to use its best efforts at its sole expense to collect any such insurance proceeds that are available. In addition, the Indemnitee shall at its option be subrogated to the Indemnitor's rights to seek and receive such insurance payments. Accordingly, the parties intend that any insurance proceeds collected by the Indemnitor shall count as damages paid by the Indemnitor and shall count against the dollar limitations provided for in Section 9.5(a) and Section 9.5(b). Thus, by way of example and not

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limitation, in the case of a claim for indemnity by a Purchaser Indemnified Party pursuant to Section 9.1(d), any insurance proceeds collected by the

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Indemnitor (after using best efforts to collect such insurance proceeds) shall be counted against the "floor" of \$50,000 provided for in Section

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9.5(b).  
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9.6 Termination of Right to Indemnification. Notwithstanding Sections 9.1  
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and 9.2 hereof, the Indemnitor shall not be required  
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to indemnify the Indemnitee with respect to any third-party Claims unless the Indemnitee shall have complied with Section 9.3 hereof regarding notice and

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shall not be required to indemnify the Indemnitee with respect to any Claims unless any notice is provided to the Indemnitor on or prior to the following dates: (a) for a claim for indemnification under Section 9.1(a) or 9.2(a), by

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July 31, 1997 (except for those Section 9.1(a) claims covered by the following

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clause (b); (b) for a claim for indemnification under Section 1.4 or Article 11,

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by the 37th month anniversary of the Closing Date; and (c) for all other Claims, by the expiration of the applicable statutory period of limitations relating thereto, but if the indemnification Claim under this clause (b) arises from a claim brought by a third party, no later than 30 days following the expiration of the statutory period of limitations applicable to the claim by the third-party.

#### ARTICLE X Termination

10.1 Events of Termination. Subject to Section 10.2 below, this Agreement  
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and the transactions contemplated hereby may be terminated and abandoned:

(a) at any time prior to the Closing by mutual written consent of Purchaser, Sellers and the Shareholder;

(b) by any party if a material condition to its performance hereunder shall not be satisfied or waived at the Closing;

(c) by Purchaser if a final non-appealable judgment has been entered against it or its affiliates restraining, prohibiting, declaring illegal or awarding substantial damages in connection with the transactions contemplated hereby;

(d) by Sellers or the Shareholder if a final non-appealable judgment has been entered against any of them or their affiliates restraining, prohibiting, declaring illegal or awarding substantial damages in connection with the transactions contemplated hereby;

(e) by Purchaser pursuant to Sections 6.6 or 6.7 hereof; or  
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(f) by either Purchaser or Shareholder if the Closing has not occurred by October 31, 1995.

10.2 Limitation on Right to Terminate. A party shall not be allowed to  
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exercise any right of termination pursuant to Section 10.1 above if the event  
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giving rise to the termination right shall

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be due to the willful failure of such party seeking to terminate this Agreement to perform or observe in any material respect any of the covenants or agreements set forth herein to be performed or observed by such party or if such party shall then be in breach of this Agreement.

10.3 Rights Upon Termination. If this Agreement is terminated as permitted  
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under this Article X, such termination shall be without liability of or to any  
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party to this Agreement or any partner, shareholder, director, officer, employee, agent, servant, consultant, or representative of such party and the parties shall be relieved of any further obligation to the other; provided,  
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however, that no termination of this Agreement, pursuant to this Article X or  
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under any other express right of termination provided elsewhere in this Agreement, shall operate to release either party from any liability to the other party incurred before the date of such termination or from any liability resulting from any willful misrepresentation made in connection with this Agreement. The provisions of this Section 10.3 shall not be construed as a  
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waiver by Purchaser or Sellers of the remedy of specific performance, it being agreed that Purchaser and Sellers shall each have the right to specific performance with respect to this Agreement. If Sellers and Shareholder fail to close the transactions contemplated by this Agreement in breach of this Agreement, then the Good Faith Deposit shall be promptly returned to Purchaser. In all other cases, the Good Faith Deposit shall be released to Sellers and the Shareholder as liquidated damages, in full and final satisfaction of any and all claims Sellers and the Shareholder may have against Purchasers.

ARTICLE XI  
Noncompete

11.1 Noncompetition. For a period of three years following the Closing,  
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neither Shareholder nor any of the Sellers, nor any of their respective Affiliates shall, directly or indirectly, on its own behalf or on behalf of any competitor of Purchaser or on behalf of any of their respective Affiliates:

(i) Subject to the provisions of Section 11.2, engage (whether as  
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owner, partner, stockholder, joint venturer, manager or investor) in the manufacture, distribution or sale of any access control products in Europe, North America, or Australia (the "Territory");

(ii) influence or attempt to influence any franchisees, customers or potential customers of Purchaser that are located in the Territory to purchase, acquire or contract for any access control products, other than from Purchaser or any of its Affiliates;

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(iii) Subject to the provisions of Section 11.2, affiliate itself  
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with, or own or have a proprietary interest of any kind in, any business or firm that manufactures, distributes or sells access control products in the Territory;

(iv) alone or acting with others, (x) employ or attempt to employ or solicit for any employment competitive with Purchaser, any of Purchaser's employees who worked for Sellers prior to the Closing, or (y) influence or seek to influence any employee to leave Purchaser's employment.

As used in this Agreement, the term "Affiliate" means with respect to the Person in question, any person or entity directly or indirectly controlling, controlled by or under common ownership or control with, the person or entity in question, and the term "Person" shall mean an individual or a corporation, partnership, or any other type of entity.

11.2 Permitted Activities. The provisions of Section 11.1(i) and 11.1(ii)

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shall not be deemed to prevent Shareholder and Sellers from carrying on (x) the Shareholder's existing mechanical locking business activities, (y) the existing VingCard business, and (z) the business of Solid (except as such business is conducted in the United States, where competition in violation of Section

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11.1(i) and 11.1(ii) shall not be permitted).  
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11.3 Notice; Cure; Damages. If Purchaser desires to make any claim against

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Shareholder or any of the Sellers or any of its Affiliates for any breach or alleged breach of this Article XI, then Purchaser shall give notice to the Shareholder or the Seller in question, as applicable, which notice shall inform the party to whom it is directed in reasonable detail of the basis of Purchaser's claim that a breach or alleged breach of this Article XI has occurred or may be about to occur. The party that has breached or alleged to have breached this Article XI shall within 15 days of receiving such notice investigate and initiate good faith cure efforts and shall within 45 days of receiving such notice cure any such breach that has occurred (that is capable of being cured).

For each and every occurrence of an uncured breach of this Article XI, Sellers and Shareholder jointly and severally agree that Purchaser shall be entitled to a payment of \$100,000, as a liquidated damage and not as a penalty. The parties agree that if the breach in question involves the inadvertent sale of any access control products (in breach of Section 11.1(i)), then for purposes

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of the application of the preceding sentence, the parties agree that the Sellers and the Shareholder shall be entitled to cure such breach by paying to the Purchaser the amount of the gross margin realized by the breaching party with respect to such sale. Since

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this cure provision is intended to be available for inadvertent sales (and not deliberate or repeated breaches), Sellers and the Shareholder shall not be entitled to cure such breaches by paying to the Purchaser the amount of the gross margin if the amount of the gross margin theretofore paid to Purchaser in respect of prior breaches exceeds \$100,000.

The parties also agree that the liquidated damages provided for herein shall be paid as provided for herein, regardless of whether the provision of this Agreement to which the liquidated damage relates has theretofore been, or is thereafter, determined (by a court of competent jurisdiction or other tribunal having jurisdiction in the matter) to be unenforceable.

11.4 Miscellaneous.

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(a) In the event of a violation of this Agreement, Purchaser shall be entitled to injunctive relief against Sellers and the Shareholder in addition to any other legal or equitable remedies that may be available. If any provision of Article XI of this Agreement is deemed invalid in part or in whole, it shall

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be curtailed, whether as to time, area covered or otherwise, as and to the extent required for its validity under applicable law and, as so curtailed, shall be enforceable. Sellers and the Shareholder acknowledge that Sellers' and the Shareholder's obligations under Article XI hereof were a material inducement

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and condition to Purchaser's entering into the Purchase Agreement and performing the transactions contemplated thereby.

(b) Sellers and Shareholder acknowledge and agree that any Person to whom Purchaser may sell all or substantially all of the access control business being purchased under this Agreement shall be entitled to the benefit of the covenants of Sellers and Shareholder under Article XI hereof.



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(c) Each of Sellers and Shareholder agrees that Purchaser (or Purchaser's nominee) shall be its preferred supplier for any electronic access control equipment purchased from outside vendors for so long as the covenant set forth in Section 11.1 shall remain in force and effect.

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(d) As used in this Article XI, the term "Europe" shall mean Eastern and Western Europe, but not Russia and "North America" shall mean Canada, the United States, and Mexico.

ARTICLE XII  
Miscellaneous

12.1 Notices. All notices that are required or may be given pursuant to the terms of this Agreement shall be in writing and

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delivered personally or by a recognized courier service or by registered or certified mail, postage prepaid, or via facsimile transmittal (receipt confirmed) to the parties at the following addresses (or to the attention of such other person or such other address as any party shall provide to the other parties by notice in accordance with this Section):

If to Purchaser:  
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Amtech Corporation  
17304 Preston Road  
Building E-100  
Dallas, Texas 75252  
Attention: General Counsel  
Fax No.: 214-733-6693

If to Sellers:  
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Arrow Lock Manufacturing Company  
103-00 Foster Avenue  
Brooklyn, New York 11236  
Attention: Clas Thelin  
Fax No.: 718-257-3299

Copy to:  
-----

Claes Albinsson  
Mannheimer Swartling Advokatbyra AB  
P.O. Box 4291  
S-203 14 Malmo  
Sweden  
Fax No.: 46-40-25-08-01

If to Shareholder:  
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Assa Abloy AB  
Klarabergsviadukten 90  
Stockholm, Sweden  
Attention: Carl-Henric Svanberg  
Fax No.: 46-8-698-8560

Copy to:  
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Claes Albinsson  
Mannheimer Swartling Advokatbyra AB  
P.O. Box 4291  
S-203 14 Malmo

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Any such notice or other communication shall be deemed to have been given and received on the day it is personally delivered or delivered by a recognized courier service as aforesaid or, if mailed, when received, or if sent via facsimile transmittal, when received.

12.2 Attorneys' Fees and Costs. In the event that attorneys' fees or other  
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costs are incurred to secure performance of any of the obligations herein provided for, or to establish damages for the breach thereof or to obtain any other appropriate relief, whether by way of prosecution or defense, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred therein.

12.3 Survival. The representations, warranties, covenants, and agreements  
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made by the parties pursuant to this Agreement shall survive the Closing regardless of what investigations, if any, either party shall have made prior to the Closing.

12.4 Further Assurances. Each party hereto agrees to execute any and all  
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documents and to perform such other acts as may be necessary or expedient to further the purposes of this Agreement and the transactions contemplated hereby.

12.5 Publicity. Upon execution of this Agreement, the parties shall issue  
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an agreed-upon joint press release and otherwise cooperate with each other in the development and distribution of all news releases and other public disclosures relating to the transactions contemplated hereby. Neither Sellers, Shareholder nor Purchaser shall issue or make, or cause to have issued or made, any press release or announcement concerning the transactions contemplated hereby without the advance approval in writing by the other party, or, after giving reasonable notice to the other parties, as its counsel shall deem necessary pursuant to any judicial or governmental request, requirement, or order.

12.6 Expenses. Except as otherwise stated herein, each of the parties  
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hereto shall, whether or not the transactions contemplated hereby are consummated, bear its own attorneys', accountants', auditors', or other fees, costs, and expenses incurred in connection with the negotiation, execution, and performance of this Agreement or any of the transactions contemplated hereunder.

12.7 No Brokers. Each party to this Agreement represents to the other  
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party that it has not incurred and will not incur any liability for brokerage fees or agents' commissions in connection with this Agreement and the transactions contemplated hereby, except for the fees payable by Purchaser to Broadview & Associates. Each party to this Agreement agrees that it will indemnify and hold harmless the other part(ies) against any claim for brokerage and

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finders' fees or agents' commissions in connection with the negotiation or consummation of the transactions contemplated by this Agreement.

12.8 Counterparts. This Agreement may be executed in one or more  
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counterparts for the convenience of the parties hereto, all of which together shall constitute one and the same instrument.

