FORM DEFS14A

Definitive proxy statement for special meeting

Filing Date: **1996-08-26** | Period of Report: **1996-09-24**
SEC Accession No. 0000912057-96-018788

FILER

BROOKTREE CORP

CIK:**764271**| IRS No.: **953646367** | State of Incorp.:**CA** | Fiscal Year End: **0930**
Type: **DEFS14A** | Act: **34** | File No.: **000-19053** | Film No.: **96620193**
SIC: **3674** Semiconductors & related devices

Mailing Address
9868 SCRANTON RD
SAN DIEGO CA 92121-3707

Business Address
9868 SCRANTON ROAD
SAN DIEGO CA 92121
6195353204

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant /X/
Filed by a Party other than the Registrant / /

Check the appropriate box:
/ / Preliminary Proxy Statement
/ / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

BROOKTREE CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

/ / $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
/ / $500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
1) Title of each class of securities to which transaction applies:
---
2) Aggregate number of securities to which transaction applies:
---
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
---
4) Proposed maximum aggregate value of transaction:
---
5) Total fee paid:

/X/ Fee paid previously with preliminary materials.
/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
1) Amount Previously Paid:
---
2) Form, Schedule or Registration Statement No.:
---
3) Filing Party:
---
4) Date Filed:

[LOGO]

BROOKTREE CORPORATION

AUGUST 26, 1996

TO THE SHAREHOLDERS:

A Special Meeting of Shareholders of BROOKTREE CORPORATION, a California corporation (the "Company"), will be held at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121, on September 24, 1996, commencing at 10:00 a.m., Pacific Time (the "Special Meeting").

At the Special Meeting, you will be asked to consider and vote on the approval and adoption of the Agreement and Plan of Merger (the "Merger Agreement") dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company, and the approval of the merger of Sub with and into the Company pursuant to the Merger Agreement (the "Merger"). As a result of the proposed Merger, each outstanding share of the Company's Common Stock, no par value (other than shares held by the Company or any of its subsidiaries or by Rockwell or any of its wholly-owned subsidiaries, and other than dissenters' shares), would be converted into the right to receive $15.00 in cash, without interest thereon, subject to any applicable withholding tax.

THE COMPANY'S BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND HAS DETERMINED THAT THE MERGER AGREEMENT AND THE MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. AFTER CAREFUL CONSIDERATION, YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

Accompanying this letter, you will find a Notice of Special Meeting of Shareholders, a Proxy Statement relating to the actions to be taken by the Company's shareholders at the Special Meeting and a proxy card. The Proxy Statement more fully describes the Merger Agreement and the proposed Merger.

All shareholders are cordially invited to attend the Special Meeting in person. However, whether or not you plan to attend the Special Meeting, please complete, sign, date and return your proxy card in the enclosed return envelope. If you attend the Special Meeting, you may vote in person if you wish, even though you have previously returned your proxy card. It is important that your shares be represented and voted at the Special Meeting.

Sincerely,

James A. Bixby
CHAIRMAN OF THE BOARD, CEO AND
PRESIDENT

[LOGO]

BROOKTREE CORPORATION
9868 SCRANTON ROAD
SAN DIEGO, CALIFORNIA 92121

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
SEPTEMBER 24, 1996

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of BROOKTREE CORPORATION, a California corporation (the "Company"), will be held at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121, on September 24, 1996, commencing at 10:00 a.m., Pacific Time (the "Special Meeting"), for the following purposes:

(1) To consider and vote on the approval and adoption of the Agreement and Plan of Merger (the "Merger Agreement") dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company and the approval of the merger of Sub with and into the Company pursuant to the Merger Agreement (the "Merger"). As a result of the proposed Merger, each outstanding share of the Company's Common Stock ("Brooktree Common Stock"), no par value (other than shares held by the Company or any of its subsidiaries or by Rockwell or any of its wholly-owned subsidiaries, and other than dissenters' shares), would be converted into the right to receive $15.00 in cash, without interest thereon, subject to any applicable withholding tax. A copy of the Merger Agreement is attached as Annex I to the accompanying Proxy Statement.

(2) To transact such other business as may properly come before the Special Meeting or any postponement or adjournment thereof.

The Board of Directors of the Company has unanimously approved the Merger Agreement and the Merger and has determined that the Merger Agreement and the Merger are fair to and in the best interests of the Company and its shareholders. After careful consideration, the Board of Directors unanimously recommends that the shareholders vote "FOR" approval and adoption of the Merger Agreement and approval of the Merger.

Only holders of record of shares of Brooktree Common Stock at the close of business on August 5, 1996 (the "Record Date") are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof. The affirmative vote of the holders of a majority of the outstanding shares of Brooktree Common Stock outstanding on the Record Date is necessary to approve and adopt the Merger Agreement and to approve the Merger.

Please complete, sign, date and return the enclosed proxy card promptly whether or not you expect to attend the Special Meeting. Your proxy will be revocable, either in writing or by voting in person at the Special Meeting, at any time prior to its exercise at the meeting. A return envelope is enclosed for your convenience. Shareholders should not send stock certificates with the enclosed proxy card.

By Order of the Board of Directors

Noreen E. Burns
SECRETARY

San Diego, California
August 26, 1996

YOUR VOTE IS IMPORTANT.

EVEN IF YOU HAVE SOLD SHARES SINCE THE RECORD DATE, ONLY YOU ARE ENTITLED TO VOTE SUCH SHARES. IF YOUR BROOKTREE SHARES WERE HELD BY YOUR BROKER ON THE RECORD DATE, YOU MUST INSTRUCT YOUR BROKER HOW TO VOTE THE SHARES. PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE.

BROOKTREE CORPORATION

PROXY STATEMENT

FOR SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD SEPTEMBER 24, 1996

This Proxy Statement is furnished by Brooktree Corporation, a California corporation (the "Company" and, following the Merger (as defined below), the "Surviving Corporation"), to solicit proxies from holders of Common Stock, no par value, of the Company ("Brooktree Common Stock") in connection with a special meeting of the shareholders of the Company (the "Special Meeting") to be held at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121, on September 24, 1996, commencing at 10:00 a.m., Pacific Time, and any postponement or adjournment thereof.

At the Special Meeting, the Company's shareholders will be asked to consider and vote on the approval and adoption of an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company and the approval of the merger of Sub with and into the Company pursuant to the Merger Agreement (the "Merger"). As a result of the proposed Merger, each outstanding share of Brooktree Common Stock (other than shares held by the Company or any of its subsidiaries or by Rockwell or any of its wholly-owned subsidiaries, and other than dissenters' shares) will be converted into the right to receive $15.00 in cash, without interest thereon, subject to any applicable withholding tax (the "Merger Consideration").

No person is authorized to give any information or to make any representation not contained in this Proxy Statement or in the documents incorporated herein by reference in connection with the solicitation made hereby, and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. This Proxy Statement does not constitute the solicitation of a proxy in any jurisdiction in which, or from any person from whom in any jurisdiction, it is unlawful to make such proxy solicitation. The delivery of this Proxy Statement shall not, under any circumstances, create any implication that the information contained herein or in any document incorporated herein by reference, is correct as of any time subsequent to the date hereof or the date of such document, as the case may be, or that there has been no change in the affairs of the Company or any of its subsidiaries since the date of this Proxy Statement or the date of such document, as the case may be.

This Proxy Statement and the accompanying form of proxy are first being mailed to shareholders of the Company on or about August 26, 1996.

Proposals from shareholders that are intended to be presented by such shareholders at the Company's 1997 Annual Meeting of Shareholders must be received by the Company no later than September 16, 1996, in order that they may be included in the Proxy Statement and form of proxy relating to that meeting.

THE DATE OF THIS PROXY STATEMENT IS AUGUST 26, 1996.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

SUMMARY

THE FOLLOWING IS, IN PART, A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS PROXY STATEMENT. REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, THE MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS PROXY STATEMENT, IN THE ANNEXES ATTACHED HERETO AND THE DOCUMENTS

REFERRED TO AND INCORPORATED BY REFERENCE HEREIN. SHAREHOLDERS ARE URGED TO READ THIS PROXY STATEMENT AND THE ANNEXES HERETO IN THEIR ENTIRETY. THIS SECTION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FOLLOWING SUMMARY AND ELSEWHERE HEREIN.

PARTIES TO THE MERGER AGREEMENT

BROOKTREE CORPORATION

The Company designs, develops and markets high-performance digital and mixed-signal integrated circuits for computer graphics, imaging, multimedia and communications applications. The mailing address and telephone number of the principal executive offices of the Company are 9868 Scranton Road, San Diego, California 92121 and (619) 452-7580. The Company was incorporated in California in August 1981. For more information relating to the business and operations of the Company, reference is made to the documents of the Company which are incorporated by reference in this Proxy Statement. See "Incorporation of Certain Documents by Reference."

ROCKWELL INTERNATIONAL CORPORATION

Rockwell is a diversified, high technology corporation engaged in the research, design, development and manufacture of many products in automation, avionics, semiconductor systems, aerospace, defense electronics and automotive component systems for commercial and government markets. The mailing address and telephone number of the principal executive offices of Rockwell are 2201 Seal Beach Boulevard, Seal Beach, California 90740-8250 and (412) 565-4090 (Office of the Secretary). Rockwell was incorporated in Delaware in 1928.

ROK II ACQUISITION CORPORATION

Sub is a corporation recently organized by Rockwell for the purpose of effecting the Merger. It has no material assets and has not engaged in any material activities except in connection with the Merger. The mailing address and telephone number of the principal executive offices of Sub are 2201 Seal Beach Boulevard, Seal Beach, California 90740-8250 and (412) 565-4090 (Office of the Secretary). Sub is a wholly-owned subsidiary of Rockwell and was incorporated in Delaware in June 1996.

RECENT DEVELOPMENTS

For the Company's third fiscal quarter ended June 29, 1996 (the "June Quarter"), the Company reported an operating loss of $11.3 million and a net loss of $4.9 million, or $0.29 per share, including a write-down of a portion of its multimedia inventory of approximately $8.4 million. The Company's revenues decreased 4.7% to $30.7 million in the June Quarter compared to revenues of $32.2 million in the third quarter of fiscal 1995. For the first nine months of fiscal 1996, the Company reported an operating loss of $7.3 million and net income of $2.8 million, or $0.16 per share. For the first nine months of fiscal 1996, revenues increased 9.8% to $104.5 million from $95.2 million for the first nine months of fiscal 1995. See "Recent Developments."

On August 7, 1996, the Company announced that it reached an out-of-court settlement with S3 Inc. ("S3") of Santa Clara, California regarding a lawsuit Brooktree filed against S3 in the U.S. District Court for the Southern District of California on October 2, 1995, for infringement of a patent that relates to a multimedia processing and display architecture. Under the terms of the settlement, S3 will pay Brooktree an initial $2.0 million license fee, plus royalties of up to $2.0 million per year over the next five years on sales of video graphics controller products. Both companies have agreed to settle all claims and counterclaims in connection with the litigation between them and have agreed not to sue each other on patents related to video graphics processing technology for the same five year period.

BROOKTREE CORPORATION SPECIAL MEETING

DATE, TIME AND PLACE OF THE MEETING

The Special Meeting will be held on September 24, 1996, commencing at 10:00 a.m., Pacific Time, at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121.

PURPOSES OF THE MEETING

The purposes of the Special Meeting are (i) to consider and vote on the approval and adoption of the Merger Agreement and the approval of the Merger (the "Merger Proposal") and (ii) to transact such other business as may properly come before the Special Meeting. As of the date of this Proxy Statement, the Board of Directors of the Company (the "Board") does not know of any business to be presented at the Special Meeting other than as set forth in the notice accompanying this Proxy Statement. If any other matters should properly come before the Special Meeting, it is intended that the shares of Brooktree Common

Stock represented by proxies will be voted with respect to such matters in the discretion of the persons named as proxies. A copy of the Merger Agreement is attached to this Proxy Statement as Annex I and incorporated herein by reference. See "The Brooktree Corporation Special Meeting -- Record Date; Quorum; Proxies."

RECORD DATE; SHARES ENTITLED TO VOTE; QUORUM

Only holders of record of shares of Brooktree Common Stock at the close of business on August 5, 1996 (the "Record Date") will be entitled to notice of and to vote at the Special Meeting. At the close of business on August 5, 1996, there were 17,004,270 shares of Brooktree Common Stock issued and outstanding, held by approximately 291 holders of record.

The presence at the Special Meeting, either in person or by proxy, of the holders of a majority of the outstanding shares of Brooktree Common Stock entitled to vote at the Special Meeting shall constitute a quorum for the transaction of business. Abstentions will be included in determining the number of shares present for purposes of determining the presence of a quorum.

VOTE REQUIRED

The affirmative vote of the holders of a majority of the shares of Brooktree Common Stock outstanding on the Record Date is required to approve and adopt the Merger Agreement and to approve the Merger.

As of August 5, 1996, the Company's executive officers and directors owned an aggregate of 700,301 shares of Brooktree Common Stock (excluding 1,508,093 shares that executive officers and directors have the right to acquire upon exercise of outstanding options granted under the Company's 1985 Stock Option Plan, 1991 Non-Employee Director Stock Option Plan and 1992 Stock Plan (the "Stock Option Plans") and granted pursuant to Nonqualified Options to outside directors of the Company).