12.9 Assignment. Neither this Agreement nor any of the rights, interests,  
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or obligations hereunder shall be assigned or delegated by Sellers, Shareholder, or Purchaser, without the prior written consent of the other parties; except

that Purchaser shall be allowed to assign its rights under this Agreement to one or more entities controlled by it (but any such assignment shall not relieve it of its obligations under this Agreement). Any assignment or delegation made in violation of this Agreement shall be null and void. This Agreement is not intended to confer upon any person (including employees of Sellers) other than the parties hereto, any rights or remedies hereunder.

12.10 Entire Agreement. This Agreement and the related documents contained

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as Exhibits and Schedules hereto or expressly contemplated hereby contain the entire understanding of the parties relating to the subject matter contained herein and supersede all prior written or oral and all contemporaneous oral agreements and understandings relating to the subject matter hereof, including without limitation, the Letter of Intent dated April 5, 1995, as extended by letter amendment dated May 10, 1995. This Agreement cannot be modified or amended except in writing signed by the party against whom enforcement is sought.

12.11 Exhibits. All Exhibits and Schedules to this Agreement are

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incorporated herein by reference and made a part hereof for all purposes.

12.12 Knowledge. Whenever a statement regarding the existence or absence of

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facts in this Agreement is qualified by a phrase such as "to such person's knowledge" or "known to such person" it is intended by the parties that the information to be attributed to such Person is information actually or constructively known to (a) the person in the case of an individual or (b) in the case of a corporation or other entity an officer or members of senior management as a result of his/or her employment by the employer. The person has constructive knowledge of those matters which the individual involved could reasonably be expected to have as a result of undertaking an investigation of such a scope and extent as a reasonably prudent person would undertake concerning the particular subject matter.

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12.13 Arbitration.

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(a) All claims, disputes, and controversies arising out of or relating to this Agreement or the performance, breach, validity, interpretation, application or enforcement hereof, including any claims for equitable relief or claims based on contract, tort, statute, or any alleged breach, default, or misrepresentation in connection with any of the provisions hereof, will be resolved by binding arbitration in accordance with the International Arbitration Rules of the American Arbitration Association ("AAA"). A party may initiate arbitration by

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sending written notice of its intention to arbitrate to the other party and to the AAA office located in Denver, Colorado (the "Arbitration Notice"). The

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Arbitration Notice will contain a description of the dispute and the remedy sought. The arbitration will be conducted at the offices of the AAA in Denver, Colorado before an independent and impartial arbitrator who is selected by mutual agreement, or, in the absence of such agreement, before three independent and impartial arbitrators, of whom each party will appoint one, with the third being chosen by the two appointed by the parties. In no event may the demand for arbitration be made after the date when the institution of a legal or equitable proceeding based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations.

(b) The arbitration and any discovery conducted in connection therewith shall be conducted in accordance with the International Arbitration Rules of the AAA in effect at the time of the arbitration, including without limitation the expedited procedures set forth therein (the "AAA Rules"). The arbitrator(s)

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will deliver their decision in writing, together with a summary of the reasons for their decision, including appropriate citations to legal authority. The decision of the arbitrator(s) will be final and binding on all parties and their successors and permitted assignees. The judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof.

(c) The panel of arbitrator(s) shall be selected no later than 45 days

after the date of the Arbitration Notice. The arbitration hearing shall commence no later than three (3) months after the panel of arbitrators is selected. The arbitrators shall render their decision no later than 30 days after the close of the hearing, in accordance with the AAA rules.

(d) The arbitrators' fees and costs will conform to the then current AAA fee schedule and will be borne equally by the parties.

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12.14 Governing Law. This Agreement shall be governed by, and  
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construed and interpreted in accordance with, the substantive laws of the State of New York without giving effect to any conflict of laws rule or principle that might require the application of the laws of another jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLERS:

CARDKEY SYSTEMS, INC.

By: /s/ Clas Thelin  
-----

Its: CEO  
-----

CARDKEY SYSTEMS, LTD.

By: /s/ Clas Thelin  
-----

Its: Director  
-----

CARDKEY SICHERHEITSSYSTEME, GmbH

By: /s/ Clas Thelin  
-----

Its: Authorized Signatory  
-----

PURCHASER:

AMTECH CORPORATION

By: /s/ G. Russell Mortenson  
-----

Its: President & CEO  
-----

SHAREHOLDER:

ASSA ABLOY AB

By: /s/ Carl-Henric Svanberg  
-----

Its: President and CEO  
-----

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Exhibit A

"Assets"

See Black Binders

Exhibit B

"Excluded Assets/Liabilities"

1. The leasehold and leasehold improvements relating to the real property at 101 W. Cochran Street, Simi Valley, California; provided, however, that Amtech would be willing for Cardkey management to make its best efforts to continue acting on Sellers' and Shareholder's behalf to dispose of this lease subject to the Sublease Agreement; and the leasehold and leasehold improvements relating to the real property at 21 Stadium Way, Reading, England;
2. Cash on hand and in banks;
3. Assets not related to Sellers' access control business, such as Sellers' ownership of equity securities in Sellers' subsidiaries Arrow Lock Manufacturing Company, ASSA Inc., VingCard Systems Inc. and Abloy Security, Inc.
4. Indebtedness for borrowed money owed by the Sellers to others, including short-term and long-term debt.
5. Obligations under that certain contract between Cardkey US and ATT, relating to the provision of telephone services at the Simi Valley, U.S. location.

See Black Binders.

Exhibit C

"Assumed Liabilities"

1. Accounts payable, accrued expenses (including accrued vacation and sick leave expense), and unearned revenue, in each case, as of the Closing, which arose in the ordinary course of business and are reflected on the Audited Closing Balance Sheet in accordance with GAAP, applied in a manner consistent with the principles used in preparing the Unaudited Balance Sheet.
2. Obligations in the ordinary course of business consistent with past practice under the following agreements, contracts, leases, instruments, arrangements, and commitments:
  - (i) the Distribution and Marketing Agreements;
  - (ii) the Real Estate Leases;
  - (iii) the Vehicle Leases;
  - (iv) the Equipment Leases;
  - (v) the Project Agreements;
  - (vi) the ISG Agreements;
  - (vii) Service and Maintenance Agreements;
  - (viii) the Supply Agreements;
  - (ix) the Outsourcing Agreements; and
  - (x) the Other Agreements.

Purchaser's designee shall also assume any obligations arising under the foregoing agreements, contracts, leases, instruments, arrangements, and commitments that result from Purchaser (or its designee) ceasing to conduct any business operations conducted by Sellers as of the Closing.

3. Liability for any breach or default by Sellers or Shareholder under any of agreements, contracts, leases, instruments, arrangements, and commitments listed in 2 above that arose, occurred or existed prior to or as a result of the Closing, subject to the Purchaser's rights to indemnification therefore as

provided in Section 9.1(h).  
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4. The undertakings and obligation of Purchaser or its designee to employ the Sellers' employees as described in Section 7.4 and the obligations described in Section 4.17.  
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5. Warranty claims for work performed by Sellers prior to Closing under the items described in Schedules 4.14(a)(v) and 4.14(a)(vi) that are being assumed by Purchaser at Closing, subject to the Purchaser's rights to indemnification therefore as provided in Section 9.1(b).  
-----

6. All other obligations and liabilities arising in the ordinary course of business relating to Sellers' access control business, subject to the Purchaser's rights to indemnification therefore as provided in Section 9.1.  
-----

See Black Binders.

Exhibit D

See Black Binders

Exhibit E

PROMISSORY NOTE  
-----

\$ 6,000,000

June \_\_, 1995

FOR VALUE RECEIVED, the undersigned ("Maker") hereby promises to pay to the order of Cardkey Systems, Inc. a Delaware corporation ("Cardkey US"), Cardkey Systems, Ltd., a United Kingdom corporation ("Cardkey UK"), and Cardkey Sicherheitssysteme GmbH, a German corporation and wholly-owned subsidiary of Cardkey UK ("Cardkey Germany") or their transferee(s) (collectively, the "Payees"), at \_\_\_\_\_, or at such other place as the Payees may specify in writing, in lawful money of the United States of America, the principal sum of six million dollars and no cents (\$6,000,000.00), subject to adjustment as provided below.

This note is being issued in connection with that certain Purchase Agreement, dated \_\_\_\_\_, 1995, among Amtech Corporation, a Texas corporation ("Amtech"), Payees, and Assa Abloy AB, a Swedish corporation.

This note will be non-interest bearing; provided, that, this note will bear interest from and after the occurrence of an Event of Default at the rate of interest equal to the rate of interest being paid with respect to six month U.S. Treasury bills, as reported in the Wall Street Journal on the date of such Event of Default (the "default interest rate"). The default interest rate shall be adjusted semi-annually.

The principal of this note shall be due and payable in two installments of \$3 million each on March 31, 1997 and March 31, 1998; provided, that, Maker may at its option, in lieu of the aforesaid 1998 payment, make a payment of \$2 million on March 31, 1996.

Payments under this note are secured by that certain Escrow Agreement, dated of even date herewith, among Maker, Shareholder, and \_\_\_\_\_, as escrow agent and are guaranteed by that certain Guaranty executed by Amtech ("Guarantor"), dated of even date herewith.

Maker may prepay the principal of this note in whole or in part at any time and from time to time without premium or penalty.

The Payees shall have the right without notice to Maker to declare all unpaid principal of this note due and payable in full prior to the stated maturity thereof if any one or more of the

following events of default ("Events of Default") shall have occurred (a) Maker or Guarantor shall file, or there shall be filed against Maker or Guarantor any petition for relief under any bankruptcy or other debtor relief laws, (b) Maker or Guarantor shall admit in writing its inability to pay its debts generally as they become due, or (c) Maker shall fail to pay any unpaid principal of this note at the time payment is due as provided for herein.

Upon the occurrence of any one or more of the Events of Default, in addition to the right of the Payee specified in the preceding paragraph, the Payee may exercise any all legal and equitable rights and remedies afforded under applicable law (including without limitation the right to foreclose against the collateral securing this note).

If this note shall be placed in the hands of an attorney for collection, Maker shall reimburse the Payee for all costs of collection, including court costs and reasonable attorney's fees.

Maker and each guarantor, surety, endorser, and other party who may now or in the future be liable for payment of this note hereby waive presentment, demand for payment, protest, notice of protest and non-payment, notice of intent to accelerate payment, notice of default or nonpayment, and all other notices and demands of every character whatsoever, and agree that their liability on this note shall not be affected by, and hereby consent to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this note.

This note shall be governed by and construed in accordance with the internal laws of the State of New York.

IN WITNESS WHEREOF, Maker has executed this note as of the date first set forth above.

\_\_\_\_\_ CORPORATION  
By: \_\_\_\_\_

Exhibit F  
GUARANTY  
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For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Cardkey Systems, Inc. a Delaware corporation ("Cardkey US"), Cardkey Systems, Ltd., a United Kingdom corporation ("Cardkey UK"), Assa Abloy AB, a Swedish corporation, and Cardkey Sicherheitssysteme GmbH, a German corporation and wholly-owned subsidiary of Cardkey UK ("Cardkey Germany") (collectively, "Creditors"), to accept a Promissory Note in the  
-----  
original principal amount of \$6,000,000 (herein, together with any renewal, extension, refunding, or refinancing thereof, called the "Note) issued by \_\_\_\_\_, a Delaware corporation (the "Company"), payable to the Creditors, pursuant to a Purchase Agreement, dated as of June \_\_\_\_, 1995 (herein, as modified or amended from time to time, called the "Purchase Agreement") among the Creditors, the undersigned, Amtech Corporation, a Texas corporation (the "Guarantor"), and Assa Abloy AB, a Swedish corporation, the Guarantor hereby unconditionally guarantees to the Creditors and their successors and assigns that the principal of the Note (hereinafter called the "Guaranteed Debt") will, be promptly paid in full when due in accordance with its terms, by acceleration or otherwise, or if renewed or extended, in accordance with the terms of such renewal or extension.

The obligations of the Guarantor hereunder shall be unconditional irrespective of (a) the genuineness, validity, regularity, or enforceability of any of the Guaranteed Debt, (b) any modification, amendment or variation in or addition to the terms of any of the Guaranteed Debt or any covenants in respect thereof or any security therefor, (c) any extension of time for performance or waiver of performance of any covenant of the Guarantor or any failure or omission to enforce any right, (d) any taking, exchange, surrender, release, or other dealing with any collateral therefor, or (e) any other circumstance which may or might in any manner constitute a legal or equitable discharge of a surety or guarantor, it being the intent hereof that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances and shall not be discharged except by payment as herein provided.

The Guarantor hereby waives diligence, presentment, demand, protest, and all notices whatsoever (including notice of acceptance of this guaranty and of the incurrence of any Guaranteed Debt).

The Guarantor hereby waives any and all rights of subrogation with respect to this Guaranty until such time as the Guaranteed Debt has been paid in full.

This Guaranty and all rights and obligations arising hereunder shall be governed by the law of \_\_\_\_\_ and may not be modified except in writing.

IN WITNESS WHEREOF, this instrument has been executed by the undersigned as of June \_\_\_\_, 1995.

AMTECH CORPORATION

By: \_\_\_\_\_

Exhibit G

FORM OF ESCROW AGREEMENT

-----

ESCROW AGREEMENT dated as of \_\_\_\_\_, 1995, by and among Amtech Corporation, a Texas corporation, ("Purchaser"), and Assa Abloy AB, a Swedish Corporation ("Shareholder") (as agent for Cardkey Systems, Inc. a Delaware corporation, Cardkey Systems, Ltd., a United Kingdom corporation, and Cardkey Systems GmbH, a German corporation) (Shareholder and such other entities are collectively referred to as "Sellers"), and \_\_\_\_\_ ("Escrow Agent").

W I T N E S S E T H:

- - - - -

WHEREAS, Sellers and Purchaser entered into that certain Purchase Agreement, dated as of June 20, 1995 (the "Purchase Agreement");

WHEREAS, as contemplated by the Purchase Agreement, upon the closing of the transactions contemplated by the Purchase Agreement, Purchaser will deposit the sum of U.S. \$3.0 million in cash or marketable securities that are issued or guaranteed by the U.S. government (the "Escrowed Funds") in escrow for the purpose of providing Sellers security for the payments under that certain Promissory Note, dated of even date hereof (the "Promissory Note") being issued by a subsidiary of Purchaser to the Sellers in connection with the Purchase Agreement;

WHEREAS, the parties hereto desire that Escrow Agent be appointed as escrow agent to act in accordance with the terms and conditions hereof;

NOW, THEREFORE, Sellers and Purchaser agree with Escrow Agent as follows:

ARTICLE I  
APPOINTMENT

1.1 Sellers and Buyer hereby appoint Escrow Agent to act as escrow agent in accordance with the terms hereof, and Escrow Agent hereby accepts such appointment.



1.2 As contemplated by the Purchase Agreement, upon the closing of the transactions contemplated by the Purchase Agreement, Purchaser will deposit the Escrowed Funds in the name of Escrow Agent at a bank or similar financial institution agreed on by Sellers and Purchaser (the "Bank"). Escrow Agent hereby agrees to hold and dispose of the Escrowed Funds in accordance with the provisions of this Agreement.

1.3 Escrow Agent will hold the Escrowed Funds, in the name of Escrow Agent, at the Bank. Neither Purchaser, Sellers, nor Escrow Agent will be responsible for any losses resulting from investments of the Escrowed Funds or failure or insolvency of the Bank. Any interest or other income earned on any investment of the Escrowed Funds shall be handled by Escrow Agent as provided for in Section 2.3.

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ARTICLE II  
RELEASE AND INVESTMENT OF ESCROWED FUNDS

2.1 Escrow Agent will release the Escrowed Funds from escrow and deliver the Escrowed Funds as provided in subsections 2.1(a) or (b) below.

(a) The provisions of this subsection 2.1(a) shall apply from the date hereof with respect to payments required to be made under the Promissory Note on March 31, 1997. Upon receipt of an Escrow Release Notice in the form of Attachment A hereto that has purportedly been executed by an authorized

-----  
officer of Shareholder, Escrow Agent shall promptly deliver to Purchaser a copy of such notice. If Purchaser does not advise the Escrow Agent within 5 business days of its receipt of the Escrow Release Notice that it contests the release of any of the Escrowed Funds, then Escrow Agent shall release to Shareholder (as agent for the Sellers) from the Escrowed Funds such amount as may be specified in the Escrow Release Notice. If Purchaser advises the Escrow Agent within 5 business days of its receipt of the Escrow Release Notice that it contests the release of any of the Escrowed Funds, then Escrow Agent shall release to Shareholder (as agent for the Sellers) from the Escrowed Funds such amount of the Escrowed Funds that Purchaser does not contest the release of.

(b) The provisions of this subsection 2.1(b) shall apply with respect to payments required to be made under the Promissory Note after April 1, 1997, until the termination of this Agreement. Upon receipt of an Escrow Release Notice in the form of Attachment A hereto that has purportedly been

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executed by an authorized officer of Shareholder, Escrow Agent shall deliver to Purchaser a copy of such notice. On the first business day following delivery of the Escrow Release Notice to Escrow Agent, Escrow Agent unconditionally, irrevocably and irrespective of any objections from Purchaser, undertakes to release to Shareholder (as agent for the Sellers) from the Escrowed Funds such amount as may be specified in the Escrow Release Notice, such amount not to exceed U.S. \$3.0 million. The Escrow Agent shall promptly inform Purchaser of the amount of the Escrowed Funds that has been released from the Escrowed Funds.

2.2 The Escrow Agent agrees to invest and reinvest the Escrowed Funds at the joint written direction of Purchaser and

Shareholder. The Escrow Agent may hold such investments in nominee name. The Escrow Agent shall not be liable to Purchaser, the Shareholder, or the Sellers for any claim related to the investment or management of the Escrowed Funds, provided that the Escrow Agent complies with the joint written directives of Purchaser and Shareholder.

2.3 All interest or other income earned with respect to the investment of the Escrowed Funds by the Escrow Agent during the period of these escrow arrangements shall accrue and be held by the Escrow Agent for the benefit of the Purchaser as if they were Escrowed Funds. All such interest or other income shall be disbursed pursuant to this Section 2.3. Purchaser shall be

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entitled to have disbursed to it any interest or other income earned with respect to the investment of the Escrowed Funds. The Escrow Agent shall disburse such interest or other income to the Purchaser upon written notice to the Escrow Agent purportedly executed by an officer of Purchaser that requests the disbursement of such funds.

2.4 If Purchaser and Shareholder cannot resolve any dispute relating



Sweden  
Attn: President  
Fax: 46-8-698-85-85

Copies to: Mannheimer Swartling Advokatbyra AB  
P.O. Box 4291  
S-203 14 Malmo  
Sweden  
Attn: Claes Albinsson  
Fax: 46-40-25-08-01

If to Escrow  
Agent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any such notice will, when sent in accordance with the preceding sentence, be deemed to be given and received on the day personally delivered, twenty-four hours after shipment by such courier service, or when received by facsimile transmission (receipt confirmed).

3.10 Each party executing this Agreement warrants that it has authority to execute this Agreement.

3.11 This Agreement may be executed in several counterparts, and it will not be necessary for each party to execute each of such counterparts, but when all of the parties have executed and delivered one or more of such counterparts, the several parts, when taken together, will be deemed to constitute one and the same instrument, enforceable against each party in accordance with its terms.

3.12 This Agreement may be terminated upon the written agreement of Shareholder and Purchaser at any time and shall terminate upon the earlier of the payment in full of the Promissory Note or such time as there are no remaining Escrowed Funds.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, President

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, President

AMTECH CORPORATION.

By: \_\_\_\_\_  
\_\_\_\_\_ ,

ATTACHMENT A TO ESCROW AGREEMENT

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Form of Release Notice

Escrow Agent  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Escrow Agent:

Reference is made to that certain Escrow Agreement (herein so called), dated as of \_\_\_\_\_, 1995, by and among Amtech Corporation, a Texas corporation, Assa Abloy AB, a Swedish Corporation, and you, as escrow agent.

This Release Notice is being delivered in accordance with the provisions of Section \_\_\_\_\_ [insert either Section 2.1(a) or Section 2.1(b)].  
-----

A payment in the amount of \$\_\_\_\_\_ [insert unpaid amount, which may not exceed U.S. \$3.0 million ] (the "Delinquent Payment") that was required to be paid on \_\_\_\_\_ [either March 31, 1997 or March 31, 1998] under the Promissory Note (as such term is defined in the Escrow Agreement) was not paid. On behalf of the Sellers (as such term is defined in that certain Purchase Agreement to which the Escrow Agreement relates), the undersigned hereby requests that the Delinquent Payment be paid to the undersigned in accordance with the following payment instructions: \_\_\_\_\_ [insert payment instructions].

ASSA ABLOY, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

NOTE TO ESCROW AGENT: This Release Notice is to be accompanied by a Swedish Certificate of Registration certifying that the person signing this Release Notice is duly authorized to do so.

Exhibit H

FORM OF APPOINTMENT LETTER  
-----

Price Waterhouse is hereby requested to solve the dispute described in Exhibit A hereto between the parties to the Purchase Agreement dated June \_\_, 1995, all in accordance with Section 2.3 of the Purchase Agreement. A copy of the Purchase Agreement is enclosed hereto. For this purpose Price Waterhouse shall have full access to all working papers, records and books relating to the audit and drawing up of the Unaudited Closing Balance Sheets and the Audited Closing Balance Sheet (as defined in the Purchase Agreement).

Place:

Date:

\_\_\_\_\_  
Amtech Corporation/ASSA ABLOY AB

Exhibit I

ALLOCATION OF PURCHASE PRICE

Subject to the mutual agreement of Purchaser and Sellers.

Exhibit J

FORM OF SUBLEASE AGREEMENT

AMENDMENT TO  
PURCHASE AGREEMENT DATED AS OF JUNE 20, 1995

THIS AMENDMENT is made and entered into as of July 31, 1995 by and among Amtech Corporation, a Texas corporation, Cardkey Systems, Inc., an Oregon corporation, Cardkey Systems, Ltd., a United Kingdom corporation, and Cardkey Sicherheitssysteme GmbH, a German corporation and wholly-owned subsidiary of Cardkey Systems, Ltd., and Assa Abloy AB, a Swedish corporation.

1. The parties have as of June 20, 1995, entered into a Purchase Agreement (the "Purchase Agreement").
2. The parties have now agreed to amend the Purchase Agreement as set forth below.

(a) The following wording shall be added to Exhibit B ("Excluded Assets/Liabilities") to the Purchase Agreement:

"6. Assets of Cardkey Sicherheitssysteme GmbH related to the Ving Card Business in Germany."

(b) Exhibit I ("Allocation of Purchase Price") to the Purchase Agreement is hereby amended in its entirety to read as follows:

"Upon the request of a party, the parties will enter into good faith negotiations with a view to agreeing upon an allocation of the consideration being paid hereunder among the assets being acquired."

(c) The following Section 6.13 is hereby added to Article VI of the Purchase Agreement:

"6.13 Consents. After the Closing, Sellers and Shareholder shall use their best efforts to obtain those consents required to be delivered pursuant to Section 3.2(f) but which had not been obtained as of the Closing."

(d) The following clause (i) is hereby added to Section 9.1 of the Purchase Agreement:

"(i) Sellers and Shareholder shall jointly and severally indemnify and hold Purchaser harmless against any and all liabilities, obligations, claims, contingencies, damages, costs and expenses (including, without limitation increased costs associated with relocation from leased premises or replacement of leased vehicles, all court costs and reasonable attorneys' fees) that Purchaser or Purchaser's designee may incur as a result of the failure of Sellers to obtain any third party consent required under Section 3.2(f) of the Purchase Agreement. Purchaser's right to indemnification shall be effective notwithstanding any waiver of the delivery of consents as a condition to Closing pursuant to Section 3.2(f)."

(e) The following clause (e) is hereby added to Section 9.2 of the Purchase Agreement :

"(e) Purchaser shall indemnify and hold Shareholder and the Sellers harmless against any and all liabilities, obligations, claims, contingencies, damages, costs and expenses that Shareholder or any of the Sellers may incur to the participants in, or beneficiaries of, the Cardkey UK defined benefit plan as a result of claims by such participants or beneficiaries that the failure of Purchaser's designee in the U.K. to assume the defined benefit plan was a breach of the terms and conditions of their employment with Cardkey U.K. This indemnity shall be void if any of the Sellers or Shareholder directly or indirectly has promoted, supported, or assisted in any way with a

participant's or beneficiary's claim."

(f) Article XI of the Purchase Agreement is hereby revised as follows:

(i) Add the following sentence to the end of Section 11.2: "For purposes of this Article XI, the term 'Purchaser' shall be deemed to mean "Purchaser or any of its Affiliates."