MARKET PRICE OF BROOKTREE COMMON STOCK PRIOR TO ANNOUNCEMENT OF MERGER

Brooktree Common Stock is traded on The Nasdaq National Market System under the symbol "BTRE." On June 28, 1996, the last full trading day prior to the joint public announcement by the Company and Rockwell of the execution of the Merger Agreement, the last reported sales price for shares of Brooktree Common Stock was $10.50 per share. Following the Merger, Brooktree Common Stock will no longer be traded on The Nasdaq National Market System. See "Approval of the Merger -- Deregistration of Brooktree Common Stock After the Merger."

DISSENTERS' RIGHTS

Shareholders of the Company who vote against the Merger may be entitled to certain dissenters' rights under California law. See "Approval of the Merger -- Dissenters' Rights" and Annex III.

THE MERGER

DESCRIPTION OF THE MERGER; MERGER CONSIDERATION

The Merger Agreement provides that, if the Merger Proposal is approved by the shareholders of the Company and all other conditions to the consummation of the Merger have been satisfied or waived, (i) Sub will be merged with and into the Company and (ii) each share of Brooktree Common Stock then outstanding (other than shares of Brooktree Common Stock held by the Company or its subsidiaries or by Rockwell or any direct or indirect wholly-owned subsidiary of Rockwell, all of which will be canceled without the payment of any consideration therefor, and other than dissenters' shares) will be converted without any action on the part of the holder thereof into the right to receive an amount in cash equal to the Merger Consideration. The total value of the Merger (including payment for options canceled in connection therewith) is approximately $275 million.

The Merger will be effective upon the filing of the Merger Agreement (together with the requisite officer's certificates of the Company and Sub), a certificate of merger or other appropriate documents with the Secretaries of State of Delaware and California in accordance with the General Corporation Law of Delaware (the "DGCL") and the California Corporations Code (the "CCC") or at such other date and time as specified in the filing (the effective time of the Merger is hereinafter referred to as the "Effective Time"), which filing will be made as soon as practicable after the Merger Agreement and the Merger have been approved by the shareholders of the Company and after all other conditions to the consummation of the Merger have been satisfied or waived. See "Approval of the Merger -- Conditions to the Merger."

REASONS FOR THE MERGER

The Board considered many factors in reaching its decision to approve the Merger Agreement and the Merger. The principal reason for its decision was the

opportunity to secure a premium for shareholders over the existing market price of Brooktree Common Stock prior to the execution of the Merger Agreement. In comparing such premium to the return on shareholder investment believed to be achievable through future appreciation in the stock of the Company operating as an independent company, the Board considered various factors affecting the Company's future financial performance and prospects, including its ability to improve significantly revenues and operating results. A primary consideration was the potential risks and rewards to the Company's shareholders from continuing to operate the Company as an independent entity compared to the opportunity presented by the Merger. After a careful analysis, the Board concluded that the Merger was the best alternative for the Company's shareholders. See "Approval of the Merger -- Reasons for the Merger."

RECOMMENDATION OF THE BOARD; OPINION OF THE COMPANY'S FINANCIAL ADVISOR

THE BOARD HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND HAS DETERMINED THAT THE MERGER AGREEMENT AND THE MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. AFTER CAREFUL CONSIDERATION, THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER. See "Approval of the Merger -- Recommendation of the Board."

The Company has retained Lehman Brothers Inc. ("Lehman Brothers") to act as its financial advisor in connection with the Merger. Lehman Brothers has delivered to the Board its written opinions dated July 1, 1996 and August 26, 1996, each to the effect that, as of the date of such opinion and based upon the matters described therein, the consideration to be offered to shareholders of the Company in the Merger is fair to such shareholders from a financial point of view. The opinions of Lehman Brothers are directed to the fairness of the consideration offered in the Merger and do not constitute a recommendation to any shareholder as to how to vote at the Special Meeting. Reference is made to the full text of the Lehman Brothers opinion dated August 26, 1996, a copy of which is attached hereto as Annex II, for the specific assumptions made and matters considered by Lehman Brothers. This opinion should be read in its entirety by the Company's shareholders. See "Approval of the Merger -- Background" and "-- Opinion of the Company's Financial Advisor."

INTERESTS OF CERTAIN PERSONS IN THE MERGER

In considering the recommendation of the Board with respect to the Merger Agreement and the Merger, shareholders should be aware that certain directors and officers of the Company have interests in the Merger that present them with potential conflicts of interest. In addition to the Merger Agreement and the proposed Merger, there are certain other transactions between Rockwell and the Company. See "Approval of the Merger -- Interests of Certain Persons in the Merger."

EXCHANGE OF BROOKTREE COMMON STOCK CERTIFICATES

As soon as reasonably practicable after consummation of the Merger, a paying agent appointed by Rockwell (the "Exchange Agent") will mail a letter of transmittal with instructions to all holders of record of Brooktree Common Stock immediately prior to the Effective Time for use in exchanging their Company stock certificates formerly representing Brooktree Common Stock for the Merger Consideration. STOCK CERTIFICATES SHOULD NOT BE SURRENDERED UNTIL THE LETTER OF TRANSMITTAL IS RECEIVED. See "Approval of the Merger -- Exchange of Certificates Representing Brooktree Common Stock."

CONDITIONS TO THE MERGER

In addition to approval by the shareholders of the Company, consummation of the Merger is subject to Rockwell having entered into agreements with certain specified employees of the Company, the holders of shares of Brooktree Common Stock purchased pursuant to the Company's 1984 Stock Purchase Plan or 1988 Stock Purchase Plan (the "Stock Purchase Plans") containing restrictions on transfer having paid to the Company certain amounts as are required in respect of the removal of restrictions on transfer applicable to such shares and the fulfillment of a number of conditions customary in transactions similar to the Merger. See "Approval of the Merger -- Conditions to the Merger."

CONDUCT OF BUSINESS OF THE COMPANY PRIOR TO THE EFFECTIVE TIME

Pursuant to the Merger Agreement, the Company has agreed that, among other things, prior to the Effective Time, it will, and will cause each of its subsidiaries to, conduct its business in the ordinary course consistent with past practice, use its best efforts, among other things, to preserve intact its business organization, and use commercially reasonable efforts to retain the services of its present officers, employees and agents and to maintain satisfactory relationships with customers, suppliers and others having business relationships with it. In addition, the Company has agreed that prior to the Effective Time, neither it nor any of its subsidiaries will (without the prior written approval of Rockwell), among other things, amend its organizational documents; issue, sell or purchase any shares of its capital stock or options to

purchase its capital stock; incur any debt or other obligation to pay money borrowed or enter into any guarantee of such an obligation of another; mortgage or pledge its assets, property or business; make any loans, advances or capital contributions to, or investments in any other person or entity; sell or otherwise dispose of or lease any part of its properties or assets or purchase or otherwise acquire or lease properties or assets, except sales or purchases of inventory in the ordinary course of business consistent with past practice; declare, set aside or pay any dividends on, or make any distributions of any nature in respect of its outstanding capital stock; or grant any general increase in wage or salary rates or in employee benefits. See "Approval of the Merger -- Conduct of Business of the Company Prior to the Effective Time."

EFFECT OF THE MERGER ON COMPANY STOCK OPTIONS

Pursuant to the Merger Agreement, the Company has agreed to take all action (satisfactory to Rockwell in its reasonable discretion) necessary to provide that immediately prior to the Effective Time, each then outstanding option to purchase shares of Brooktree Common Stock granted under the Stock Option Plans or granted pursuant to Nonqualified Stock Options to outside directors of the Company will have become fully exercisable and vested and, if not exercised, will be canceled in exchange for an amount (subject to applicable withholding tax) in cash from the Company (or at Rockwell's option, from Rockwell or Sub) for each share subject to such option equal to the excess, if any, of $15.00 over the per share exercise price of such option. See "Approval of the Merger -- Effect of the Merger on Certain Company Employee Benefit Plans."

NO SOLICITATION

Pursuant to the Merger Agreement, from and after July 1, 1996, and prior to the Effective Time, the Company has agreed that it will not, nor will it authorize or permit any of its subsidiaries or any of their respective officers, directors, employees, representatives, agents or affiliates (including, without limitation, any investment banker, attorney or accountant retained by the Company or any of the subsidiaries) (collectively, the "Company's Representatives") to, directly or indirectly, (a) solicit, initiate or encourage (including by way of furnishing or disclosing non-public information), or cause to be solicited, initiated or encouraged, any Acquisition Proposal (as defined under "Approval of the Merger -- No Solicitation") or (b) other than certain limited actions specified in the Merger Agreement, participate in any discussion or negotiations with, or explore or otherwise communicate in any way with, any third party (other than Rockwell or Sub) with respect to any Acquisition Proposal or (c) enter into any agreement, arrangement or understanding requiring the Company to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by the Merger Agreement, provided that the Company may furnish information concerning its business, properties or assets to, and participate in any discussion or negotiations with, or explore or otherwise communicate with, any financially capable third party that makes after July 1, 1996 a written bona fide unsolicited offer or proposal concerning any Acquisition Proposal, if (i) the Board, under certain specified circumstances specified in the Merger Agreement, determines by a majority vote that taking such action is reasonably likely to lead to an Acquisition Proposal that is more favorable to the shareholders of the Company than the Merger and that taking such action is necessary to comply with the directors' fiduciary duties and (ii) prior to taking such action, the Company complies with certain notice and confidentiality requirements of the Merger Agreement. See "Approval of the Merger -- No Solicitation."

TERMINATION

The Merger Agreement provides that it may be terminated and the Merger abandoned at any time prior to the Effective Time by mutual agreement of Rockwell and the Company or by either Rockwell or the Company, in each case under certain specified circumstances. See "Approval of the Merger -- Termination."

FEES AND EXPENSES

Pursuant to the Merger Agreement, the Company has agreed that (a) if the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement; or (b) if after July 1, 1996 and during the term of the Merger Agreement any person, corporation, partnership, other entity or "group" (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations thereunder), other than Rockwell or Sub or any of their respective subsidiaries or affiliates, acquires beneficial ownership or the right to acquire beneficial ownership of 40% or more of the then outstanding shares of capital stock of the Company, then the Company has agreed to pay to Rockwell $10 million, a portion of which is intended to reimburse Rockwell and Sub for their fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby. See "Approval of the Merger -- Fees and Expenses."

GOVERNMENTAL AND REGULATORY APPROVALS

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations promulgated thereunder, the Merger may not be consummated until notifications have been given and certain information has been furnished to the Federal Trade Commission (the "FTC") and the Antitrust Division of the United States Justice Department (the "Antitrust Division"), and specified waiting period requirements have been satisfied. The Company and Rockwell each filed with the FTC and the Antitrust Division a Notification and Report Form with respect to the Merger on July 12, 1996 and such waiting period requirements have been satisfied. See "Approval of the Merger -- Antitrust Matters."

ACCOUNTING TREATMENT

The Merger will be accounted for by Rockwell as a "purchase" for financial accounting purposes in accordance with generally accepted accounting principles.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The exchange of shares of Brooktree Common Stock by the Company's shareholders in the Merger for cash will be a taxable transaction to such shareholders for federal income tax purposes and gain or loss will be recognized by such shareholders measured by the difference between the amount of cash received in the Merger and the tax basis of the shares of Brooktree Common Stock surrendered in exchange therefor. See "Approval of the Merger -- Certain Federal Income Tax Consequences."

NO DIVIDENDS

The Company has never paid cash dividends on Brooktree Common Stock. The Company currently intends to retain earnings for use in its business and does not anticipate paying any cash dividends for the foreseeable future.

SELECTED FINANCIAL INFORMATION

The following table summarizes certain selected financial data, which should be read in conjunction with the Company's consolidated financial statements and notes thereto and unaudited consolidated interim financial statements and notes thereto, both of which are contained in documents incorporated by reference herein. The selected consolidated financial data as of September 30, 1995 and 1994 and for the years ended September 30, 1995, 1994 and 1993 are derived from the consolidated financial statements of the Company which have been audited by Ernst & Young LLP and are contained in documents incorporated by reference herein. The selected consolidated financial data of the Company as of September 30, 1993, 1992 and 1991 and for the years ended September 30, 1992 and 1991 are derived from the consolidated financial statements of the Company which have been audited by Ernst & Young LLP but are not included in this Proxy Statement. The selected consolidated financial data of the Company for the nine month periods ended June 29, 1996 and June 24, 1995, and as of June 29, 1996 and June 24, 1995 are derived from the unaudited consolidated interim financial statements of the Company contained in documents incorporated by reference herein and, in the opinion of the Company, include all adjustments (consisting only of normal recurring accruals) necessary to present fairly the information set forth therein. The results for the nine months ended June 29, 1996 are not necessarily indicative of the results to be expected for the full year ending September 28, 1996.