(ii) Reword clause (x) of Section 11.2 to read: "the Shareholder's existing mechanical locking and electro-mechanical locking business activities,".

3. To the extent that consents are not obtained from the relevant lessor with respect to the lease covering the 1992 Lexus SC400 (vehicle number 01-0472-13540), Seller shall make available the benefit of such lease agreement as contemplated hereby and Purchaser shall make any payments due under the lease directly to Sellers.

4. This Amendment shall be considered an integral part of the Purchase Agreement and shall be binding upon each party from the date first above written. Subject only to the modification referred to in this Amendment, the Purchase Agreement shall remain in full force and effect and where necessary shall be read and construed and be enforceable as if the terms of this Amendment were inserted.

5. The provisions of Section 12.13 (Arbitration) and Section 12.14 (Governing Law) of the Purchase Agreement shall apply also to this Amendment.

IN WITNESS WHEREOF, the parties hereof have executed this Amendment as of the date first above written.

CARDKEY SYSTEMS, INC.

By: /s/ Clas Thelin  
-----  
Clas Thelin

Its: President & CEO  
-----

2

CARDKEY SYSTEMS, LTD.

By: /s/ Clas Thelin  
-----  
Clas Thelin

Its: Director  
-----

CARDKEY SICHERHEITSSYSTEME GmbH

By: /s/ Clas Thelin  
-----  
Clas Thelin

Its: Authorized Signatory  
-----

AMTECH CORPORATION

By: /s/ Ronald A. Woessner  
-----  
Ronald A. Woessner

Its: Vice President & General Counsel  
-----

ASSA ABLOY AB

By: /s/ Clas Thelin  
-----  
Clas Thelin

Its: Authorized Signatory

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PROMISSORY NOTE

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\$ 6,000,000

August 1, 1995

FOR VALUE RECEIVED, the undersigned ("Maker") hereby promises to pay to the order of Cardkey Systems, Inc., an Oregon corporation ("Cardkey US"), or its transferee(s) (the "Payee"), c/o Arrow Lock Manufacturing Company, 103-00

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Foster Avenue, Brooklyn, New York 11236, or at such other place as the Payee may specify in writing, in lawful money of the United States of America, the principal sum of six million dollars and no cents (\$6,000,000.00), subject to adjustment as provided below.

This note is being issued in connection with that certain Purchase Agreement, dated June 20, 1995, among Amtech Corporation, a Texas corporation ("Amtech"), Payee, and Cardkey Systems, Ltd., a United Kingdom corporation, Cardkey Sicherheitssysteme GmbH, a German corporation, and Assa Abloy AB, a Swedish corporation.

This note will be non-interest bearing; provided, that, this note will

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bear interest from and after the occurrence of an Event of Default at the rate of interest equal to the rate of interest being paid with respect to six month U.S. Treasury bills, as reported in the Wall Street Journal on the date of such

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Event of Default (the "default interest rate"). The default interest rate shall be adjusted semi-annually.

The principal of this note shall be due and payable in two installments of \$3.0 million, one of which is payable on March 31, 1997, and one of which is payable on March 31, 1998; provided, that, Maker may at its option,

-----

in lieu and in complete satisfaction of the aforesaid 1998 payment, make a payment of \$2.0 million on March 31, 1996.

Payments under this note are secured by that certain Escrow Agreement (the "Escrow Agreement"), dated on or about the date hereof, among Maker, Shareholder, and Bank One, Texas, N.A., as escrow agent and are guaranteed by that certain Guaranty executed by Amtech ("Guarantor"), dated on or about the date hereof.

Maker may prepay the principal of this note in whole or in part at any time and from time to time without premium or penalty.

The Payees shall have the right without notice to Maker to declare all unpaid principal of this note due and payable in full prior to the stated maturity thereof if any one or more of the following events of default ("Events of Default") shall have occurred (a) Maker or Guarantor shall file, or there shall be filed

Promissory Note  
August 1, 1995

against Maker or Guarantor any petition for relief under any bankruptcy or other debtor relief laws, (b) either Maker or Guarantor shall admit in writing its inability to pay its debts generally as they become due, or (c) Maker shall fail to pay any unpaid principal of this note at the time payment is due as provided for herein.

Upon the occurrence of any one or more of the Events of Default, in addition to the rights of the Payee specified in the preceding paragraph, the Payee may exercise any all legal and equitable rights and remedies afforded



under applicable law (including without limitation the right to exercise its remedies under the Escrow Agreement).

If this note shall be placed in the hands of an attorney for collection, Maker shall reimburse the Payee for all costs of collection, including court costs and reasonable attorney's fees.

Maker and each guarantor, surety, endorser, and other party who may now or in the future be liable for payment of this note hereby waive presentment, demand for payment, protest, notice of protest and non-payment, notice of intent to accelerate payment, notice of default or nonpayment, and all other notices and demands of every character whatsoever, and agree that their liability on this note shall not be affected by, and hereby consent to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this note.

This note shall be governed by and construed in accordance with the internal laws of the State of New York.

IN WITNESS WHEREOF, Maker has executed this note as of the date first set forth above.

VIKING ACQUISITION COMPANY  
(to be renamed "CARDKEY SYSTEMS, INC.")

By: /s/ Ronald A. Woessner

-----  
Ronald A. Woessner,  
President

GUARANTY  
-----

August 1, 1995

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Cardkey Systems, Inc. an Oregon corporation

("Creditor"), to accept a Promissory Note in the original principal amount of  
-----

\$6,000,000 (herein, together with any renewal, extension, refunding, or refinancing thereof, called the "Note ) issued by Viking Acquisition Company, a Delaware corporation, which will be renamed "Cardkey Systems, Inc." (the "Company"), payable to the Creditor, pursuant to a Purchase Agreement, dated as of June 20, 1995 (herein, as modified or amended from time to time, called the "Purchase Agreement") among the Creditor, the undersigned Amtech Corporation, a Texas corporation (the "Guarantor"), Cardkey Systems, Ltd., a United Kingdom corporation, Cardkey Sicherheitssysteme GmbH, a German corporation, and Assa Abloy AB, a Swedish corporation, the Guarantor hereby unconditionally guarantees to the Creditor and its successors and assigns that the principal of the Note (hereinafter called the "Guaranteed Debt") will, be promptly paid in full when due in accordance with its terms, by acceleration or otherwise, or if renewed or extended, in accordance with the terms of such renewal or extension.

The obligations of the Guarantor hereunder shall be unconditional irrespective of (a) the genuineness, validity, regularity, or enforceability of any of the Guaranteed Debt, (b) any modification, amendment or variation in or addition to the terms of any of the Guaranteed Debt or any covenants in respect thereof or any security therefor, (c) any extension of time for performance or waiver of performance of any covenant of the Guarantor or any failure or omission to enforce any right, (d) any taking, exchange, surrender, release, or other dealing with any collateral therefor, or (e) any other circumstance which may or might in any manner constitute a legal or equitable discharge of a surety or guarantor, it being the intent hereof that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances and shall not be discharged except by payment as herein provided.

The Guarantor hereby waives diligence, presentment, demand, protest, and all notices whatsoever (including notice of acceptance of this Guaranty and of the incurrence of any Guaranteed Debt).

The Guarantor hereby waives any and all rights of subrogation with respect to this Guaranty until such time as the Guaranteed Debt has been paid in full.

Guaranty  
August 1, 1995

This Guaranty and all rights and obligations arising hereunder shall be governed by the law of New York and may not be modified except in writing.

IN WITNESS WHEREOF, this instrument has been executed by the undersigned as of the date first set forth above.

AMTECH CORPORATION

By: /s/ Ronald A. Woessner  
-----

Ronald A. Woessner,  
Vice President & General Counsel

The Board of Directors  
Cardkey Systems Limited

We consent to the incorporation by reference in the registration statements (No 33-34451) relating to the 1988 Stock Option Plan, 1989 Stock Option Plan, 1990 Stock Option Plan, and the Original Stock Option Plan of Amtech Corporation and (No 33-53010) relating to the 1992 Stock Option Plan both on Form S-8 of Amtech Corporation of our UK statutory audit reports dated May 25, 1995 and March 25, 1994 with respect to the consolidated balance sheets of Cardkey Systems Limited and subsidiaries as of December 31, 1994 and 1993, and the related consolidated profit and loss account, and cash flow statement for the year ended December 31, 1994 and the 10 month period ended December 31, 1993, which reports appear in the Form 10-Q of Amtech Corporation dated August 10, 1995.

KPMG  
Reading, England  
August 10, 1995

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion by reference in the Registration Statement (Form S-8 No. 33-34451) pertaining to the 1988 Stock Option Plan, 1989 Stock Option Plan, 1990 Stock Option Plan, and the Original Stock Plan of Amtech Corporation, and in the Registration Statement (Form S-8 No. 33-53010) pertaining to the Amtech Corporation 1992 Stock Option Plan of our report dated January 27, 1995, with respect to the financial statements of Cardkey Systems, Inc. in this Quarterly Report (Form 10-Q) of Amtech Corporation dated August 10, 1995.

Crowe, Chizek and Company

Oak Brook, Illinois  
August 9, 1995

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CARDKEY SYSTEMS, INC.  
Simi Valley, California

FINANCIAL STATEMENTS  
December 31, 1994 and 1993

CARDKEY SYSTEMS, INC.  
Simi Valley, California

FINANCIAL STATEMENTS  
December 31, 1994 and 1993

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[LOGO OF CROWE CHIZEK APPEARS HERE]

REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Cardkey Systems, Inc.  
Simi Valley, California

We have audited the accompanying balance sheets of Cardkey Systems, Inc. as of December 31, 1994 and 1993, and the related statements of operations, shareholders' equity and cash flows for the year ended December 31, 1994, the ten months ended December 31, 1993 and the year ended February 28, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements were prepared to present the financial position, results of operations and cash flows of Cardkey Systems, Inc. as indicated in the purchase agreement described in Note 1, and are not intended to be a complete presentation of the Company's assets, liabilities, results of operations and cash flows.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cardkey Systems, Inc. as of

December 31, 1994 and 1993, and the results of its operations and its cash flows for the year ended December 31, 1994, the ten months ended December 31, 1993, and the year ended February 28, 1993, based on the operations of Cardkey Systems, Inc. being sold as indicated in the purchase agreement referred to in Note 1, in conformity with generally accepted accounting principles.

/s/ CROWE, CHIZEK AND COMPANY

Crowe, Chizek and Company

Oak Brook, Illinois  
January 27, 1995

1.

CARDKEY SYSTEMS, INC.  
BALANCE SHEETS  
December 31, 1994 and 1993

	1994	1993
	----	----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 157,787	\$ 50,313
Accounts receivable, net (Note 3)	12,662,375	15,061,340
Accounts receivable - affiliates	1,569,191	896,311
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 4)	1,127,000	1,304,000
Inventories (Note 5)	3,941,868	5,244,370
Prepaid expenses	175,513	320,833
	-----	-----
Total current assets	19,633,734	22,877,167
Leasehold improvements and equipment		
Leasehold improvements	1,118,733	1,098,733
Machinery and equipment	5,157,154	3,873,548
Vehicles	25,780	25,780
Furniture and fixtures	2,394,269	2,174,713
Construction in progress	388,049	296,392
	-----	-----
	9,083,985	7,469,166
Accumulated depreciation	5,422,110	4,104,610
	-----	-----
	3,661,875	3,364,556
Intangible assets, net (Note 7)		
	3,586,527	5,812,145
Other assets	83,911	93,223
	-----	-----
	\$26,966,047	\$32,147,091
	=====	=====

See accompanying notes to financial statements.

2.

	1994 ----	1993 ----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of capitalized lease obligations (Note 8)	\$ 52,834	\$ 152,787
Current maturities of notes due affiliates (Note 9)	14,932,000	7,632,000
Loan due affiliates (Note 2)	-	465,303
Accounts payable - trade	4,096,559	3,906,574
Accounts payable - affiliates	272,217	232,622
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 4)	2,263,000	1,084,000
Accrued liabilities (Note 7)	3,229,509	2,914,538
	-----	-----
Total current liabilities	24,846,119	16,387,824
Capitalized lease obligations, less current maturities (Note 8)	-	52,834
Notes due to affiliates, less current maturities (Note 9)	3,564,000	6,396,000
Shareholders' equity		
Common stock - \$.01 par value; 1,000,000 shares authorized, 1,000 shares issued and outstanding	10	10
Additional paid-in capital	21,039,990	21,039,990
Accumulated deficit	(22,484,072)	(11,729,567)
	-----	-----
	(1,444,072)	9,310,433
	-----	-----
	\$26,966,047	\$32,147,091
	=====	=====

-----  
See accompanying notes to financial statements.