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	NINE MONTHS ENDED JUNE 29, 1996	NINE MONTHS ENDED JUNE 24, 1995	YEAR ENDED ON OR ABOUT SEPTEMBER 30, 1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:							
Revenues	$ 104,496	$ 95,209	$ 137,662	$ 108,964	$ 111,342	$ 92,006	$ 83,417
Gross margin	47,995	46,767	66,340	50,160	63,446	53,843	50,413
Research and development expense	21,998	20,695	28,332	26,131	22,948	19,043	17,691
Operating income (loss)	(7,301)(2)	4,775	8,174	(1,692)(4)	16,945	13,762	11,712
Gain on sale of investment(1)	11,080	10,013	12,911	3,125	1,605	--	--
Net income	$ 2,777	$ 8,289	$ 12,544(3)	$ 2,027	$ 28,371(5)	$ 12,481(6)	$ 9,503
Earnings per share:							
Primary	$ 0.16	$ 0.48	$ 0.72	$ 0.12	$ 1.73	$ 0.76	$ 0.64
Fully diluted	$ 0.16	$ 0.46	$ 0.69	$ 0.12	$ 1.72	$ 0.76	$ 0.64
Weighted average common and							

common equivalent shares:							
Primary	17,576	17,116	17,418	16,432	16,439	16,410	14,817
Fully diluted	17,598	18,017	18,181	16,539	16,528	16,446	14,817
Cash dividends	$ --	$ --	$ --	$ --	$ --	$ --	$ --

	JUNE 29, 1996	JUNE 24, 1995	ON OR ABOUT SEPTEMBER 30, 1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:							
Working capital	$ 58,742	$ 59,453	$ 67,038	$ 60,704	$ 66,746	$ 58,409	$ 53,408
Total assets	190,629	170,569	188,042	142,413	143,841	102,008	83,047
Long-term obligations	9,671	7,034	5,605	1,752	2,666	225	1,334
Shareholders' equity	144,998	136,937	143,974	122,935	120,450	85,564	70,438
Book value per share:							
Primary	$ 8.25	$ 8.00	$ 8.27	$ 7.48	$ 7.33	$ 5.21	$ 4.75
Fully Diluted	$ 8.24	$ 7.60	$ 7.92	$ 7.43	$ 7.29	$ 5.20	$ 4.75

---

(1) Represents a gain from the sale of a portion of a minority interest investment in a telecommunications company.

(2) Includes a charge for inventory valuation write-down of $8,355 ($0.33 per fully diluted share).

(3) Includes a charge for litigation settlement of $1,952 ($0.11 per fully diluted share).

(4) Includes a charge for restructuring of $2,815.

(5) Includes a gain of $15,258 ($0.92 per fully diluted share) from the settlement of litigation.

(6) Includes a gain of $865 ($0.05 per fully diluted share) from the sale of a development center.

RECENT DEVELOPMENTS

THIS SECTION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FOLLOWING SECTION AND ELSEWHERE HEREIN.

For the June Quarter, the Company reported an operating loss of $11.3 million and a net loss of $4.9 million, or $0.29 per share. The Company's revenues decreased 4.7% to $30.7 million in the June Quarter compared to revenues of $32.2 million in the third quarter of fiscal 1995. For the first nine months of fiscal 1996, the Company reported an operating loss of $7.3 million and net income of $2.8 million, or $0.16 per share. For the first nine months of fiscal 1996, revenues increased 9.8% to $104.5 million from $95.2 million for the first nine months of fiscal 1995. The decrease in revenues in the June Quarter reflected a decline in graphics product revenues, and to a lesser extent, a decline in automated test equipment ("ATE") product revenues, which more than offset increases in the remaining product lines of the Company. The increase in revenues in the first nine months of fiscal 1996 was primarily due to sales of the Company's multimedia products, of which there were essentially none in the first nine months of fiscal 1995, and increased sales of imaging, communications and ATE products, partially offset by a decrease in graphics product revenues. The Company believes the greater than expected decrease in graphics product revenues is related to the current, overall slowdown in the PC and workstation marketplaces.

In the June Quarter, the Company recognized a write-down of a portion of its multimedia inventory of approximately $8.4 million. The write-down represented excess multimedia product inventory over estimated requirements to meet projected multimedia product sales and a lower of cost or market adjustment to revalue a portion of the remaining multimedia inventory due to a decline in forecasted selling prices.

For further information, reference is made to the Company's Quarterly Report on Form 10-Q, as amended, for the quarter ended June 29, 1996, which is incorporated herein by reference.

On August 7, 1996, the Company announced that it reached an out-of-court settlement with S3 regarding a lawsuit Brooktree filed against S3 in the U.S. District Court for the Southern District of California on October 2, 1995 for infringement of a patent that relates to a multimedia processing and display architecture. Under the terms of the settlement, S3 will pay Brooktree an

initial $2.0 million license fee, plus royalties of up to $2.0 million per year over the next five years on sales of video graphics controller products. Both companies have agreed to settle all claims and counterclaims in connection with the litigation between them and have agreed not to sue each other on patents related to video graphics processing technology for the same five year period.

THE BROOKTREE CORPORATION SPECIAL MEETING

This Proxy Statement and the accompanying letter, notice and proxy card are being furnished to the shareholders of the Company in connection with the solicitation of proxies by the Company from holders of outstanding shares of Brooktree Common Stock to be voted at the Special Meeting to be held on September 24, 1996, commencing at 10:00 a.m., Pacific Time, and at any postponement or adjournment thereof.

At the Special Meeting, the holders of outstanding shares of Brooktree Common Stock will be asked to consider and vote upon the approval and adoption of the Merger Agreement and approval of the Merger. As of the date of this Proxy Statement, the Board does not know of any other matters to be presented for consideration at the Special Meeting.

This Proxy Statement summarizes the material terms of the Merger Agreement attached hereto as Annex I. The Merger Agreement is by necessity more complete than the summary set forth herein, and contains additional information not described herein. Therefore, the summary of the Merger Agreement set forth herein is qualified by reference to such agreement. The Merger Agreement is incorporated herein by reference and should be read carefully by each Company shareholder in formulating his or her voting decision with respect to the proposal to approve and adopt the Merger Agreement and approve the Merger.

The Board has unanimously approved the Merger Agreement and the Merger and has determined that the Merger Agreement and the Merger are fair to and in the best interests of the Company and its shareholders. After careful consideration, the Board unanimously recommends that shareholders of the Company vote FOR approval and adoption of the Merger Agreement and approval of the Merger.

RECORD DATE; QUORUM; PROXIES

Only holders of record of shares of Brooktree Common Stock at the close of business on the Record Date will be entitled to notice of and to vote at the Special Meeting. At the close of business on August 5, 1996, there were 17,004,270 shares of Brooktree Common Stock issued and outstanding, held by approximately 291 holders of record.

The presence at the Special Meeting, either in person or by proxy, of the holders of a majority of the outstanding shares of Brooktree Common Stock entitled to vote at the Special Meeting shall constitute a quorum for the transaction of business. Abstentions will be included in determining the number of shares present for purposes of determining the presence of a quorum. However, as abstentions will not be counted as votes for approval and adoption of the Merger Agreement and approval of the Merger at the Special Meeting, they will have the practical effect of a vote against approval and adoption of the Merger Agreement and approval of the Merger. Holders of record of shares of Brooktree Common Stock on the Record Date are entitled to one vote per share on the proposal to approve and adopt the Merger Agreement and to approve the Merger and on any other matters that properly come before the Special Meeting.

Shares of Brooktree Common Stock represented by properly executed proxies will, unless such proxies have been revoked, be voted at the Special Meeting in accordance with the instructions indicated on such proxies. If no contrary instructions are indicated, such shares will be voted FOR approval and adoption of the Merger Agreement and approval of the Merger. Such shares will also be voted in the discretion of the persons named as proxies as to any other matter which properly comes before the Special Meeting. As of the date of this Proxy Statement, the Board is not aware of any other business to be transacted at the Special Meeting. A shareholder who has given a proxy may revoke it at any time prior to its exercise at the Special Meeting by filing with the Secretary of the Company a written notice of revocation bearing a later date than the proxy, duly executing a later-dated proxy relating to the same shares of Brooktree Common Stock and delivering it to the Secretary of the Company, or by voting in person at the Special Meeting.

VOTE REQUIRED

The affirmative vote of a majority of the shares of Brooktree Common Stock outstanding on the Record Date is required to approve and adopt the Merger Agreement and to approve the Merger.

As of August 5, 1996, the Company's executive officers and directors owned an aggregate of 700,301 shares of Brooktree Common Stock (excluding 1,508,093 shares that executive officers and directors have the right to acquire upon

exercise of outstanding options granted under the Stock Option Plans and granted pursuant to Nonqualified Options to outside directors of the Company) and, to the knowledge of the Company, all of the Company's executive officers and directors intend to vote all of their 700,301 shares of Brooktree Common Stock for approval and adoption of the Merger Agreement and approval of the Merger.

SOLICITATION

The cost of preparing, assembling, printing and mailing this Proxy Statement, the Notice of Special Meeting of Shareholders and the enclosed form of proxy, as well as the cost of soliciting proxies relating to the Special Meeting, will be borne by the Company. The Company will request banks, brokers, dealers and voting trustees or other nominees to solicit their customers who are owners of shares listed of record, and will reimburse them for reasonable out-of-pocket expenses of such solicitations. The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile and personal solicitation by officers and other regular employees of the Company. In addition, the Company has retained Corporate Investor Communications, Inc. to assist in the solicitation of proxies at an estimated fee of $10,000, plus reimbursement of reasonable expenses.

STOCK OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of August 5, 1996, certain information with respect to the beneficial ownership (within the meaning of Rule 13d-3(d)(1) under the Exchange Act) of Brooktree Common Stock (i) by each person known by the Company to own beneficially more than five percent of the outstanding shares of Brooktree Common Stock, (ii) by each director of the Company, (iii) by each of the Chief Executive Officer and four other most highly paid executive officers of the Company who earned over $100,000 in fiscal 1995 (the "Named Executive Officers") and (iv) by all directors and executive officers as a group. Except as otherwise noted below, the Company knows of no agreements among its shareholders which relate to voting or investment of their shares of Brooktree Common Stock.

<TABLE>
<CAPTION>

DIRECTORS, EXECUTIVE OFFICERS AND FIVE PERCENT SHAREHOLDERS	SHARES OF COMMON STOCK BENEFICIALLY OWNED	
	NUMBER	PERCENTAGE OWNERSHIP
<S>	<C>	<C>
State Farm Mutual Automobile Insurance Company Attn: John Gordon 1 State Farm Plaza Bloomington, Illinois 61701	1,500,508	9%
Kopp Investment Advisors, Inc. (1) Attn: Don Cornelius 6600 France Avenue South Suite 672 Edina, Minnesota 55435	1,174,020	7%
James A. Bixby (2)	693,873	4%
Ellsworth R. Roston (3)	343,013	2%
Jack W. Savidge (4)	43,733	*
Daniel J. Warmenhoven (5)	20,342	*

</TABLE>

<TABLE>
<CAPTION>

DIRECTORS, EXECUTIVE OFFICERS AND FIVE PERCENT SHAREHOLDERS	SHARES OF COMMON STOCK BENEFICIALLY OWNED	
	NUMBER	PERCENTAGE OWNERSHIP
<S>	<C>	<C>
Michael S. Wishart (6)	21,117	*
Anthony C. D'Augustine (7)	28,890	*
Pete R. Fowler (8)	51,491	*
Phillip L. DenAdel (9)	45,930	*
Robert W. Zabaronick (10)	97,938	1%

</TABLE>

All Directors and Officers as a Group (16 persons) (11).....	1,678,307	10%

</TABLE>

---

* Less than 1%

(1) Represents shares held by Kopp Investment Advisors, Inc. acting as investment adviser for various entities and individuals. Holds shared dispositive power and no voting power.

(2) Includes 405,639 shares subject to options exercisable within sixty days of August 5, 1996, 8,000 shares held jointly with spouse, and 13,334 shares held by Nancy Bixby as Custodian for Scott Bixby and John Bixby under CTMA.

(3) Includes 20,000 shares subject to options exercisable within sixty days of August 5, 1996; 79,379 shares registered in the name of The Roston Family Trust; 208,333 shares registered in the name of Roston Enterprises; and 34,287 shares registered in the name of Roston & Schwartz APC Profit Sharing Plan, as to which Mr. Roston shares voting and investment power.

(4) Includes 20,000 shares subject to options exercisable within sixty days of August 5, 1996, and 23,333 shares registered in the name of The Savidge Family Trust.

(5) Includes 15,342 shares subject to options exercisable within sixty days of August 5, 1996.

(6) Represents shares subject to options exercisable within sixty days of August 5, 1996.

(7) Includes 27,043 shares subject to options exercisable within sixty days of August 5, 1996.

(8) Includes 46,300 shares subject to options exercisable within sixty days of August 5, 1996.

(9) Includes 44,676 shares subject to options exercisable within sixty days of August 5, 1996.

(10) Includes 94,605 shares subject to options exercisable within sixty days of August 5, 1996.

(11) Includes 978,006 shares subject to options exercisable within sixty days of August 5, 1996.

APPROVAL OF THE MERGER

DESCRIPTION OF THE MERGER

The Merger Agreement provides that, if the Merger Proposal is approved by the shareholders of the Company and all other conditions to the consummation of the Merger have been satisfied or waived, (i) Sub will be merged with and into the Company and (ii) each share of Brooktree Common Stock then outstanding (other than shares of Brooktree Common Stock held by the Company or its subsidiaries or by Rockwell or any direct or indirect wholly-owned subsidiary of Rockwell, and other than dissenters' shares) will be converted without any action on the part of the holder thereof into the right to receive an amount in cash equal to the Merger Consideration upon the surrender of the certificate representing such share in accordance with the terms of the Merger Agreement. In addition, each share of Brooktree Common Stock issued and outstanding owned by Rockwell or Sub or any other direct or indirect wholly-owned subsidiary of Rockwell, held in the treasury of the Company or owned by any subsidiary of the Company will be canceled at the Effective Time without payment of any consideration therefor and will cease to exist. Any shares of Brooktree Common Stock held by

shareholders who have voted against the Merger Proposal and demanded and perfected their demand for the Company to purchase their shares, in accordance with Sections 1300-1312 ("Chapter 13") of the CCC, will not be converted into the right to receive the Merger Consideration but instead will be entitled to only such rights as are provided by the CCC, unless such holder fails to perfect his or her dissenters' rights or withdraws such demand for purchase thereof or payment therefor or loses his or her right to such payment under the CCC, in which case, such shares will be deemed converted into and represent only the right to receive the Merger Consideration. See "-- Dissenters' Rights." At the Effective Time, each share of Common Stock, par value $1.00 per share, of Sub issued and outstanding will be converted into one newly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

Following the Merger, the separate corporate existence of Sub will cease, and the Company, as the surviving corporation in the Merger and a wholly-owned subsidiary of Rockwell, will continue its corporate existence under the name "Brooktree Corporation." The Articles of Incorporation of the Company, as

amended and restated pursuant to the Merger Agreement, and the Bylaws of the Company shall become the Articles of Incorporation and Bylaws of the Surviving Corporation, and the directors and officers of Sub will become the directors and officers of the Surviving Corporation.

The Merger will be effective upon the filing of the Merger Agreement (together with the requisite officer's certificates of the Company and Sub), a certificate of merger or other appropriate documents with the Secretaries of State of Delaware and California in accordance with the DGCL and the CCC or at such other date and time as specified in the filings, which filing will be made as soon as practicable after the Merger Agreement and the Merger have been approved by the shareholders of the Company and after all other conditions to the consummation of the Merger have been satisfied or waived.

BACKGROUND

The terms of the Merger Agreement and Merger were agreed to and approved by the Board after a lengthy process. The following is a summary of certain key events leading up to the approval of the Merger Agreement and the Merger by the Board.

In February 1992 Rockwell sold assets of its T1/E1 digital communications business (including devices, wafers, technical information and intellectual property rights) to the Company for $6 million. Rockwell is the Company's sole supplier of certain T1/E1 devices and wafers pursuant to an arrangement which extends through December 31, 1997. As early as 1993, the Company and Rockwell had informal discussions regarding the possibility of the two companies creating a mutually beneficial relationship. In 1995, the Company and Rockwell conducted a collaborative marketing effort for their respective complementary products.

In 1994, the Company began to explore strategic alternatives including corporate partnering and acquisition possibilities. From 1994 to June 1996, the Company engaged in discussions with a number of corporations regarding the possibility of establishing a corporate partnership relationship. None of those discussions resulted in a material relationship.

In the fall of 1995, the Board directed management to continue its search for a strategic partner to augment the Company's multimedia business. In early 1996, James A. Bixby, Chairman, President and Chief Executive Officer of the Company, contacted several companies regarding corporate partnering and in March 1996, Mr. Bixby contacted Rockwell to discuss the possibility of creating a strategic relationship. Thereafter, Mr. Bixby had further discussions with Dwight W. Decker, President of Rockwell Semiconductor Systems. Mr. Decker indicated that Rockwell may be interested in acquiring the entire Company. In connection with the possibility of a potential business relationship, Rockwell and the Company entered into a confidentiality agreement dated as of April 18, 1996.

In May 1996, the Board authorized management to engage Lehman Brothers to assist the Company in evaluating various financing and strategic alternatives. The Board was particularly interested in determining the viability of the Company as a stand-alone entity compared with the Company's prospects in securing a strategic partner or being acquired. During the same month,

Mr. Bixby and Mr. Decker had several meetings and telephone conversations where they further explored the potential acquisition of the Company by Rockwell. Mr. Bixby and Mr. Decker decided to expand the discussions to include senior management of both companies and other key decision makers, including a meeting on May 7, 1996, where members of management of Rockwell and the Company met to engage in a preliminary review of the Company's product lines. The discussions at this meeting focused on the profitability and nature of the Company's product lines, and the Company's balance sheet, cash flow, manufacturing capabilities and general organization.

In May 1996, Rockwell began a due diligence investigation of the Company. From June 10, 1996 through June 13, 1996, senior management of the two companies and their various representatives met in La Jolla, California for due diligence meetings on a variety of matters, including products, technology, human resources, marketing and finance. Following these meetings, the Company and Rockwell mutually agreed to continue discussions regarding the possibility of an acquisition.

On June 18, 1996 and June 20, 1996, the Board held meetings, with legal and financial advisors present, to review the status of discussions with Rockwell, as well as to discuss the appropriate price parameters for any acquisition of the Company. The Board also discussed other alternatives available to the Company as Mr. Bixby reviewed with the Board his previous contacts with Rockwell and other corporations. Lehman Brothers presented its financial analysis of the Company to assist the Board in evaluating the Company as an independent entity. Following discussion regarding the merits of remaining as a stand-alone corporation compared with being acquired, the Board authorized management to continue its discussions with Rockwell. At this time, there was still no agreement with Rockwell on price or structure.

On June 24, 1996, Rockwell contacted the Company and made an all cash offer for the outstanding shares of Brooktree Common Stock. On that same day, the Board, with legal and financial advisors present, held a meeting to discuss the process of negotiating a per share price with Rockwell as well as other aspects of the acquisition. After lengthy deliberation, the Board determined that if mutually agreeable price and structure terms could be reached, an acquisition by Rockwell was the best alternative for the Company.

On June 26, 1996 and June 27, 1996, negotiations were held between the two companies and their respective financial advisors regarding the per share price for an all cash acquisition of the outstanding shares of Brooktree Common Stock, during which Rockwell raised the amount of its original offer. On June 28, 1996, Rockwell delivered a draft merger agreement to the Company and the Board met in Palo Alto, California, with legal and financial advisors present to discuss the status of the transaction. Concurrently with this meeting, the Company's management and financial advisors continued negotiations with Rockwell and tentatively agreed to a per share price of $15.00 for each outstanding share of Brooktree Common Stock. At the Board meeting, representatives from Lehman Brothers indicated that at the $15.00 per share price, Lehman Brothers, as financial advisor to the Company, would be able to deliver an opinion to the effect that the proposed Merger was fair from a financial point of view to the Company and its shareholders. The Company's legal advisors reviewed the terms of the draft merger agreement and following the Board's review thereof, the Board members gave comments on the draft agreement to the Company's management and legal advisors. Following a lengthy discussion, the Board unanimously agreed to accept the $15.00 per share offer, subject to satisfactory negotiation of terms to be set forth in a definitive agreement.

On June 29, 1996 and June 30, 1996, the terms of a definitive agreement were negotiated in Los Angeles, California. With counsel and financial advisors present at all meetings, the Board met once on June 29, 1996 and twice on June 30, 1996 to discuss the status of negotiations as well as to direct management and counsel regarding acceptable terms of a definitive agreement. On June 30, 1996, the Board approved the terms of the Merger Agreement and instructed management to finalize and execute the agreement. At 1:30 A.M., July 1, 1996, the definitive agreement was executed by Rockwell, Sub and the Company. The execution of the Merger Agreement was announced promptly thereafter by the issuance of a press release by Rockwell and the Company.

REASONS FOR THE MERGER

In making its determination to approve the Merger Agreement and Merger, the Board considered the opportunity the Merger would provide to secure a premium for shareholders over the existing market price of Brooktree Common Stock prior to the execution of the Merger Agreement compared with the Company's ability to improve its financial performance without the Merger. In comparing such premium to the return on shareholder investment believed to be achievable through future appreciation in the stock of the Company operating as an independent company or with a corporate partner, the Board considered various factors affecting the Company's future financial performance and prospects. In order of importance, the Board considered (i) the Company's ability to fund development of future products at a comparable rate to its competitors (in particular, the Board considered the fact that most of the Company's competitors are larger corporations with substantially greater resources to fund new product development), (ii) the Company's ability to solicit and secure a viable corporate partner as an alternative to operating as an independent entity, (iii) the Company's ability to obtain the capital necessary to acquire imaging and multimedia technology required to expand its product offerings and (iv) the Company's ability to continue to attract experienced and qualified engineers in a highly competitive marketplace (the Board noted that such engineers would be critical to the Company's future success). In its deliberations, the Board ultimately concluded that the Company had three alternatives: (i) continue to operate as an independent entity and focus on improving future financial performance; (ii) secure a corporate partner or a similar relationship to assist in funding development of products and improvement of financial performance; or (iii) negotiate and enter into a merger agreement with Rockwell to secure a premium for shares of Brooktree Common Stock. The Board also took into account that the Company had contact with several alternative parties to discuss the possible acquisition of the Company and that none of such contacts resulted in an offer. After a careful analysis, the Board concluded that the Merger was the best alternative for the Company's shareholders. The Board concluded that it was unlikely that the Company would be able to secure a viable corporate partner or be able to improve its financial performance in the foreseeable future such that the value of the Brooktree Common Stock would equal or exceed the Merger Consideration.

In the course of its deliberations, the Board reviewed with Company management the following additional factors relevant to the Merger: (i) historical information concerning the Company's business, prospects, financial performance and condition, operations, technology, management and competitive position; (ii) current financial market conditions and historical market prices, volatility and trading information with respect to Brooktree Common Stock; (iii)

the consideration to be received by the Company's shareholders in the Merger and a comparison of comparable merger transactions; (iv) the terms of the proposed Merger Agreement, including the parties' representations, warranties and covenants, the conditions to their respective obligations, and the terms of the proposed Merger Agreement regarding the Company's ability to consider and negotiate other acquisition proposals in certain circumstances, as well as the possible effects of the provisions regarding termination fees; (v) the Company's management's view as to the prospects of the Company as an independent company, and consideration of the estimated financial results of the Company for the quarter ended June 29, 1996; (vi) the Company's management's view as to the prospects for other third parties to enter into strategic relationships with or acquire the Company; (vii) detailed financial analysis and pro forma and other information with respect to the Company presented by Lehman Brothers in Board presentations, including Lehman Brothers' opinion that the consideration to be offered to shareholders of the Company in the Merger is fair to such shareholders from a financial point of view (See "-- Opinion of the Company's Financial Advisor"); and (viii) the belief that the Merger represents the most favorable economic alternative currently available to the shareholders of the Company. In considering the Company's estimated financial results for the quarter ended June 29, 1996, the Board particularly considered the fact that revenues in the third quarter were likely to decline. In fact, third quarter revenues did decline to $30.7 million compared to $35.6 million reported in the second quarter of fiscal 1996. The decrease resulted in a pre-tax operating loss of approximately $3.0 million, exclusive of an inventory write-down, which increased the total pre-tax operating loss of the Company to

approximately $11.3 million. The Board considered the fact that the Company's Graphics and ATE businesses were declining and concluded that it was uncertain whether the Company's imaging and communications product lines sales would increase in sufficient amounts to return the Company to profitability in the near future.

The Board also identified and considered a variety of potentially negative factors in its deliberations concerning the Merger, including, but not limited to (i) the potential disruption of the Company's business that might result from employee uncertainty and lack of focus following announcement of the Merger and (ii) the possibility that the Merger might not be consummated and the effect of public announcement of the Merger on the Company's sales and operating results and its ability to attract and retain key management, marketing and technical personnel. The Board concluded that the benefits of the Merger outweigh any such potentially negative factors.

RECOMMENDATION OF THE BOARD

The Board carefully considered the Merger Agreement and the Merger, including a review of financial, legal and market considerations with the assistance of outside financial and legal advisors, and determined that the terms of the acquisition of the Company by Rockwell pursuant to the Merger Agreement are fair to and in the best interests of the Company and its shareholders. THE BOARD HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND, AFTER CAREFUL CONSIDERATION, THE BOARD UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

OPINION OF THE COMPANY'S FINANCIAL ADVISOR

The Company engaged Lehman Brothers to act as its financial advisor in connection with the Merger and to render its opinion as to the fairness, from a financial point of view, to the Company's shareholders of the consideration to be offered to such shareholders in the Merger.

On June 30, 1996, in connection with the evaluation of the Merger Agreement and the transactions contemplated thereby by the Board, Lehman Brothers delivered its oral opinion, which opinion was subsequently confirmed in writing on July 1, 1996 and August 26, 1996, that, subject to assumptions, factors and limitations described below, from a financial point of view, the consideration to be offered to the Company's shareholders in the Merger was fair from a financial point of view to such shareholders. An updated opinion of Lehman Brothers was delivered to the Board on August 26 , 1996 and the full text of such updated opinion, dated August 26, 1996, which sets forth assumptions made, procedures followed, matters considered, and limitations on the scope of the review by Lehman Brothers in rendering its opinion, is attached as Annex II and is incorporated herein by reference.