3.

CARDKEY SYSTEMS, INC.  
STATEMENTS OF OPERATIONS  
For the year ended December 31, 1994, the ten months ended  
December 31, 1993 and the year ended February 28, 1993

	December 31, 1994 ----	Ten months ended December 31, 1993 ----	February 28, 1993 ----
Net sales	\$53,122,199	\$53,860,781	\$47,739,560
Cost of goods sold	40,110,388	38,494,833	32,196,854
	-----	-----	-----
Gross profit	13,011,811	15,365,948	15,542,706
Selling and administrative expenses	20,452,717	13,000,009	14,425,077



Income (loss) from operations	(7,440,906)	2,365,939	1,117,629
Other income (expense)			
Interest expense	(905,675)	(657,993)	(1,171,026)
Amortization of intangible assets	(2,225,619)	(2,263,171)	(2,715,805)
Miscellaneous	(182,305)	(288,782)	44,441
Loss on sale of subsidiary (Note 14)	-	-	(986,983)
	(3,313,599)	(3,209,946)	(4,829,373)
Net loss	\$ (10,754,505)	\$ (844,007)	\$ (3,711,744)
Net loss per share	\$ (10,754.51)	\$ (844.00)	\$ (3,711.74)

See accompanying notes to financial statements.

4.

CARDKEY SYSTEMS, INC.  
STATEMENTS OF SHAREHOLDERS' EQUITY  
For the year ended December 31, 1994, the ten months ended  
December 31, 1993 and the year ended February 28, 1993

	Common Stock		Additional Paid-in Capital	Foreign Currency Translation Adjustment	Accumulated Deficit	Total
	Shares	Amount				
Balance March 1, 1992	1,000	\$ 10	\$21,039,990	\$ 315,590	\$(7,173,816)	\$14,181,774
Foreign currency translation adjustment	-	-	-	(315,590)	-	(315,590)
Net loss	-	-	-	-	(3,711,744)	(3,711,744)
Balance February 28, 1993	1,000	10	21,039,990	-	(10,885,560)	10,154,440
Net loss	-	-	-	-	(844,007)	(844,007)
Balance December 31, 1993	1,000	10	21,039,990	-	(11,729,567)	9,310,433
Net loss	-	-	-	-	(10,754,505)	(10,754,505)
Balance December 31, 1994	1,000	\$ 10	\$21,039,990	\$ -	\$(22,484,072)	\$ (1,444,072)

See accompanying notes to financial statements.

5.

CARDKEY SYSTEMS, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 1994 and the ten months ended  
December 31, 1993, and the year ended February 28, 1993

	December 31, 1994	Ten months ended December 31, 1993	February 28, 1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (10,754,505)	\$ (844,007)	\$ (3,711,744)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	3,543,119	3,233,769	4,031,631
Provision for allowance for doubtful accounts	670,506	90,115	328,933
Loss on sale of subsidiary	-	-	986,983
Change in operating assets and liabilities, net of effects from the sale of subsidiary for the year ended February 28, 1993			
Accounts receivable	1,728,459	(4,342,617)	2,656,494
Due from affiliates	(672,880)	2,040,964	(2,486,156)
Cost and estimated earnings in excess of billings on uncompleted contracts	177,000	(867,000)	(437,000)
Inventories	1,302,502	(470,233)	5,892
Prepaid expenses	145,320	97,821	428,184
Other assets	9,312	(39,983)	64,424
Accounts payable	189,984	69,632	3,413,444
Due to affiliates	39,586	67,310	(1,907,249)
Billings in excess of cost and estimated earnings on uncompleted contracts	1,179,000	859,000	225,000
Accrued liabilities	314,980	(376,464)	(240,276)
Net cash (used in) provided by operating activities	(2,127,617)	(481,693)	3,358,560
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,614,820)	(954,442)	(1,004,417)
Sale of subsidiary, net of cash sold	-	-	(925,286)
Net cash used in investing activities	(1,614,820)	(954,442)	(1,929,703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan due affiliates	-	465,303	-
Net proceeds from notes to affiliates	4,468,000	576,000	-
Payments on capitalized lease obligations	(152,786)	(188,639)	(213,383)
Payments on loans due affiliates	(465,303)	-	(2,908,133)
Net cash provided by (used in) financing activities	3,849,911	852,664	(3,121,516)
Effect of exchange rate changes on cash	-	-	9,679
Net change in cash and cash equivalents	107,474	(583,471)	(1,682,980)
Cash and cash equivalents at beginning of period	50,313	633,784	2,316,764
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 157,787	\$ 50,313	\$ 633,784

See accompanying notes to financial statements.

6.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These financial statements have been prepared pursuant

to the purchase agreement dated June 20, 1995 between the Company and Amtech Corporation and are not intended to be a complete presentation of the Company's assets, liabilities, results of operations, and cash flows. These financial statements have been prepared by Cardkey Systems, Inc. in accordance with generally accepted accounting principles with only such deviations as follows: the Company's wholly-owned subsidiaries, VingCard Systems, Inc., Abloy Security, Inc., and Securitas Lock Group, Inc., have not been consolidated, and its equity in income of wholly-owned subsidiaries has been excluded from the statement of operations because these operations are not being sold.

Nature of Business: The Company is engaged in the manufacture, sale, and installation of high security access systems. The Company sells its products throughout North America and Australia.

Revenue Recognition: Revenue from sales of hardware and software is recognized  
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when the product is shipped. Revenue from long-term installation contracts is recognized on the percentage of completion method, measured by the percentage of cost incurred to date to estimated total costs for each contract.

Inventories: Inventories are stated at the lower of cost or market on a first-  
-----  
in, first-out method. The cost of work in process and finished goods inventories include material, direct labor and factory overhead.

Leasehold Improvements and Equipment: Leasehold improvements and equipment are  
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carried at cost. Depreciation is computed using the straight-line method over the shorter of the estimated useful life of the asset or the term of the lease. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Intangible Assets: Intangible assets include capitalized software, firmware,  
-----  
engineering drawings, product documentation, patents, licenses, maintenance agreements, new products, and goodwill.

Deferred Maintenance Revenues: The Company engages in field service maintenance  
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contracts with certain customers. The contracts generally provide sufficient revenues to offset the cost of both direct repair work and maintenance work performed by the Company. When such revenues are billed prior to providing services, they are deferred and recognized over the term of the related contract.

Warranties: The Company's products are generally under warranty against defects  
-----  
in material and workmanship for a period of one year. The Company has established an accrual for these anticipated future warranty costs based upon estimates derived from experience factors.

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(Continued)

7.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The provision for income taxes includes federal and state taxes  
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currently payable and deferred taxes arising from temporary differences between the financial statement and tax bases of assets and liabilities using currently enacted rates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the  
-----  
Company considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Company is a subsidiary of ASSA ABLOY located in Stockholm, Sweden. Other members of the Group include Oy Abloy Security, Ltd., a Finnish corporation engaged in manufacturing and distributing high security mortise locks, and Trio Ving a.s., a Norwegian corporation engaged in manufacturing and distributing locks and security systems principally for the hotel industry.

The Company is dependent upon the financial support of its parent and the ASSA ABLOY worldwide organization for operating and capital needs. As of December 31, 1994, ASSA ABLOY guaranteed approximately \$42,000,000 of performance bonds on various contracts. Metra Financial Services, Inc., an affiliated company, provided a line of credit of \$1,000,000 to the Company for working capital needs. The line of credit was unsecured and bore interest at the LIBOR rate plus 1.75%. The amount due under the line was \$465,303 at December 31, 1993. The line of credit expired in 1994.

In addition, sales to Trio Ving a.s. and other affiliated companies aggregated approximately \$2,560,000, \$1,463,000 and \$884,000 during the year ended December 31, 1994, the ten months ended December 31, 1993 and the year ended February 28, 1993, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at December 31, 1994 and 1993:

	1994 ----	1993 ----
Accounts receivable - trade	\$10,762,165	\$13,276,467
Unbilled contract receivables	2,378,037	2,156,700
	-----	-----
	13,140,202	15,433,167
Less: Allowance for doubtful accounts	477,827	371,827
	-----	-----
	\$12,662,375	\$15,061,340
	=====	=====

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(Continued)

8.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 3 - ACCOUNTS RECEIVABLE (Continued)

In the normal course of the Company's business, situations develop which require revisions to contract specifications for additional costs to be incurred and, as a result, renegotiation of the contract price. Negotiations and final pricing of these contract modifications may result in gains or losses in future years when final agreement is reached. The ultimate outcome of these contract price modifications is recorded when determined.

Included in accounts receivable are amounts representing balances billed, but not paid, by customers under retainage provisions in contracts. Total retentions as of December 31, 1994 and 1993 approximated \$2,580,000 and \$1,457,000, respectively.

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts are comprised of the following at December 31, 1994 and 1993:

1994

1993

	----	----
Costs incurred on uncompleted contracts	\$ 35,337,000	\$ 28,480,000
Estimated earnings	7,798,000	6,520,000
	-----	-----
	43,135,000	35,000,000
Less billings to date	(44,271,000)	(34,780,000)
	-----	-----
	\$ (1,136,000)	\$ 220,000
	=====	=====

	1994	1993
	----	----
Included in the accompanying balance sheet under the following captions		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 1,127,000	\$ 1,304,000
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,263,000)	(1,084,000)
	-----	-----
	\$ (1,136,000)	\$ 220,000
	=====	=====

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(Continued)

9.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

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NOTE 5 - INVENTORIES

The major components of inventories at December 31, 1994 and 1993 are summarized as follows:

	1994	1993
	----	----
Raw materials	\$1,614,106	\$2,026,720
Work in process	672,267	831,018
Finished goods	2,255,495	2,986,632
	-----	-----
	4,541,868	5,844,370
Less reserves for obsolescence	600,000	600,000
	-----	-----
	\$3,941,868	\$5,244,370
	=====	=====

NOTE 6 - INTANGIBLE ASSETS

A detailed summary of intangible assets at December 31, 1994 and 1993 is as follows:

Category	1994	1993	Asset Life
-----	----	----	-----

Goodwill	\$ 2,208,583	\$ 2,208,583	10 years
Software	6,719,000	6,719,000	5 years
Engineering drawings	4,711,000	4,711,000	10 years
License	2,039,000	2,039,000	5 years
Other intangibles	1,859,735	1,859,735	1-5 years
	-----	-----	
	17,537,318	17,537,318	
Accumulated amortization	13,950,791	11,725,173	
	-----	-----	
	\$ 3,586,527	\$ 5,812,145	
	=====	=====	

NOTE 7 - ACCRUED LIABILITIES

At December 31, 1994 and 1993, accrued liabilities consisted of the following:

	1994	1993
	----	----
Salaries, wages and commissions payable	\$ 885,316	\$ 790,390
Vacation pay	241,098	331,721
Product warranties	405,942	405,942
Interest	140,965	126,146
Deferred maintenance revenue	1,120,750	983,382
Other	435,438	276,957
	-----	-----
	\$3,229,509	\$2,914,538
	=====	=====

-----  
(Continued)

10.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 8 - CAPITAL LEASES

The Company is the lessee of certain assets under capital leases expiring in various years through 1996. These assets are included in the leasehold improvements and equipment captions in the balance sheet at December 31, 1994 and 1993 as follows:

	1994	1993
	----	----
Leasehold improvements	\$ -	\$ 221,079
Computer equipment	-	317,471
Furniture and fixtures	635,713	635,713
	-----	-----
	635,713	1,174,263
Accumulated depreciation	(497,974)	(708,320)
	-----	-----
	\$ 137,739	\$ 465,943
	=====	=====

Future minimum payments under capital lease agreements are \$55,283 which includes interest of \$2,449.

NOTE 9 - NOTES DUE TO AFFILIATE

	1994 ----	1993 ----
Note due to ASSA ABLOY bears interest at 6.00%, payable in quarterly installments of \$708,000 and matures in 1997.	\$ 6,396,000	\$ 9,228,000
Note due to ASSA ABLOY bears interest at 6.95%, payable in full February 28, 1995.	12,100,000	4,800,000
	-----	-----
	18,496,000	14,028,000
Less current maturities	14,932,000	7,632,000
	-----	-----
	\$ 3,564,000	\$ 6,396,000
	=====	=====

Debt payments for years subsequent to December 31, 1994 are as follows:

1995	\$14,932,000
1996	2,832,000
1997	732,000
	-----
	\$18,496,000
	=====

The Company owed ASSA ABLOY \$140,965 and \$126,146 for interest as of December 31, 1994 and 1993, respectively.