No limitations were imposed by the Company on the scope of Lehman Brothers' investigation or the procedures to be followed by Lehman Brothers in rendering its opinion, except as described below. Lehman Brothers was not requested to and did not make any recommendation to the Board as to the form or amount of the consideration to be offered to the Company's shareholders in the Merger, which was determined through arm's-length negotiations between the Company and Rockwell. In arriving at its opinion, Lehman Brothers did not ascribe a specific range of values to the Company, but made its determination as to the fairness, from a financial point of view, of the consideration to be offered to the

shareholders of the Company on the basis of the financial and comparative analyses described below. Lehman Brothers' opinion is for the use and benefit of the Board and was rendered to the Board in connection with its consideration of the Merger. Lehman Brothers' opinion is not intended to be and does not constitute a recommendation to any Company shareholder as to how such shareholder should vote with respect to the Merger at the Special Meeting. Lehman Brothers was not requested to opine as to, and its opinion does not in any manner address, the Company's underlying business decision to proceed with or effect the Merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed: (1) the Merger Agreement and the specific terms of the proposed Merger, (2) such publicly available information concerning the Company and Rockwell that Lehman Brothers believed to be relevant to its inquiry, (3) financial and

operating information with respect to the business, operations and prospects of the Company furnished to Lehman Brothers by the Company, including without limitation the estimated financial results of the Company for the quarter ended June 29, 1996 which were publicly disclosed concurrently with the announcement of the execution of the Merger Agreement, (4) a trading history of the Brooktree Common Stock from its initial public offering to the present and a comparison of that trading history with those of other companies that Lehman Brothers deemed relevant, (5) research analyst reports regarding the Company and its estimated financial performance, (6) a comparison of the historical financial results and present financial condition of the Company with those of other companies that Lehman Brothers deemed relevant, and (7) a comparison of the financial terms of the proposed Merger with the financial terms of certain other recent transactions that Lehman Brothers deemed relevant. In addition, Lehman Brothers had discussions with the management of the Company concerning its business, operations, assets, financial condition and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by it without assuming any responsibility for independent verification of such information and further relied upon the assurances of management of the Company that they were not aware of any facts that would make such information inaccurate or misleading. With respect to the financial projections of the Company, upon advice of the Company, Lehman Brothers assumed that such projections had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company, and Lehman Brothers relied on such projections in arriving at its opinion. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of the Company and did not make or obtain any evaluations or appraisals of the assets or liabilities of the Company. In addition, although Lehman Brothers had certain preliminary discussions with third parties, the Company did not authorize Lehman Brothers to, and Lehman Brothers did not, formally solicit any proposals or offers from any third party with respect to the purchase of all or a part of the Company's business. Lehman Brothers' opinion necessarily was based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion letter.

In connection with its opinions of July 1, 1996 and August 26, 1996, Lehman Brothers performed a variety of financial and comparative analyses, as described below. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its fairness opinion, Lehman Brothers did not attribute any particular weight to any analysis and factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Lehman Brothers believes that its analyses must be considered as a whole and that considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying its opinion. In its analysis, Lehman Brothers assumed stable business and economic conditions and a stable competitive environment in the markets in which the Company operates, which conditions and environment are beyond the control of the Company. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold.

HISTORICAL STOCK PRICE ANALYSIS. Lehman Brothers considered various historical data concerning the history of the trading prices of Brooktree Common Stock for the period from the Company's initial public offering through June 28, 1996. Specifically, Lehman Brothers compared the relationship of the price movements of Brooktree Common Stock during the five year period ended June 28, 1996 relative to composite indices consisting of the Comparable Communications Semiconductor Company Group,

the Comparable Graphics/Multimedia Semiconductor Company Group and the Comparable Imaging/ Video Compression Semiconductor Company Group (each as defined below). During this period the closing stock price of Brooktree Common Stock ranged from $5.75 to $21.75, and the stock price of Brooktree Common Stock performed below the indices of comparable company groups.

Based on the closing price of Brooktree Common Stock of $10.50 on June 28, 1996 (the last trading day prior to the announcement of the execution of the Merger Agreement), the $15.00 per share offer represents a 42.9% premium. The $15.00 per share offer represents a premium of 64.4% over the stock price of Brooktree Common Stock one week before June 28, 1996, a premium of 25.0% over the stock price of Brooktree Common Stock four weeks before June 28, 1996 and a premium of 54.1% over the average stock price of Brooktree Common Stock for the ninety days ended June 28, 1996.

ANALYSIS OF SELECTED PUBLICLY TRADED COMPARABLE COMPANIES. Using publicly available information, Lehman Brothers compared selected financial data of the Company with similar data of selected publicly-traded semiconductor companies focused on specific markets considered by Lehman Brothers to be comparable to those of the Company. Specifically, Lehman Brothers included in its review three separate groups of publicly-traded semiconductor companies: selected communications companies including ANADIGICS, Inc., Level One Communications, Inc., Sierra Semiconductor Corporation, TranSwitch Corporation, TriQuint Semiconductor, Inc. and Vitesse Semiconductor Corporation (the "Comparable Communications Semiconductor Company Group"); selected graphics/multimedia companies including ESS Technology, Inc., Chips & Technologies, Inc., Cirrus Logic, Inc., S3 Incorporated, Trident Microsystems, Inc., and Tseng Labs, Inc. (the "Comparable Graphics/Multimedia Semiconductor Company Group"); and selected imaging/video compression companies including C-Cube Microsystems, Inc. and Zoran Corporation (the "Comparable Imaging/Video Compression Semiconductor Company Group"). Lehman Brothers calculated, among other things, current equity market value ("Market Value") as a multiple of each of latest twelve months ("LTM") net income, projected calendar year 1996 and 1997 net income and LTM book value for the Company and these groups. Lehman Brothers also calculated equity market value plus total debt less cash and cash equivalents (the "Market Capitalization") as a multiple of each of LTM sales and LTM earnings before interest and taxes ("EBIT"). Projected results for the selected comparable companies were taken from Institutional Brokers Estimate System (I/B/E/S) estimates.

Of these three semiconductor groups, Lehman Brothers concentrated primarily on the Comparable Graphics/Multimedia Semiconductor Company Group as well as Level One Communications, Inc. and Sierra Semiconductor Corporation from the Comparable Communications Semiconductor Company Group for analyzing the Company's valuation on a consolidated basis, since these companies are most similar to the traditional core business of the Company. An analysis of the Comparable Graphics/ Multimedia Semiconductor Company Group as well as Level One Communications, Inc. and Sierra Semiconductor Corporation yielded the following: (i) a median value of 12.1x for the ratio of Market Value to LTM net income; (ii) a median value of 11.8x for the ratio of Market Value to calendar year 1996 projected net income; (iii) a median value of 8.9x for the ratio of Market Value to calendar year 1997 projected net income; (iv) a median value of 2.84x for the ratio of Market Value to book value; (v) a median value of 1.41x for the ratio of Market Capitalization to LTM sales; and (vi) a median value of 9.6x for the ratio of Market Capitalization to LTM EBIT. The above multiples were applied to the corresponding consolidated results of the Company. Based on these median multiples, the following per share valuations for the Company were implied: (i) a value of $4.37 per share based on the ratio of Market Value to LTM net income, (ii) a value of $7.40 per share based on the ratio of Market Value to calendar year 1996 projected net income, (iii) a value of $3.79 per share based on the ratio of Market Value to calendar year 1997 projected net income, (iv) a value of $25.48 per share based on the ratio of Market Value to book value, (v) a value of $13.35 per share based on the ratio of Market Capitalization to LTM sales and (vi) a value of $5.74 per share based on the ratio of Market Capitalization to LTM EBIT.

However, because of the inherent differences between the businesses, operations and prospects of the Company and the businesses, operations and prospects of the companies in the Comparable Communications Semiconductor Company Group, the Comparable Graphics/Multimedia Semiconductor Company Group and the Comparable Imaging/Video Compression Semiconductor Company Group, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis, and accordingly also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of the Company and the companies in the Comparable Communications Semiconductor Company Group, the Comparable Graphics/Multimedia Semiconductor Company Group and the Comparable Imaging/Video Compression Semiconductor Company Group which would affect the public trading values of the Company and such companies. These qualitative judgements do not lead to specific conclusions or adjustments regarding the public trading values of the stock of

the Company and such companies, but rather were part of Lehman Brothers' evaluation of the relevance of this comparative analysis under the particular circumstances of the Merger. In particular, Lehman Brothers studied the Company's results and current forecasts for future quarters and compared those numbers with research analyst estimates of the Company's current and future financial performance. In addition, Lehman Brothers took into consideration the fact that the Company competes in a variety of highly competitive markets and often competes against corporations that specialize in only one market.

DISCOUNTED CASH FLOW ANALYSIS. Lehman Brothers calculated the present value of the future streams of unleveraged after-tax cash flow that the Company could be expected to produce over a four year period. This analysis utilized only projections provided by management of the Company, with the assumption that the Company's Multimedia business division would be discontinued following the second calendar quarter of 1996. Lehman Brothers calculated terminal values of the Company based on a multiple ("Terminal Value Multiple") of projected fiscal year 1999 EBIT. Lehman Brothers used a Terminal Value Multiple of 9.0x and annual discount rates of 17.5% to 20.0% that were determined on the basis of factors such as, the inherent business risks of the Company and the Company's cost of capital. Based on this analysis a per share range of values for Brooktree Common Stock of $17.54 to $18.78 was implied. However, Lehman Brothers noted that any adjustments to the projections provided by management of the Company would affect the values implied by this analysis.

BREAK-UP VALUATION ANALYSIS. Lehman Brothers calculated the break-up value of the Company based on historical and projected business divisions financial information provided by the management of the Company. Lehman Brothers analyzed the individual and combined values of the Company's Communications, Imaging, Graphics and ATE business divisions. In this analysis, based upon advice of the management of the Company, Lehman Brothers assumed the Company's Multimedia business division would be discontinued following the second calendar quarter of 1996 and therefore ascribed no value to this business division.

Using publicly available information for the groups of comparable companies, Lehman Brothers compared selected financial data of the Company's Communications and Imaging business divisions with similar data of the Comparable Communications Semiconductor Company Group and the Comparable Imaging/Video Compression Semiconductor Company Group, respectively. An analysis of the Comparable Communications Semiconductor Company Group yielded the following: (i) a median value of 28.6x for the ratio of Market Value to LTM net income; (ii) a median value of 27.7x for the ratio of Market Value to calendar year 1996 projected net income; (iii) a median value of 21.8x for the ratio of Market Value to calendar year 1997 projected net income; (iv) a median value of 3.20x for the ratio of Market Capitalization to LTM sales; and (v) a median value of 24.3x for the ratio of Market Capitalization to LTM EBIT. An analysis of the Comparable Imaging/Video Compression Semiconductor Company Group yielded the following: (i) a median value of 31.0x for the ratio of Market Value to LTM net income; (ii) a median value of 28.2x for the ratio of Market Value to calendar year 1996 projected net income; (iii) a median value of 19.6x for the ratio of Market Value to calendar year 1997 projected net income; (iv) a median value of 5.49x for the ratio of Market Capitalization to LTM sales; and (v) a median value of 47.0x for the ratio of Market Capitalization to LTM EBIT. The above multiples were applied to the corresponding results of the Company's Communications and Imaging business divisions on a stand-alone basis to determine a range

of valuations for these two business divisions. Lehman Brothers determined the valuations of the Company's Graphics and ATE business divisions by calculating the present value of the future streams of unleveraged after-tax cash flow that the Graphics and ATE business divisions could be expected to produce over a three year period. Lehman Brothers used annual discount rates of 17.5% to 20% that were determined on the basis of factors such as the inherent business risks of the Company and the Company's cost of capital. Lehman Brothers' break-up valuation analysis implied a combined valuation for the Company's business divisions as follows: (i) a value of $8.39 per share based on the ratio of Market Value to LTM net income, (ii) a value of $9.66 per share based on the ratio of Market Value to calendar year 1996 projected net income, (iii) a value of $15.16 per share based on the ratio of Market Value to calendar year 1997 projected net income, (iv) a value of $20.35 per share based on the ratio of Market Capitalization to LTM sales and (v) a value of $13.56 per share based on the ratio of Market Capitalization to LTM EBIT.

However, because of the inherent differences between the businesses, operations and prospects of the Company's Communications and Imaging business divisions and the businesses, operations and prospects of the companies in the Comparable Communications Semiconductor Company Group and the Comparable Imaging/Video Compression Semiconductor Company Group, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis, and accordingly also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of the Company's Communications and Imaging business divisions and the companies in the Comparable Communications Semiconductor Company Group and the Comparable Imaging/Video Compression

Semiconductor Company Group which would affect the public trading values of the Company's Communications and Imaging business divisions and such companies. These qualitative judgements do not lead to specific conclusions or adjustments regarding the public trading values of the Company's Communications and Imaging business divisions and such companies, but rather were part of Lehman Brothers' evaluation of the relevance of this comparative analysis under the particular circumstances of the Merger. In particular, Lehman Brothers studied the Company's results and current forecasts for future quarters and compared those numbers with research analyst estimates of the Company's current and future financial performance. In addition, Lehman Brothers took into consideration the fact that the Company competes in a variety of highly competitive markets and often competes against corporations that specialize in only one market.

ANALYSIS OF SELECTED COMPARABLE TRANSACTION PREMIUMS. Lehman Brothers reviewed the prices paid, to the extent publicly available, of a broad range of selected acquisition transactions involving technology companies greater than $100 million in size since 1989 (the "Comparable Technology Transactions"). Lehman Brothers also analyzed a selected group of semiconductor company acquisition transactions within the Comparable Technology Transactions ("Comparable Semiconductor Transactions"). Using both the broad Comparable Technology Transactions and the selected Comparable Semiconductor Transactions, Lehman Brothers reviewed the premiums paid over the acquired companies' stock prices one day, one week and four weeks prior to the public announcement of the transaction. For the Comparable Technology Transactions, median premiums paid over the acquired companies' stock price one day, one week and four weeks prior to announcement of the proposed transaction were 37.4%, 39.2% and 47.1%, respectively. For the Comparable Semiconductor Transactions, median premiums paid over the acquired company's stock price one day, one week and four weeks prior to announcement of the transaction were 41.2%, 40.9% and 48.8%, respectively. The above premiums were compared to the implied premium represented by Rockwell's $15.00 per share offer which represented a premium of 42.9%, 64.4% and 25.0% over the one day, one week and four week stock prices, respectively, of the Brooktree Common Stock. In Lehman Brothers' analysis of the implied premium represented by Rockwell's $15.00 per share offer, Lehman Brothers also took into consideration Brooktree's planned announcement of its estimated financial results for the quarter ended June 29, 1996 concurrently with the announcement of the execution of the Merger Agreement and based upon research analyst estimates of the Company's financial results for the quarter ended June 29, 1996 and subsequent quarters, the potential negative impact such an announcement could have had on the price of Brooktree Common Stock.

However, because the reasons for and the circumstances surrounding each of the transactions analyzed were specific to each transaction and because of the inherent differences between the businesses, operations and prospects of the Company and the businesses, operations and prospects of the selected acquired companies analyzed, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis, and accordingly also made qualitative judgments concerning differences between the characteristics of these transactions and the Merger that would affect the acquisition values of the Company and such acquired companies. These qualitative judgements do not lead to specific conclusions or adjustments regarding the acquisition value of the Company and such acquired companies, but rather were part of Lehman Brothers' evaluation of the relevance of this comparative analysis under the particular circumstances of the Merger.

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Board selected Lehman Brothers because of its expertise, reputation and familiarity with the Company in particular and the semiconductor industry in general.

As compensation for its services in connection with the Merger, the Company has agreed to pay Lehman Brothers a fee upon consummation of the Merger based on the aggregate value of the consideration received by the Company's shareholders as determined at the time plus the aggregate principal amount of any indebtedness for money borrowed assumed by Rockwell in connection with a sale of the Company. Based on a price for Brooktree Common Stock of $15.00 per share, the fee payable upon consummation of the Merger would total approximately $3 million. In addition, the Company has agreed to reimburse Lehman Brothers for reasonable out-of-pocket expenses incurred in connection with the Merger and to indemnify Lehman Brothers for certain liabilities that may arise out of its engagement by the Company and the rendering of its opinion.

Lehman Brothers is acting as financial advisor to the Company in connection with the proposed Merger. Lehman Brothers has performed various investment banking services for the Company in the past (including advising the Company on the sale of a development center to Pioneer Electronic Corporation and the acquisition of Base2 Systems, Inc.) and has received customary fees for such services. In addition, Michael Wishart, a Managing Director of Lehman Brothers, is a director of the Company. Lehman Brothers also has performed various

investment banking services for Rockwell in the past and has received customary fees for such services. In the ordinary course of its business, Lehman Brothers actively trades in the equity securities of the Company and Rockwell for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

INTERESTS OF CERTAIN PERSONS TO THE MERGER

In considering the recommendation of the Board of Directors with respect to the Merger, shareholders should be aware that certain of the Company's directors and executive officers have certain interests in the transaction, which may present them with conflicts of interest in connection with the Merger. The Board was aware of these conflicts and considered them among the other matters described under "-- Reasons for the Merger," above.

MICHAEL S. WISHART, a director of the Company, is a Managing Director of Lehman Brothers, which has performed various investment banking services for the Company since 1991 and is acting as the Company's financial advisor in connection with the Merger. In connection with its role as financial advisor to the Company and the delivery of its opinions as to the fairness of the consideration to be offered to the shareholders of the Company in the Merger, Lehman Brothers will receive a fee of approximately $3 million upon consummation of the Merger. In addition, Lehman Brothers has ongoing contact with Rockwell, including acting as co-manager of a $300 million debt offering issued by Rockwell on June 13, 1995. See "-- Opinion of the Company's Financial Advisor."

STOCK AND OPTION OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS. As of August 5, 1996, the executive officers and directors of the Company as a group beneficially owned an aggregate of 700,301 shares of Brooktree Common Stock (excluding 1,508,093 shares that executive officers and directors have the right to acquire upon exercise of outstanding options granted under the Stock Option Plans and granted pursuant to Nonqualified Options to outside directors of the Company), representing approximately 4% of the total voting power of the Company. All such shares will be treated in the Merger in the same manner as the shares of Brooktree Common Stock held by the other shareholders of the Company. See "Stock Ownership of Management and Certain Beneficial Owners" and "-- Description of the Merger."

Pursuant to the Merger Agreement, the Company has agreed to take all action (satisfactory to Rockwell in its reasonable discretion) necessary to provide that immediately prior to the Effective Time, each then outstanding option to purchase shares of Brooktree Common Stock granted under the Stock Option Plans or granted pursuant to Nonqualified Stock Options to outside directors of the Company will have become fully exercisable and vested and, if not exercised, will be canceled in exchange for an amount (subject to applicable withholding tax) in cash from the Company (or at Rockwell's option, from Rockwell or Sub) for each share subject to such option equal to the excess, if any, of $15.00 over the per share exercise price of such option. All such options will be treated in the Merger in the same manner as the options to purchase shares of Brooktree Common Stock held by the other option holders of the Company. See "-- Effect of the Merger on Certain Company Employee Benefit Plans."

The following table sets forth the total number of unexercised options held as of August 5, 1996 by (i) each director of the Company, (ii) each of the Named Executive Officers and (iii) all directors and executive officers as a group, separately identifying the exercisable and unexercisable options, and the average exercise price of such options. All of the options listed below will become fully vested and exercisable immediately prior to the Effective Time.

<TABLE>
<CAPTION>

NAME	TOTAL NUMBER OF UNEXERCISED OPTIONS AS OF AUGUST 5, 1996		AVERAGE EXERCISE PRICE
	EXERCISABLE	UNEXERCISABLE	
<S>	<C>	<C>	<C>
James A. Bixby	402,152	73,431	$ 9.30
Ellsworth R. Roston	20,000	4,000	$ 11.67
Jack W. Savidge	20,000	4,000	$ 11.67
Daniel J. Warmenhoven	15,342	4,000	$ 8.02
Michael S. Wishart	21,117	4,000	$ 9.05
Anthony C. D'Augustine	24,730	71,270	$ 9.76
Pete R. Fowler	42,957	52,255	$ 7.31
Phillip L. DenAdel	41,339	53,729	$ 8.48
Robert W. Zabaronick	92,315	33,185	$ 9.68
All Directors and Officers as a Group (16 persons)	950,261	557,832	$ 9.38

</TABLE>

INDEMNIFICATION AND INSURANCE. The Merger Agreement provides that, after the Effective Time, Rockwell will, and will cause the Surviving Corporation to, provide certain indemnification to each person who at any time prior to the

Effective Time has been an officer, director or employee of the Company in connection with acts or omissions occurring at or prior to the Effective Time, and that for a period of six years after the Effective Time, Rockwell will cause the Surviving Corporation to use its best efforts to maintain in effect certain directors' and officers' liability insurance coverage. See "-- Indemnification; Officers' and Directors' Insurance."

AGREEMENTS WITH EMPLOYEES. In connection with the Merger, Rockwell will enter into agreements with certain employees of the Company, including each of the executive officers of the Company. The agreements to be entered into with such employees will provide for the payment by Rockwell of a sign-on bonus during either the first calendar week of 1997 or the first week of active employment on Rockwell's payroll, provided that such payment will be repaid if such employee voluntarily terminates employment prior to completion of six months of active employment with Rockwell. In addition, the

agreements will provide for payment by Rockwell of a retention bonus (a) upon completion of two years of active employment with Rockwell or upon involuntary termination due to layoff prior to completion of two years of active employment with Rockwell and (b) upon completion of three years of active employment with Rockwell or upon involuntary termination due to layoff after completion of two years but prior to completion of three years of active employment with Rockwell.

The agreements will further provide (a) upon involuntary termination due to layoff on or prior to completion of two years of active employment with Rockwell, for continued receipt by the employee of salary and benefits at the rate of base pay existing at the time of termination until the earlier of 26 weeks or the commencement of other employment by such terminated employee and for certain outplacement services and (b) upon involuntary termination due to layoff after completion of two years of active employment with Rockwell, for continued receipt by the employee of salary and benefits in accordance with Rockwell's policies existing at the time of termination and for certain outplacement services.

In addition, the agreements will provide that upon termination of employment for any reason prior to completion of three years of active employment with Rockwell, the employee agrees not to compete with Rockwell's semiconductor business for a period of one year after such termination. The agreements will provide that following successful completion of such non-compete period, Rockwell will pay a non-compete bonus equal to 50% of the retention bonus for completion of three years of active employment with Rockwell described above.

The following table sets forth the salaries, sign-on bonuses and retention bonuses for each of the Named Executive Officers under the agreements described above.

<TABLE>
<CAPTION>

EXECUTIVE OFFICER	ANNUAL SALARY	SIGN-ON BONUS	RETENTION BONUS	
			2 YEARS	3 YEARS
<S>	<C>	<C>	<C>	<C>
James A. Bixby	$ 240,000	$ --	$ 800,000	$ 400,000
Anthony C. D'Augustine	$ 174,000	$ 50,000	$ 200,000	$ 100,000
Pete R. Fowler	$ 165,000	$ 50,000	$ 200,000	$ 100,000
Phillip L. DenAdel	$ 165,000	$ 25,000	$ 50,000	$ 25,000
Robert W. Zabaronick	$ 159,996	$ 50,000	$ --	$ --

</TABLE>

The agreements will also provide for the waiver by the employee of any rights he or she may have with respect to any options granted under the Company's 1985 Stock Option Plan or 1992 Stock Plan upon payment of the amounts payable in connection with the cancellation of such options pursuant to the Merger Agreement. See "-- Effect of the Merger on Certain Company Employee Benefit Plans."

AGREEMENTS WITH ROCKWELL. Pursuant to the Agreement, Assignment and Bill of Sale dated February 20, 1992 between Rockwell and the Company (the "T1/E1 Agreement"), Rockwell sold assets of its T1/E1 digital communications business (including devices, wafers, technical information and intellectual property rights) to the Company for $6 million. Concurrent with the T1/E1 Agreement, Rockwell and the Company entered into a Supply Agreement pursuant to which Rockwell, as the Company's sole supplier, agreed to supply, and the Company agreed to buy, certain T1/E1 devices and wafers for a period of three years. The term of the Supply Agreement has since been extended through December 31, 1997. During the 1995 fiscal year, Rockwell sold to the Company approximately $5 million worth of the T1/E1 devices and wafers which were manufactured, in part, by a third party foundry, as permitted by the Supply Agreement.

In connection with the proposed Merger, Rockwell and the Company have entered into a letter agreement dated July 12, 1996 pursuant to which the parties have agreed that if the Merger is not consummated (other than by reason

of a termination of the Merger Agreement by Rockwell as discussed in subparagraphs (e) and (f) under "-- Termination") and on or before December 31, 1996, the Company terminates any engineers and marketing personnel hired in support of certain of the Company's businesses between July 12, 1996 and September 30, 1996, or such later date as the parties may agree (the "New Hires"), due to the non-occurrence of the Merger, Rockwell will pay the Company for each such terminated New Hire, the lesser of (i) the costs incurred by the Company in

hiring and terminating such New Hire or (ii) $25,000, provided that Rockwell's obligation will not exceed $1,000,000 in the aggregate and Rockwell will have no other obligation whatsoever with respect to New Hires. In addition, in the event the Merger is not consummated, the Company has granted Rockwell an irrevocable, royalty free, worldwide license to make, have made, use and sell products incorporating certain technology of the Company relating to enabling audio soundblaster compatibility with a PCI bus.

VOTE REQUIRED TO APPROVE THE MERGER

The affirmative vote of the holders of a majority of the shares of Brooktree Common Stock outstanding on the Record Date is required to approve and adopt the Merger Agreement and to approve the Merger. Abstentions will be counted for purposes of establishing a quorum but cannot be counted toward achieving the requisite majority vote for approval and adoption of the Merger Agreement and approval of the Merger.