-----  
(Continued)

11.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 10 - INCOME TAXES

Effective March 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". The adoption of SFAS 109 changed the Company's method of accounting for income taxes from the deferred method (APB Opinion No. 11) to an asset and liability approach. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of asset and liabilities, and allows the recognition of a deferred tax asset for the benefit of loss carryforwards.

The effect of adoption of SFAS 109 as of March 1, 1993, had no cumulative effect on the 1993 financial statements.

Income tax expense is summarized as follows:

	December 31, 1994 ----	Ten months ended December 31, 1993 ----	February 28, 1993 ----
Change in valuation allowance	\$ 1,102,000	\$ 232,000	\$ -
Deferred	39,000	(232,000)	-
Benefit of tax loss carryforward	(1,141,000)	-	-
	-----	-----	-----
	\$ -	\$ -	\$
	=====	=====	=====

The components of deferred taxes as of December 31, 1994 and 1993 are as follows:

	1994 ----	1993 ----
Deferred tax liabilities		
Depreciation	\$ 32,000	\$ -
	-----	-----
	32,000	-
Deferred tax assets		
Accounts receivable allowance	182,000	141,000
Inventory	14,000	14,000
Accrued vacation	92,000	126,000
Depreciation	-	20,000
Accrued interest	54,000	48,000
Loss on sale of subsidiary	375,000	375,000
Other	60,000	60,000
Tax loss carryforwards	1,640,000	499,000
	-----	-----
	2,417,000	1,283,000
Valuation allowance	(2,385,000)	(1,283,000)
	-----	-----
	32,000	-
	-----	-----
	\$ -	\$ -
	=====	=====

(Continued)

12.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 10 - INCOME TAXES (Continued)

The valuation allowance at December 31, 1994 reflects management's estimate of temporary deductible differences that may expire prior to their utilization. Income tax expense differs from expense at statutory rates for the year ended December 31, 1994 and the ten months ended December 31, 1993 primarily due to the change in the valuation allowance. For the year ended February 28, 1993, the Company accounted for income taxes in accordance with APB 11.



At December 31, 1994, the Company had tax loss carryforwards of \$4,316,000 which are available to reduce future taxable income.

The approximate expirations of the net operating loss carryforward are as follows:

	Net Operating Loss -----
2004	\$1,314,000
2008	290,000
2009	2,712,000 -----
	\$4,316,000 =====

Since Cardkey Systems, Inc. was a member of a consolidated group, some of its losses were offset each year by other group members' taxable income. Beginning January 1, 1995, Cardkey Systems, Inc. will file its own consolidated tax return. The net operating losses above represent only the losses that will be available to the Company in future years.

NOTE 11 - OPERATING LEASES

The Company leases manufacturing and office facilities at various locations, as well as equipment, under noncancelable operating leases. These leases provide for minimum rental payments plus additional amounts for real estate taxes, maintenance and insurance. Rent expense for the year ended December 31, 1994, the ten months ended December 31, 1993 and the year ended February 28, 1993 was approximately \$1,547,000, \$1,213,000 and \$1,447,000, respectively. Future minimum rental payments under all operating leases with remaining noncancelable lease terms in excess of one year at December 31, 1994, are as follows:

1995	\$1,103,340
1996	867,576
1997	763,747
1998	763,747
1999	325,459
Thereafter	212,630 -----
	\$4,036,499 =====

-----  
(Continued)

13.

CARDKEY SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

-----  
NOTE 12 - EMPLOYEES RETIREMENT PLAN

The Company has established a profit sharing plan, with a 401(k) feature,

covering substantially all employees. Company contributions to the plan are discretionary. No contributions were made for the year ended December 31, 1994, the ten months ended December 31, 1993 and the year ended February 28, 1993.

NOTE 13 - SALE OF SUBSIDIARY

On February 28, 1993, the Company sold its investment in Cardkey Systems, Ltd. and Subsidiary, a wholly-owned subsidiary. The subsidiary was sold to Metra Corporation, an affiliated company, for \$2,653,917. This amount is classified in accounts receivable - affiliates in the balance sheet. The transaction resulted in a loss of \$986,983 which was recorded in the Company's statement of operations for the year ended February 28, 1993. The foreign currency translation adjustment was eliminated as a result of this transaction.

NOTE 14 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest and income taxes during the year ended December 31, 1994, the ten months ended December 31, 1993 and the year ended February 28, 1993, was as follows:

	December 31, 1994 ----	Ten months ended December 31, 1993 ----	February 28, 1993 ----
Interest	\$890,856	\$727,824	\$1,559,521
Income taxes	17,252	16,747	7,983

In addition, the Company had the following noncash investing activity:

In connection with the sale of Cardkey Systems, Ltd. and Subsidiary, receivable issued, net of cash sold of \$925,286, was as follows:

Net book value of assets sold	\$3,640,900
Loss on sale	(986,983)
Cash received	-
	-----
Receivable issued	\$2,653,917
	=====

## CARDKEY SYSTEMS, INC.

EXHIBIT 99.2

CONDENSED BALANCE SHEETS  
(In thousands, except share data)

(Unaudited)

	Mar 31, 1995 -----	Dec 31, 1994 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 141	\$ 158
Accounts receivable, net of allowance for doubtful accounts of \$562,000 in 1995 and \$728,000 in 1994	14,087	12,662
Accounts receivable from related parties	1,986	1,569
Costs and estimated earnings in excess of billings on uncompleted contracts	--	1,127
Inventories (Note 2)	3,989	3,942
Prepaid expenses	664	176
	-----	-----
Total current assets	20,867	19,634
Property and equipment, at cost	9,276	9,084
Accumulated depreciation	(5,687)	(5,422)
	-----	-----
	3,589	3,662
Goodwill, net (Note 3)	3,398	3,670
	-----	-----
	\$ 27,854	\$ 26,966
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,550	\$ 4,369
Billings in excess of costs and estimated earnings on uncompleted contracts	1,761	2,263
Accrued expenses	3,118	3,282
Short term debt	20,039	14,932
	-----	-----
Total current liabilities	27,468	24,846
Deferred license revenues		
Long term debt	3,564	3,564
Stockholders' equity:		
Common stock, \$.01 par value, 1,000,000 shares authorized; shares issued and outstanding: 1,000 in 1995 and 1,000 in 1994	--	--
Additional paid-in capital	21,040	21,040
Accumulated deficit	(24,218)	(22,484)
	-----	-----
Total stockholders'		
equity	(3,178)	(1,444)
	-----	-----
	\$ 27,854	\$ 26,966
	=====	=====

See accompanying notes.

CARDKEY SYSTEMS, INC.

CONDENSED STATEMENTS OF OPERATIONS  
(In thousands)

(Unaudited)

Three Months  
Ended March 31

	1995	1994
	-----	-----
Sales	\$ 12,634	\$ 12,831
Operating costs and expenses:		
Cost of sales	8,512	8,772
Research and development	748	556
Marketing, general and administrative	4,532	4,589
	-----	-----
	13,792	13,917
	-----	-----
Operating loss	(1,158)	(1,086)
Amortization of intangible assets	(189)	(678)
Interest expense, net	(387)	(228)
Other	--	(58)
	-----	-----
Net loss	\$ (1,734)	\$ (2,050)
	=====	=====

See accompanying notes.

CARDKEY SYSTEMS, INC.

CONDENSED STATEMENTS OF CASH FLOWS  
(In thousands)

(Unaudited)

	Three Months Ended March 31	
	1995	1994
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (1,734)	\$ (2,050)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	265	289
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,842)	683
Decrease in inventories	1,080	125
Increase in prepaid expenses	(488)	(225)
Decrease in other assets	272	679
Decrease in current liabilities	2,622	854
	-----	-----
Total adjustments	1,909	2,405
	-----	-----
Net cash provided (used) by operating activities	175	355
Cash flows from investing activities:		
Purchases of property and equipment	(192)	(355)
Purchase of subsidiary	--	--
	-----	-----
Net cash used by investing activities	(192)	(355)
	-----	-----
Increase (decrease) in cash and cash equivalents	(17)	0

Cash and cash equivalents, beginning of period	158	50
	-----	-----
Cash and cash equivalents, end of period	\$ 141	\$ 50
	=====	=====

See accompanying notes.

CARDKEY SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited but have been prepared in the ordinary course of business for the purpose of providing information with respect to interim periods. The Condensed Balance Sheet at December 31, 1994 was derived from the audited Balance Sheet at that date. Management of the Company believes that all adjustments necessary for a fair presentation for such periods have been included and are of a normal recurring nature. The results of operations for the three-month period ended March 31, 1995 are not necessarily indicative of the results to be expected for the full year.

2. INVENTORIES

Inventories consist of the following:

	Mar 31, 1995	Dec 31, 1994
	-----	-----
Raw materials	\$ 728,000	\$ 790,000
Work in process	625,000	672,000
Finished goods	2,636,000	2,480,000
	-----	-----
	\$ 3,989,000	\$ 3,942,000
	=====	=====

Cardkey Systems Limited

Directors' report and consolidated  
financial statements

31 December 1994

Registered number 845519

Cardkey Systems Limited

Directors' report and consolidated financial statements

Contents	Page
Directors' report	1 - 2
Auditors' report	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Parent company balance sheet	6
Consolidated cash flow statement	7
Statement of total recognised gains and losses	8
Notes	9 - 21

Cardkey Systems Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

Principal activities

The principal activity of the group is the manufacture and sale of electronic access control equipment.

Business review

The company's activities continue to be affected by the recessionary influence pervading the economic environment. Consequently there has been very little change in the levels of business.

Fixed assets

Movements in fixed assets during the period are set out in note 9.

Directors and directors' interests

The directors who held office during the period were as follows:

JK Siren  
DB Eastell  
SW Hall

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or other group

companies.

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Cardkey Systems Limited

Directors' report (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- . prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets and to prevent and detect fraud and other irregularities.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

R Aris  
Company Secretary

23 Stadium Way  
READING  
Berkshire  
RG3 6ER

25 April 1995

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[LETTERHEAD OF KPMG APPEARS HERE]

Arlington Business Park  
Theale  
Reading RG7 4SD

Report of the auditors to the members of Cardkey Systems Limited

We have audited the financial statements on pages 4 to 21.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1994 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

25 May 1995

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Cardkey Systems Limited

Consolidated profit and loss account  
for the year ended 31 December 1994

		Year ended 31 December	10 months to 31 December
	Note	1994	1993
		(Pounds) 000	(Pounds) 000
Turnover	2	10,290	8,591
Cost of sales	6	(7,103)	(5,800)
		-----	-----
Gross profit		3,187	2,791
Distribution costs	6	(2,624)	(2,137)
Administrative expenses	6	(784)	(628)
		-----	-----
Operating (loss)/profit		(221)	26
Interest receivable and similar income		31	29
Interest payable and similar charges	7	(52)	(66)
		-----	-----
Loss on ordinary activities before taxation	3	(242)	(11)



Tax on loss on ordinary activities	8	76	-
		-----	-----
Loss for the period		(166)	(11)
		=====	=====

A statement of movements on reserves is given in note 15.