EXCHANGE OF CERTIFICATES REPRESENTING BROOKTREE COMMON STOCK

As soon as reasonably practicable after the Effective Time, the Exchange Agent will mail to each holder of record of outstanding shares of Brooktree Common Stock immediately prior to the Effective Time a letter of transmittal for return to the Exchange Agent (which will contain instructions for the use thereof in effecting the surrender of the certificates that immediately prior to the Effective Time represented shares of Brooktree Common Stock (the "Certificates") in exchange for the Merger Consideration and will specify that delivery will be effected and risk of loss and title to the Certificates will pass only upon delivery of the Certificates to the Exchange Agent). SHAREHOLDERS OF THE COMPANY SHOULD NOT SEND THEIR STOCK CERTIFICATES FOR EXCHANGE UNTIL THEY HAVE RECEIVED A LETTER OF TRANSMITTAL FROM THE EXCHANGE AGENT. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal (duly executed and completed in accordance with the instructions thereto), and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate will be entitled to receive in exchange therefor the cash such holder is entitled to receive pursuant to the Merger Agreement.

After the Effective Time, the stock transfer books of the Company will be closed and there will be no further registration of transfers on the stock transfer books of the Company of the shares of Brooktree Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Exchange Agent or the Surviving Corporation for any reason, they will be canceled and exchanged for the Merger Consideration, except as otherwise provided by law with respect to dissenter's shares.

CONDITIONS TO THE MERGER

The Merger Agreement provides that the Merger is subject to the satisfaction of certain conditions, including the following:

(a) the Merger Agreement and the Merger having been approved and adopted by the affirmative vote of the shareholders of the Company to the extent required by the CCC;

(b) the expiration or early termination of the applicable waiting period under the HSR Act;

(c) the making of all filings required to be made prior to the Effective Time by the Company, any of the Company's subsidiaries, Rockwell or Sub with any Governmental Entity (as defined below) and the obtaining of all consents, approvals and authorizations required to be obtained prior to the Effective Time by the Company, any of the Company's subsidiaries, Rockwell or Sub from any Governmental Entity in connection with the execution, delivery and performance of the Merger Agreement, except where the failure to make such filings or obtain such consents, approvals or authorizations (i) would not have (A) a material adverse effect on the business, condition (financial or otherwise), assets, liabilities, properties, operations or results of operations of the Company and the Company's subsidiaries, taken as a whole, or on the ability of the Company to consummate the transactions contemplated by the Merger Agreement (a "Material Adverse Effect") or (B) a material adverse effect on the ability of Rockwell and Sub to consummate the transactions contemplated by the Merger Agreement and (ii) could not reasonably be

expected to subject the Company, any of the Company's subsidiaries, Rockwell or Sub or any of their respective affiliates or any directors or officers of any of the foregoing to the risk of criminal liability (for purposes of this Proxy Statement, "Governmental Entity" means any federal, state or local government or any court, administrative or regulatory agency or commission or other governmental authority or agency, domestic or foreign); and

(d) no statute, law, rule, regulation, decree, judgment, temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition preventing the consummation of the Merger being in effect, provided, however, that each of the Company, Rockwell and Sub have used reasonable best efforts to prevent the entry of any such injunction or other order and to appeal as promptly as possible any injunction or other order that may be entered.

In addition, the Merger Agreement provides that the obligations of Rockwell and Sub to effect the Merger are subject to certain other conditions, including the following:

(a) the representations and warranties of the Company set forth in the Merger Agreement being true and correct in all respects as of the date of the Merger Agreement and true and correct in all material respects at the Effective Time;

(b) all covenants and agreements of the Company in the Merger Agreement to be performed or complied with prior to the Effective Time having been fully performed and complied with in all material respects;

(c) Rockwell having received evidence satisfactory to it in its reasonable discretion that the Company has taken all necessary action to effect the cancellation of options granted under the Stock Option Plans or granted pursuant to Nonqualified Stock Options to outside directors of the Company as described below under "-- Effect of the Merger on Certain Company Employee Benefit Plans;"

(d) there not existing or having been instituted or pending any suit, action or proceeding by or before any court of competent jurisdiction or other Governmental Entity (i) which is reasonably likely to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit the consummation of the Merger, or which is reasonably likely to result in material damages in connection with the Merger, (ii) which is reasonably likely to result in (A) the prohibition of ownership or the operation by Rockwell or Sub of all or a material portion of the business or assets of the Company and the Company's subsidiaries or of Rockwell and its subsidiaries or (B) the compelling of Rockwell or Sub to dispose of or to hold separately all or a material portion of the business or assets of Rockwell or any of its subsidiaries or of the Company or any of the Company's subsidiaries as a result of the Merger, (iii) which is reasonably likely to result in the imposition of material limitations on the ability of Rockwell or Sub effectively to exercise full rights of ownership of any shares of Brooktree Common Stock, including, without limitation, the right to vote any shares of Brooktree Common Stock acquired by Rockwell or Sub on all matters properly presented to the Company's shareholders, (iv) which is reasonably likely to result in the divestiture by Rockwell or Sub of any shares of Brooktree Common Stock, (v) which is reasonably likely to result in any material diminution in the benefits expected to be derived by Rockwell or Sub as a result of the transactions contemplated by the Merger or (vi) which otherwise has had or may reasonably be expected to have a Material Adverse Effect or a material adverse effect on Rockwell or its affiliates taken as a whole;

(e) there not existing or having been enacted, entered, enforced, promulgated or deemed applicable to the Merger, any statute, law, rule, regulation, judgment, order or injunction or any other action taken by any court or other Governmental Entity, other than the application to the Merger of applicable waiting periods under the HSR Act, that has resulted, or may reasonably be expected to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (vi) of subparagraph (d) above;

(f) except as set forth in a specified section of the disclosure schedule delivered by the Company to Rockwell and Sub, there not having occurred (or reasonably be expected to occur) any event, change or development which has had or may reasonably be expected to have a Material Adverse Effect;

(g) (i) the Board or any committee thereof not having (A) withdrawn or modified in a manner adverse to Rockwell or Sub its approval or recommendation of the Merger or the Merger Agreement, (B) approved or

recommended a Superior Transaction (as defined under "-- No Solicitation") or (C) failed to reaffirm its approval or recommendation of the Merger or the Merger Agreement in accordance with a request by Rockwell or Sub pursuant to the Merger Agreement and (ii) the Company not having entered into any Acquisition Agreement (as defined under "-- No Solicitation") with respect to a Superior Transaction;

(h) all consents or approvals of all persons and entities (other than Governmental Entities) required to be obtained prior to the Effective Time in connection with the execution, delivery and performance of the Merger Agreement (i) by the Company and the Company's subsidiaries having been obtained and being in full force and effect, except for those the absence of which would not have a Material Adverse Effect and (ii) by Rockwell and Sub having been obtained and being in full force and effect, except for those the absence of which would not have a material adverse effect on the ability of Rockwell and Sub to consummate the transactions contemplated by the Merger Agreement;

(i) Rockwell having entered into agreements in substantially the form previously agreed to by Rockwell, Sub and the Company with (i) 90% of certain specified employees of the Company, (ii) 85% of certain specified employees of the Company (including those described in clause (i)) and (iii) 80% of certain specified employees of the Company (including those described in clauses (i) and (ii)); and

(j) each holder of shares of Brooktree Common Stock purchased pursuant to the Stock Purchase Plans having paid to the Company such amounts as are required to be paid to the Company pursuant to the Stock Purchase Plans, the related Subscription Agreements and the resolutions of the Board related thereto in respect of the removal of restrictions on transfer applicable to shares of Brooktree Common Stock purchased under the Stock Purchase Plans (I.E., an amount equal to the product of the Delta (as defined in the Stock Purchase Plans) times the number of such shares owned by such holder).

The Merger Agreement provides further that the obligation of the Company to effect the Merger is subject to certain other conditions, including the following: (a) the representations and warranties of Rockwell and Sub set forth in the Merger Agreement being true and correct in all respects as of the date of the Merger Agreement and true and correct in all material respects at the Effective Time and (b) all covenants and agreements of Rockwell and Sub in the Merger Agreement to be performed or complied with prior to the Effective Time having been fully performed and complied with in all material respects.

CONDUCT OF BUSINESS OF THE COMPANY PRIOR TO THE EFFECTIVE TIME

The Merger Agreement provides that prior to the Effective Time, the Company (a) shall conduct, and shall cause each of the Company's subsidiaries to conduct, their respective businesses in the ordinary course consistent with past practice (including, without limitation, spending and investments related to research and development and new product development in current lines of business), (b) shall use, and shall cause each of the Company's subsidiaries to use, its best efforts to maintain in effect all existing qualifications, licenses, permits, approvals and other authorizations referred to in the Merger Agreement and to preserve their respective business organizations intact and (c) shall use, and shall cause each of the Company's subsidiaries to use, commercially reasonable efforts to retain the services of their respective present officers, employees and agents and to maintain satisfactory relationships with customers, suppliers and others having business relationships with it.

The Merger Agreement provides further that prior to the Effective Time, the Company will not, nor will it permit any of the Company's subsidiaries (except with the prior written approval of Rockwell) to: (a) amend their respective charter documents, by-laws or other organizational documents (except as otherwise contemplated by the Merger Agreement); (b) issue or sell, or authorize, propose or agree to the issuance or sale of (except pursuant to the exercise of options granted under the Stock Option Plans or granted pursuant to Nonqualified Stock Options to outside directors of the Company outstanding on the date of the Merger Agreement or pursuant to the Company's 1992 Stock Purchase Plan in accordance with the terms of the Merger Agreement), or purchase, redeem or otherwise acquire, any shares of its capital stock or any of its other securities or issue any securities or obligations convertible into or exchangeable for, or options, warrants, scrip, rights to subscribe for, calls or commitments of any character whatsoever relating to, or enter into any contract, understanding or arrangement with respect to the issuance or sale of, any shares of its capital stock or any of its other securities, or enter into any arrangement or contract with respect to the purchase, repurchase, sale, redemption, conversion, exchange registration, transfer or voting of shares of its capital stock, or adjust, split, reacquire, redeem, combine or reclassify any of its securities, or make any other changes in its capital structure; (c) (i) incur (contingently or otherwise) any debt or other obligation to pay money borrowed or enter into any guarantee of any such obligation of another person or mortgage, pledge or subject to any restriction on voting or transfer, pledge,

claim, lien, charge, encumbrance or security interest of any kind, their assets, properties or business, or (ii) make any loans, advances or capital contributions to, or investments in, any other person or entity; (d) sell or otherwise dispose of or lease any part of their respective properties or assets or purchase or otherwise acquire or lease properties or assets, except sales or purchases of inventory in the ordinary course of business consistent with past practice, or acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof; (e) declare, set aside or pay any dividends on, or make any distributions of any nature in respect of, their respective shares of outstanding capital stock; (f) (i) grant any general increase in wage or salary rates or in employee benefits, (ii) grant any increase in salary or in employment, retirement, severance or termination or other benefits or pay any bonus to any officer or director (except as required by existing agreements, plans or arrangements), (iii) enter into any employment contract with any person which the Company or the relevant subsidiary of the Company does not have the unconditional right to terminate without liability, (iv) take any action to cause to be exercisable any otherwise unexercisable option under the Stock Option Plans, except as contemplated by the Merger Agreement, or (v) adopt (or amend in any manner which would, individually or in the aggregate, materially increase the benefits under) any bonus, profit sharing, compensation, stock option, employment or other employee benefit plan, agreement, trust, plan fund or other arrangement for the benefit or welfare of any employee of the Company or any of the Company's subsidiaries; (g) make any change in their accounting methods, principles or procedures, except as may be required by a change in generally accepted accounting principles; or (h) issue any press release or make any other public announcements without providing Rockwell with a reasonable opportunity to review such release or announcement and comment thereon prior to its dissemination.

REPRESENTATIONS AND WARRANTIES

The Merger Agreement contains various customary representations and warranties made by the Company to Rockwell and Sub, including, but not limited to, representations and warranties relating to the Company's organization, its capitalization, its authority to enter into Merger Agreement and to consummate the transactions contemplated thereby, the absence of conflicts with its Articles of Incorporation and Bylaws, applicable laws and existing obligations of the Company, the Company's subsidiaries, financial statements of the Company, tax matters, insurance, material contracts of the Company and its subsidiaries, employees and labor matters, proprietary rights, property, employee benefit plans and employment, termination and severance agreements, litigation, environmental matters, governmental approvals, compliance with applicable law, licenses and permits, filings made

by the Company with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, this Proxy Statement, state takeover statutes and the opinion of the Company's financial advisor.

The Merger Agreement also contains various customary representations and warranties made by Rockwell and Sub to the Company, including, but not limited to, representations and warranties relating to Rockwell's and Sub's organization and share ownership, their authority to enter into the Merger Agreement and to consummate the transactions contemplated thereby, the sufficiency of Rockwell's resources to satisfy its obligations thereunder, the absence of conflicts with their respective certificates of incorporation and bylaws, applicable laws and existing obligations of Rockwell and Sub, governmental approvals and certain information provided to the Company by Rockwell for inclusion in this Proxy Statement.