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Cardkey Systems Limited

Consolidated balance sheet  
at 31 December 1994

	Note	1994		1993	
		(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Fixed assets					
Tangible assets	9		350		364
Current assets					
Stocks	11	876		982	
Debtors	12	2,628		2,435	
Cash at bank and in hand		544		781	
		-----		-----	
		4,048		4,198	
Creditors: amounts falling due within one year	13	2,760		2,719	
Net current assets			1,288		1,479
			-----		-----
Total assets less current liabilities			1,638		1,843
			=====		=====
Capital and reserves					
Called up share capital	14		1,023		1,023
Profit and loss account	15		615		820
			-----		-----
Shareholders' funds			1,638		1,843
			=====		=====

These financial statements were approved by the board of directors on 25 April 1995 and were signed on its behalf by:

SW Hall  
Director

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Cardkey Systems Limited

Balance sheet  
at 31 December 1994

	Note	1994		1993	
		(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Fixed assets					
Tangible assets	9		340		355
Investments	10		441		378
			-----		-----
Current assets			781		733
Stocks	11	758		882	
Debtors	12	2,255		2,240	
Cash at bank and in hand		526		677	
		-----		-----	

		3,539	3,799
Creditors: amounts falling due within one year	13	2,710	2,689
		-----	-----
Net current assets		829	1,110
		-----	-----
Total assets less current liabilities		1,610	1,843
		=====	=====
Capital and reserves			
Called up share capital	14	1,023	1,023
Profit and loss account	15	587	820
		-----	-----
Shareholders' funds		1,610	1,843
		=====	=====

These financial statements were approved by the board of directors on 25 April 1995 and were signed on its behalf by:

SW Hall  
Director

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#### Cardkey Systems Limited

#### Consolidated cash flow statement for the year ended 31 December 1994

	Note	1994		1993	
		(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Net cash (outflow)/inflow from operating activities	20		(49)		283
Exchange loss arising on consolidation			(39)		-
Return on investments and servicing of finance					
Interest received		31		29	
Interest paid		(59)		(66)	
		-----		-----	
Net cash outflow from returns on investment and servicing of finance			(28)		(37)
Taxation					
UK corporation tax paid/received		-		-	
		-----		-----	
Tax paid/received			-		-
Investing activities					
Purchase of tangible fixed assets		(121)		(44)	
Sale of tangible fixed assets		-		-	
		-----		-----	
Net cash outflow from investing activities			(121)		(44)
(Decrease)\increase in cash and cash equivalents	21		(237)		202
			=====		=====

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#### Cardkey Systems Limited

#### Statement of total recognised gains and losses for the year ended 31 December 1994

	Year ended 31 December 1994 (Pounds)000	10 months to 31 December 1993 (Pounds)000
Profit/(loss) for the financial period	(166)	(11)
Exchange loss arising on consolidation	(39)	-
	-----	-----
Total recognised gains and losses	(205) =====	(11) =====

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Cardkey Systems Limited

Notes  
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The group financial statements consolidate the financial statements of Cardkey Systems Limited and all its subsidiary undertakings. These financial statements are made up to 31 December 1994.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

In accordance with Section 230(4) of the Companies Act 1985 Cardkey Systems Limited is exempt from the requirement to present its own profit and loss account.

The amount of the loss for the financial period dealt with in the financial statements of Cardkey Systems Limited is disclosed in note 15 to these financial statements.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Plant and machinery	-	15-20% per annum
Computer equipment	-	20-33% per annum

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Cardkey Systems Limited

Notes (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

All translation differences arising on consolidation are dealt with as movements in reserves under the closing rate method.

#### Leases

All leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### Pension costs

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the period.

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Cardkey Systems Limited

Notes (continued)

2 Turnover

The turnover of the group is attributable to the group's main activity.

The geographical analysis of turnover is as follows:

	Year ended 31 December	10 months ended 31 December
	1994	1993
	(Pounds) 000	(Pounds) 000
United Kingdom	7,190	5,912
Europe	2,810	2,427
Middle East and Africa	146	124
United States of America	71	33
Far East and Australia	73	95
	<u>10,290</u>	<u>8,591</u>
	=====	=====

3 Loss on ordinary activities before taxation

	Year ended 31 December	10 months ended 31 December
	1994	1993
	(Pounds) 000	(Pounds) 000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	32	15
Other services	5	4
Depreciation and other amounts written off tangible fixed assets	137	124
Hire of plant and machinery - rentals payable under operating leases	303	294
Hire of other assets - operating leases	223	205
Foreign exchange (gain)/loss	(17)	46
	<u>=====</u>	<u>=====</u>

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Cardkey Systems Limited

Notes (continued)

4 Remuneration of directors

	Year ended 31 December	10 months ended 31 December
	1994	1993
	(Pounds) 000	(Pounds) 00

Directors' emoluments:

As directors	87	74
	=====	=====

The emoluments, excluding pension contributions, of the chairman were (Pounds)NIL (10 months ended 31 December 1993:(Pounds)NIL) and those of the highest paid director were (Pounds)74,668 (10 months ended 31 December 1993:(Pounds)62,410).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	Year ended 31 December	10 months ended 31 December
	1994	1993
(Pounds)0 - (Pounds) 5,000	2	2
(Pounds) 60,001 - (Pounds) 65,000	-	1
(Pounds) 70,001 - (Pounds) 75,000	1	-
	===	===

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of Employees	
	Year ended 31 December	10 months ended 31 December
	1994	1993
Administration	14	14
Production	70	88
Sales	54	58
	-----	-----
	138	160
	=====	=====

Cardkey Systems Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1994 (Pounds)000	10 months ended 31 December 1993 (Pounds)000
Wages and salaries	3,057	2,667
Social security costs	304	304
Other pension costs (see note 19)	282	182
	<u>3,643</u>	<u>3,153</u>
	=====	=====

6 Exceptional items

Included within cost of sales, administration and distribution expenses are exceptional redundancy costs of (Pounds)112,000 and stock write-offs of (Pounds)65,000.

7 Interest payable and similar charges

	Year ended 31 December 1994 (Pounds)000	10 months ended 31 December 1993 (Pounds)000
On bank loans, overdrafts and other loans wholly repayable within five years	1	2
On all other loans	51	64
	<u>52</u>	<u>66</u>
	=====	=====

Cardkey Systems Limited

Notes (continued)

8 Taxation

	Year ended 31 December 1994 (Pounds)000	10 months ended 31 December 1993 (Pounds)000
UK corporation tax at 33% (1993:33%) on the loss for the period on ordinary activities	76	-
Deferred taxation	-	-
	<u>76</u>	<u>-</u>
	=====	=====

=====

=====

The tax credit relates to group relief receivable from Abloy Security Holdings Ltd. Tax losses amounting to (Pounds)85,000 (31 December 1993:(Pounds)30,000) are available to relieve future profits of Cardkey Systems Limited.

9 Tangible fixed assets

	Short leasehold improvements  (Pounds) 000	Computer equipment  (Pounds) 000	Plant, machinery, fittings and equipment  (Pounds) 000	Total  (Pounds) 000
Group				
Cost				
At 1 January 1994	404	580	1,017	2,001
Additions	-	107	14	121
Disposals	-	(105)	(7)	(112)
	-----	-----	-----	-----
At 31 December 1994	404	582	1,024	2,010
	-----	-----	-----	-----
Depreciation				
At 1 January 1994	199	548	890	1,637
Charge for period	21	46	70	137
On disposals	-	(105)	(9)	(114)
	-----	-----	-----	-----
At 31 December 1994	220	489	951	1,660
	-----	-----	-----	-----
Net book value				
At 31 December 1994	184	93	73	350
	=====	=====	=====	=====
At 1 January 1994	205	32	127	364
	=====	=====	=====	=====

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Cardkey Systems Limited

Notes (continued)

9 Tangible fixed assets (continued)

	Short leasehold improvements  (Pounds) 000	Computer equipment  (Pounds) 000	Plant, machinery, fittings and equipment  (Pounds) 000	Total  (Pounds) 000
--	--	---	---	---------------------------

Company



Cost				
At 1 January 1994	404	579	974	1,957
Additions	-	108	9	117
Disposals	-	(104)	(9)	(113)
	-----	-----	-----	-----
At 31 December 1994	404	583	974	1,961
	-----	-----	-----	-----
Depreciation				
At 1 January 1994	199	548	855	1,602
Charge for period	21	46	64	131
On disposals	-	(104)	(8)	(112)
	-----	-----	-----	-----
At 31 December 1994	220	490	911	1,621
	-----	-----	-----	-----
Net book value				
At 31 December 1994	184	93	63	340
	=====	=====	=====	=====
At 1 January 1994	205	31	119	355
	=====	=====	=====	=====

15

Cardkey Systems Limited

Notes (continued)

10 Fixed asset investments

Company	Shares in group undertakings (Pounds) 000	Loans to group undertakings (Pounds) 000	Total (Pounds) 000
Cost			
At 1 January 1994	27	721	748
Retranslated at closing rate	-	160	160
	-----	-----	-----
At 31 December 1994	27	881	908
	-----	-----	-----
Provisions			
At 1 January 1994	-	370	370
Provided in year	-	97	97
	-----	-----	-----
At 31 December 1994	-	467	467
	-----	-----	-----
Net book value			
At 31 December 1994	27	414	441
	=====	=====	=====
At 1 January 1994	27	351	378
	=====	=====	=====

The company holds 100% of the ordinary share capital of Cardkey Sicherheitssysteme GmbH, a company incorporated in Germany. The subsidiary undertaking trades as a distributor of electronic access control equipment. The above provision is to write-down loans made to this

subsidiary to the recoverable amount based on the net book value of the underlying assets.

11 Stocks

	Group		Company	
	1994	1993	1994	1993
	(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Raw materials and consumables	76	202	76	202
Work in progress	59	90	59	90
Finished goods and goods for resale	741	690	623	590
	-----	-----	-----	-----
	876	982	758	882
	=====	=====	=====	=====

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CARDKEY SYSTEMS LIMITED

Notes (continued)

12 Debtors

	Group		Company	
	1994	1993	1994	1993
	(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Amounts falling due within one year				
Trade debtors	2,281	2,165	1,824	1,874
Amounts owed by subsidiary undertakings	-	-	91	97
Amounts owed by other group undertakings	183	106	183	106
Prepayments and accrued income	164	164	157	163
	-----	-----	-----	-----
	2,628	2,435	2,255	2,240
	=====	=====	=====	=====

13 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	(Pounds) 000	(Pounds) 000	(Pounds) 000	(Pounds) 000
Trade creditors	676	526	634	521
Amounts owed to subsidiary undertakings	-	-	21	2
Amounts owed to other group undertakings	1,145	1,332	1,145	1,332

Other creditors including taxation and social security:				
Corporation tax	-	-	-	-
Other taxes and social security	181	233	161	216
Accruals and deferred income	758	628	749	618
	<u>2,760</u>	<u>2,719</u>	<u>2,710</u>	<u>2,689</u>
	=====	=====	=====	=====

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CARDKEY SYSTEMS LIMITED

Notes (continued)

14 Called up share capital

	1994 (Pounds) 000	1993 (Pounds) 000
Authorised Ordinary shares of (Pounds)1 each	2,000 =====	2,000 =====
Allotted, called up and fully paid Ordinary shares of (Pounds)1 each	1,023 =====	1,023 =====

15 Profit and loss account

	Group (Pounds) 000	Company (Pounds) 000
At 1 January 1994	820	820
Loss for the period	(166)	(233)
Exchange loss arising on consolidation	(39)	-
	<u>615</u>	<u>587</u>
At 31 December 1994	=====	=====

16 Reconciliation of movements in shareholders' funds

	1994 (Pounds) 000	1993 (Pounds) 000
--	----------------------	----------------------

Profit/(loss) for the financial period	(166)	(11)
Exchange loss arising on consolidation	(39)	-
	<u>          </u>	<u>          </u>
Net deduction from shareholders' funds	(205)	(11)
Opening shareholders' funds	1,843	1,854
	<u>          </u>	<u>          </u>
Closing shareholders' funds	1,638	1,843
	<u>          </u>	<u>          </u>
	=====	=====

17 Contingent liabilities

The company has provided guarantees relating to HM Customs and Excise and various performance bonds totalling (Pounds)151,907, and (Pounds)700,000 in respect of Bankers Automated Clearing Services.

Lloyd's Bank Plc hold a first charge on (Pounds)158,000 cash deposits relating to these guarantees.

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CARDKEY SYSTEMS LIMITED

Notes (continued)

18 Commitments

(i) Capital commitments at the end of the financial period for which no provision has been made.

	Group		Company	
	1994	1993	1994	1993
	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000
Contracted	5	41	5	41
Authorised but not contracted	5	5	5	5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	=====	=====	=====	=====

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1994		1993	
	Land and buildings	Other	Land and buildings	Other
Company	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000
Operating leases which expire:				
Within one year	-	9	-	62
In the second to fifth years inclusive	18	238	17	171
Over five years	223	-	171	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	241	247	188	233
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	=====	=====	=====	=====

	1994		1993	
	Land and buildings (Pounds)000	Other (Pounds)000	Land and buildings (Pounds)000	Other (Pounds)000
Group				
Operating leases which expire:				
Within one year	-	15	-	80
In the second to fifth years inclusive	18	242	17	171
Over five years	232	-	231	-
	-----	-----	-----	-----
	250	257	248	251
	=====	=====	=====	=====

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CARDKEY SYSTEMS LIMITED

Notes (continued)

19 Pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with insurance companies.

Contributions to the company's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum and that salary increases would average 7% per annum.

The pension charge for the period was (Pounds)250,000 (10 months ended 31 December 1993: (Pounds)155,312) and (Pounds)33,000 has been included within accruals at the year end (1993: (Pounds)nil). The most recent actuarial valuation showed that the market value of the scheme's assets was (Pounds)2,973,000 and that the actuarial value of those assets represented 93% of the benefits that had accrued to members. As a result of the actuarial valuation, the contributions of the employees will remain at 5.5% of earnings, however, from 1 April 1994 the contributions of the company will increase from 12% to 14.9%.

Pension contributions to pension schemes covering employees of the group's overseas operations amounted to (Pounds)32,000 (10 months ended 31 December 1993: (Pounds)26,000).

20 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	Year to 31 December 1994 (Pounds) 000	10 months to 31 December 1993 (Pounds) 000
Operating (loss)/profit	(221)	26
Depreciation charge	137	124
Decrease in stocks	106	90
(Increase)/decrease in debtors	(117)	166
Increase/(decrease) in creditors	48	(123)
Loss on sale of fixed assets	(2)	-
Net cash (outflow)/inflow from operating activities	----- (49) =====	----- 283 =====

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CARDKEY SYSTEMS LIMITED

Notes (continued)

21 Analysis of changes in cash and cash equivalents

	Cash (Pounds) 000	Overdraft (Pounds) 000	Net (Pounds) 000
Balance at 28 February 1993	646	(67)	579
Net cash inflow	135	67	202
	-----	-----	-----
Balance at 31 December 1993	781	-	781
Net cash outflow	(237)	-	(237)
	-----	-----	-----
Balance at 31 December 1994	544 =====	- =====	544 =====

22 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of ASSA Abloy AB which is the ultimate parent company incorporated in Sweden.

The smallest group in which the results of the company are consolidated is that headed by Abloy Security Holdings Limited, registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

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## CARDKEY SYSTEMS, LTD.

CONDENSED BALANCE SHEETS  
(In GBP thousands, except share data)

(Unaudited)

	Mar 31, 1995	Dec 31, 1994
	-----	-----
	(In Pounds)	
ASSETS		
Current assets:		
Cash and cash equivalents	627	544
Accounts receivable, net of allowance for doubtful accounts of (Pounds)117,000 in 1995 and (Pounds)100,000 in 1994	2,484	2,388
Inventories (Note 2)	1,050	876
Deferred income tax	76	76
Prepaid expenses	259	164
	-----	-----
Total current assets	4,496	4,048
Property and equipment, at cost	2,024	2,010
Accumulated depreciation	(1,697)	(1,660)
	-----	-----
	327	350
	-----	-----
	4,823	4,398
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	1,052	740
Accounts payable to related parties	200	62
Parent company loan	900	902
Accrued expenses	1,002	1,056
	-----	-----
Total current liabilities	3,154	2,760
Stockholders' equity:		
Common stock, (Pounds)1, 2,000,000 shares authorized, 1,023,503 shares issued	1,023	1,023
Retained earnings	646	615
	-----	-----
Total stockholders' equity	1,669	1,638
	-----	-----
	4,823	4,398
	=====	=====

See accompanying notes.

1

## CARDKEY SYSTEMS, LTD.

CONDENSED STATEMENTS OF OPERATIONS  
(In GBP thousands)

(Unaudited)

	Three Months Ended March 31	
	-----	-----
	1995	1994
	----	----
	(IN POUNDS)	
Sales	2,568	2,378
Operating costs and expenses:		
Cost of sales	1,552	1,458
Research		

and development	48	56	
Marketing, general and administrative	968		1,015
	-----		-----
	2,568		2,529
	-----		-----
Operating income (loss)	--		(151)
Interest expense, net	(7)		(11)
	-----		-----
Net loss	(7)		(162)
	=====		=====

See accompanying notes.

CARDKEY SYSTEMS, LTD.

CONDENSED STATEMENTS OF CASH FLOWS  
(In GBP thousands)

(Unaudited)

	Three Months Ended March 31	
	1995	1994
	(IN POUNDS)	
	----	----
Cash flows from operating activities:		
Net loss	(7)	(162)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	37	33
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(160)	49
(Increase) decrease in inventories	(173)	22
Increase in prepaid expenses	(96)	(78)
Increase in current liabilities	498	405
Decrease in parent company loan	(2)	(249)
	-----	-----
Total adjustments	104	182
	-----	-----
Net cash provided by operating activities	97	20
Cash flows from investing activities:		
Purchases of property and equipment	(14)	(55)
	-----	-----
Net cash used by investing activities	(14)	(55)
Increase/(decrease) in cash and cash equivalents	83	(35)
Cash and cash equivalents, beginning of period	544	781
	-----	-----
Cash and cash equivalents, end of period	627	746
	=====	=====

See accompanying notes.

CARDKEY SYSTEMS, LTD.



NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited but have been prepared in the ordinary course of business for the purpose of providing information with respect to interim periods. The Condensed Balance Sheet at December 31, 1994 was derived from the audited Balance Sheet at that date. Management of the Company believes that all adjustments necessary for a fair presentation for such periods have been included and are of a normal recurring nature. The results of operations for the three-month period ended March 31, 1995 are not necessarily indicative of the results to be expected for the full year.

2. INVENTORIES

Inventories consist of the following:

	Mar 31, 1995	Dec 31, 1994
	-----	-----
	(In Pounds)	
Raw materials	142	76
Work in process	131	59
Finished goods	777	741
	-----	-----
	1,050	876
	=====	=====



See accompanying notes to Pro Forma Condensed Financial Statements.

Amtech Corporation  
 Pro Forma Condensed Combined Statement of Operations (unaudited)  
 For the Year Ended December 31, 1994  
 (In thousands, except per share amounts)

	Historical Financial Statements			Pro Forma Adjustments	Pro Forma Financial Statements
	The Company	Cardkey Systems, Inc.	Cardkey Systems, Ltd.		
Sales	\$ 61,457	\$ 53,122	\$ 15,734		\$ 130,313
Operating costs and expenses:					
Cost of sales	31,288	40,110	10,861		82,259
Research and development	6,222	3,230	312		9,764
Marketing, general and administrative	13,991	17,223	4,899		36,113
Amortization of intangible assets		2,226		\$ (2,226) (b)	
				507 (b)	507
	51,501	62,789	16,072	(1,719)	128,643
Operating income (loss)	9,956	(9,667)	(338)	1,719	1,670
Interest income	2,104		48	(1,272) (a)	
Interest expense		(906)	(80)	(48) (c)	832
Other		(182)		986 (d)	
				(379) (d)	(379)
					(182)
Income (loss) before income taxes	12,060	(10,755)	(370)	1,006	1,941
(Provision) benefit for income taxes	(4,398)		116	3,574 (e)	(708)
Net income (loss)	\$ 7,662	\$ (10,755)	\$ (254)	\$ 4,580	\$ 1,233
Earnings per share	\$ 0.52				\$ 0.08
Shares used in computing earnings per share	14,800				14,800

See accompanying notes to Pro Forma Condensed Financial Statements.

Amtech Corporation  
 Pro Forma Condensed Combined Statement of Operations (unaudited)  
 For the Three Months Ended March 31, 1995  
 (In thousands, except per share amounts)

	Historical Financial Statements			Pro Forma Adjustments	Pro Forma Financial Statements
	The Company	Cardkey Systems, Inc.	Cardkey Systems, Ltd.		
Sales	\$ 13,935	\$ 12,634	\$ 4,077		\$ 30,646
Operating costs and expenses:					
Cost of sales	9,373	8,512	2,464		20,349
Research and development	1,642	748	76		2,466
Marketing, general and administrative	3,689	4,532	1,537		9,758
Amortization of intangible assets		189		\$ (189) (b)	
				127 (b)	127
	14,704	13,981	4,077	(62)	32,700
Operating loss	(769)	(1,347)	--	62	(2,054)
Interest income	453			(381) (a)	72
Interest expense		(387)	(11)	398 (d)	
				(95) (d)	(95)
Income (loss) before income taxes	(316)	(1,734)	(11)	(16)	(2,077)
Benefit for income taxes	36			669 (e)	705

Net income (loss)	\$ (280)	\$ (1,734)	\$ (11)	\$ 653	\$ (1,372)
	=====	=====	=====	=====	=====
Loss per share	\$ (0.02)				\$ (0.09)
	=====				=====
Shares used in computing loss per share	14,704				14,704
	=====				=====

See accompanying notes to Pro Forma Condensed Financial Statements.

Amtech Corporation  
Notes to Pro Forma Condensed Financial Statements (Unaudited)

1. General

-----

The purchase of certain of Cardkey's assets and the assumption of certain of Cardkey's liabilities will be accounted for as a purchase. Amtech has agreed to pay the owner of Cardkey the sum of (I) the net book value of Cardkey's assets to be acquired and liabilities to be assumed as determined from Cardkey's March 31, 1995 balance sheet, (ii) \$165,000 in cash, and (iii) a \$6 million promissory note (the Amtech Note), bearing no interest, payable in two \$3 million installments on March 31, 1997 and 1988. Amtech, at its option, may, in lieu of its March 31, 1998 payment, make a \$2 million payment on March 31, 1996. The purchase price component which is based on Cardkey's net book value is subject to adjustment based on an audit of the July 31, 1995 balance sheets of Cardkey.

Amtech estimates the following costs as a result of the Purchase (in thousands):

Investment advisor	\$250
Legal, accounting and other professional fees	200
State tax and filing fees	200
Miscellaneous	50
	----
	\$700
	=====

The purchase price has been allocated to the assets and liabilities of Cardkey for purposes of the pro forma condensed combined balance sheet based on preliminary estimates of fair values. These estimates were determined by Amtech management based primarily on information furnished by management of Cardkey. The final allocation of the purchase price will be based on various information yet to be accumulated. Accordingly, the information presented herein may differ from the actual purchase price allocation. Specifically, following an independent appraisal, Amtech expects to charge third quarter earnings for acquired in-process research and development which will result in a corresponding decrease in intangibles reported on the balance sheet. An estimate of such amount has not been reflected in the accompanying pro forma condensed financial statements.

2. Pro Forma Condensed Combined Balance Sheet

-----

The accompanying pro forma condensed combined balance sheet assumes the Purchase was consummated on March 31, 1995 and reflects the following pro forma adjustments:

- (a) To eliminate certain Cardkey assets and liabilities not purchased/assumed by Amtech.
- (b) To eliminate Cardkey's historical stockholders' equity balances.
- (c) To record the aggregate cost of the Purchase of \$23.4 million as

follows (in thousands):

Cash consideration (based on March 31, 1995 net book value of Cardkey net assets and liabilities purchased/assumed plus \$165,000)	\$18,537
Note payable (at present value using a 9% interest rate, assuming a March 31, 1996 payment)	4,206
Transaction costs	700
	-----
	\$23,443
	=====

3. Pro Forma Condensed Combined Statements of Operations

-----  
The pro forma condensed combined statements of operations have been prepared as if the Purchase was consummated as of January 1, 1994 and reflect the following pro forma adjustments:

- (a) To record the reduction of Amtech interest income to reflect the reduction of Amtech cash and equivalents and marketable securities caused by (i) the cash consideration paid for the Purchase, and (ii) the assumed funding of Cardkey's operating losses for such periods.
- (b) To eliminate amortization of Cardkey intangible assets not acquired by Amtech and to record the amortization of excess cost of net assets acquired resulting from the Purchase over an assumed life of ten years.
- (c) To record the reduction in Cardkey interest income earned on assets not purchased by Amtech.
- (d) To eliminate Cardkey interest expense related to intercompany debt not assumed by Amtech as part of the Purchase, and to record interest expense on the Amtech Note.
- (e) To eliminate Cardkey's income tax benefit recorded for periods presented and to record an income tax benefit as if Cardkey was included in the Amtech consolidated group for such periods.

4. Pro Forma Combined Earnings (Loss) Per Share

-----  
The pro forma combined earnings (loss) per share is computed by dividing combined pro forma net income (loss) by the weighted average number of common shares and common equivalent shares, if dilutive. Common equivalent shares assume the exercise of all dilutive outstanding stock options using the treasury stock method. Fully diluted loss per share is not materially different from primary loss per share as presented.