EFFECT OF THE MERGER ON CERTAIN COMPANY EMPLOYEE BENEFIT PLANS

The Merger Agreement provides that the Company will take all action (satisfactory to Rockwell in its reasonable discretion) necessary to provide that immediately prior to the Effective Time, (a) each then outstanding option to purchase shares of Brooktree Common Stock (i) granted under the Stock Option Plans or (ii) granted pursuant to a Nonqualified Stock Option to outside directors of the Company, in each case, to the extent not exercised, whether or not then exercisable or vested, will have become fully exercisable and vested, (b) each then outstanding option, if not exercised, will be canceled and (c) in consideration of such cancellation, and except to the extent that Rockwell and the holder of any such option will otherwise agree, the holder of such option shall receive from the Company (or at Rockwell's option, from Rockwell or Sub) for each share subject to such option an amount (subject to any applicable withholding tax) in cash equal to the excess, if any, of the Merger Consideration over the per share exercise price of such option. The surrender of an option to the Company in exchange for such consideration will be deemed a release of any and all rights the holder had or may have had in respect of such option, and the payment of such consideration with respect to all such options held by such holder for which such consideration is payable shall be conditioned on such holder acknowledging such release and the cancellation of such options

as well as any options held by such holder as to which the exercise price equals or exceeds the Merger Consideration. Prior to the Effective Time, the Company will seek to obtain all necessary consents or releases from holders of such options (including releases from holders who hold options with exercise prices greater than or equal to the Merger Consideration) and take all such other lawful action as may be necessary to give effect to the transactions described above.

The Merger Agreement provides further that except as otherwise agreed to by the Company and Rockwell (a) the Stock Option Plans and each Nonqualified Stock Option issued to outside directors of the Company will terminate as of the Effective Time and the provisions in any other plan, program, agreement or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of the Company or any subsidiary of the Company will be terminated and canceled as of the Effective Time, and (b) the Company will take all action (satisfactory to Rockwell in its reasonable discretion) necessary to ensure that following the Effective Time no participant in the Stock Option Plans, any Nonqualified Stock Option to outside directors or such other plans, programs, agreements or arrangements will have any right thereunder to acquire equity securities of the Company, Rockwell, the Surviving Corporation or any subsidiary thereof and to terminate all such plans, programs, agreements and arrangements.

The Merger Agreement also provides that the Company will take such actions as are necessary to cause the Exercise Date (as defined in the Company's 1992 Employee Stock Purchase Plan) applicable to the then current Offering Period (as defined in the Company's 1992 Stock Purchase Plan) to be a date not later than July 15, 1996 (the "Final Exercise Date"). The Company has selected July 12, 1996 as the Final Exercise Date. On the Final Exercise Date, the Company applied the funds credited as of such date under the Company's 1992 Stock Purchase Plan within each participant's payroll withholdings account to the purchase of whole shares of Brooktree Common Stock in accordance with the

terms of the Company's 1992 Stock Purchase Plan. No further amounts will be withheld or deposited, and no shares of Brooktree Common Stock will be issued or sold, pursuant to the Company's 1992 Stock Purchase Plan after the Final Exercise Date. The Merger Agreement provides further that except as otherwise agreed to by Rockwell, Sub and the Company (a) the Company's 1992 Stock Purchase Plan and the Stock Purchase Plans will terminate as of the Effective Time and the provisions in any other plan, program, agreement or arrangement providing for the purchase of the capital stock of the Company or any subsidiary of the Company (other than the California Solution Networks Corporation 1995 Stock Option Plan), shall be terminated and canceled as of the Effective Time, and (b) the Company shall take all action necessary to ensure that following the Effective Time no participant in the 1992 Stock Purchase Plan, the Stock Purchase Plans or other plans, programs, agreements or arrangements shall have any right thereunder to acquire equity securities of the Company, Rockwell, the Surviving Corporation or any subsidiary of the Company (other than the California Solution Networks Corporation 1995 Stock Option Plan) and to terminate all such plans, programs, agreements and arrangements.

NO SOLICITATION

Pursuant to the Merger Agreement, the Company has agreed that the Company, its subsidiaries and the Company's Representatives will immediately cease any discussions or negotiations with any party that may be ongoing with respect to an Acquisition Proposal (as defined below). Prior to the Effective Time, the Company has agreed that it will not, nor will it authorize or permit any of its subsidiaries or any of the Company's Representatives to, directly or indirectly, (a) solicit, initiate or encourage (including by way of furnishing or disclosing non-public information), or cause to be solicited, initiated or encouraged, any Acquisition Proposal or (b) other than (i) acknowledging receipt of a written bona fide unsolicited offer or proposal concerning an Acquisition Proposal, (ii) requesting the maker of an oral bona fide unsolicited offer or proposal concerning any Acquisition Proposal to put the same in writing and (iii) requesting information with respect to the financial capability of the maker of a written bona fide unsolicited offer or proposal concerning any Acquisition Proposal (provided that Rockwell is fully informed as to the status and details of such communications (and responses thereto) described in the foregoing clauses (i), (ii) and (iii)), participate in any discussion or negotiations with, or explore or otherwise communicate in any way with, any third party (other than Rockwell or Sub) with respect to any Acquisition Proposal or (c) enter into any agreement, arrangement or understanding requiring the Company to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by the Merger Agreement. Notwithstanding the foregoing, the Company is permitted under the Merger Agreement to furnish information concerning its business, properties or assets to, and participate in any discussion or negotiations with, or explore or otherwise communicate with, any financially capable third party that makes after July 1, 1996 a written bona fide unsolicited offer or proposal concerning any Acquisition Proposal, if (i) the Board of Directors of the Company, after consultation with its legal and financial advisors and upon written advice of its outside legal counsel that taking such action is necessary to comply with the directors' fiduciary duties

to the shareholders of the Company under applicable law, determines by a majority vote that taking such action is reasonably likely to lead to an Acquisition Proposal that is more favorable to the shareholders of the Company than the Merger and that taking such action is necessary to comply with the directors' fiduciary duties and (ii) prior to taking such action, the Company (A) provides reasonable notice to Rockwell, orally and in writing, to the effect that it is taking such action, which notice shall describe the material terms and conditions of the proposal, and the identity of the third party making it, and (B) receives from such third party an executed confidentiality agreement in a form substantially the same as the confidentiality agreement executed by Rockwell and the Company in connection with the Merger. The Company has agreed to keep Rockwell fully informed of the status and details (including amendments and proposed amendments) of any such proposal and has agreed to provide Rockwell with a copy of any such written proposal (including amendments and proposed amendments) within two business days of receipt thereof by the Company or any of the Company's Representatives.

The Merger Agreement provides that nothing contained therein will be construed to prohibit the Company from taking and disclosing to the shareholders of the Company a position as contemplated by Rule 14e-2 under the Exchange Act, or from making such other disclosure to shareholders if, in the good faith judgment of the Board, on written advice of its outside legal counsel, such disclosure is necessary to comply with its fiduciary duties to the Company's shareholders under applicable law; provided that the Company will not, except under specified circumstances, withdraw or modify, or propose to withdraw or modify, its position with respect to the Merger or approve or recommend, or propose to approve or recommend, an Acquisition Proposal.

The Company has agreed that, except as set forth in this paragraph, neither the Board nor any committee thereof will (a) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Rockwell or Sub, the approval or recommendation by the Board or any such committee, of the Merger Agreement or the Merger, (b) approve or recommend, or propose to approve or recommend, any Acquisition Proposal or (c) cause the Company to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each an "Acquisition Agreement") with respect to any Acquisition Proposal. Notwithstanding the foregoing, the Merger Agreement provides that, if the Board, after consultation with and upon written advice of its outside legal counsel, determines in good faith that it is necessary to do so in order to comply with the directors' fiduciary duties to the shareholders of the Company under applicable law, the Board may (a) withdraw or modify its approval or recommendation of the Merger Agreement or the Merger, (b) approve or recommend a Superior Transaction (as defined below) or (c) cause the Company to enter into any Acquisition Agreement with respect to a Superior Transaction, but in any such case only after providing reasonable written notice to Rockwell and Sub advising Rockwell and Sub that the Board has received such other offer, specifying the material terms and conditions of such offer and identifying the person making such offer.

For purposes of the Merger Agreement, "Acquisition Proposal" means any indication of interest, inquiry, proposal or offer with respect to any of the following transactions (other than the transactions between the Company, Rockwell and Sub contemplated by the Merger Agreement) involving the Company or its subsidiaries: (a) any merger, consolidation, business combination, share exchange, recapitalization, liquidation, dissolution or other similar transaction; (b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of a substantial amount of the assets of the Company and its subsidiaries, taken as a whole, in a single transaction or series of transactions; (c) any tender offer or exchange offer for 10% or more of the outstanding shares of capital stock of the Company or the filing of a registration statement under the Securities Act in connection therewith; (d) any person having acquired beneficial ownership or the right to acquire beneficial ownership of, or any "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder) having been formed which beneficially owns or has the right to acquire beneficial ownership of, 10% or more of the then outstanding shares of capital stock of the Company; (e) any other transaction, the consummation of which could reasonably be expected to impede, interfere with, prevent or delay the Merger or which would dilute the benefits to Rockwell and Sub of the transactions contemplated by the Merger Agreement; (f) any proxy solicitation (other than by the Company in connection with the Special Meeting); or (g) any public announcement of an offer, proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

For purposes of the Merger Agreement, "Superior Transaction" means any bona fide offer by a third party to acquire, directly or indirectly, the Company (whether by merger, acquisition, consolidation, business combination, share exchange, tender or exchange offer or other similar transaction, or purchase of all or substantially all of the assets or equity securities thereof) and otherwise on terms which the Board determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation) to be more favorable to the Company's shareholders than the Merger and the other transactions contemplated by the Merger Agreement and for which financing, to

the extent required, is then committed or which, in the good faith judgment of the Board (based on the advice of a financial advisor of nationally recognized reputation), is reasonably capable of being financed by such third party.

INDEMNIFICATION; OFFICERS' AND DIRECTORS' INSURANCE

Rockwell has agreed in the Merger Agreement that after the Effective Time, it will, and will cause the Surviving Corporation to, indemnify and hold harmless each person who has at any time prior to the Effective Time been an officer, director or employee of the Company in connection with acts or omissions occurring at or prior to the Effective Time to the same extent and on the same terms and conditions as provided in the Company's Articles of Incorporation, Bylaws and written indemnification agreements in effect on the date of the Merger Agreement (to the extent consistent with applicable law).

The Merger Agreement provides further that for a period of six years after the Effective Time, Rockwell will cause the Surviving Corporation to use its best efforts to maintain in effect, if available, directors' and officers' liability insurance covering those persons who are currently covered by the Company's directors' and officers' liability insurance policy with respect to claims arising from acts or events which occurred before the Effective Time on terms comparable to those contained in the Company's directors' and officers' liability insurance in effect on the date of the Merger Agreement; provided, however, that neither Rockwell nor the Surviving Corporation will be obligated to make annual premium payments for such insurance in excess of 150% of the annual premiums paid as of the date of the Merger Agreement by the Company for such insurance.

FURTHER ACTION

The Merger Agreement provides that, subject to the terms and conditions of the Merger Agreement, each of the parties to the Merger Agreement will use its reasonable best efforts to take promptly all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by the Merger Agreement, including using its reasonable best efforts to obtain all necessary waivers, consents and approvals, effecting all necessary registrations and filings, and defending any lawsuits or other proceedings, whether judicial or administrative, challenging the Merger Agreement or the consummation of any of the transactions contemplated by the Merger Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed, provided that none of the Company, Rockwell or Sub will be required to divest any business or assets. In connection with and without limiting the foregoing, the Company and the Board will (a) take all action reasonably necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the Merger, the Merger Agreement or any of the other transactions contemplated by the Merger Agreement and (b) if any state takeover statute or similar statute or regulation becomes applicable to the Merger, the Merger Agreement or any other transaction contemplated by the Merger Agreement, take all action reasonably necessary to ensure that the Merger and the other transactions contemplated by the Merger Agreement may be consummated as promptly as practicable on the terms contemplated by the Merger Agreement and otherwise to minimize the effect of such statute or regulation on the Merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement.

TERMINATION

The Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time:

(a) by the mutual written agreement of Rockwell and the Company;

(b) by either Rockwell or the Company, if the Effective Time has not occurred on or before October 30, 1996, except that neither Rockwell, on the one hand, nor the Company, on the other hand, may so terminate the Merger Agreement if the absence of such occurrence is due to the

failure of Rockwell or Sub, on the one hand, or the Company, on the other hand, to perform in all material respects each of their or its obligations required to be performed prior to the Effective Time;

(c) by either Rockwell or the Company, if there is any statute, law, rule or regulation that makes consummation of the Merger illegal or otherwise prohibited, or if any court of competent jurisdiction or other Governmental Entity has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger, and such order, decree, ruling or other action is not subject to appeal or has become final and unappealable;

(d) by either Rockwell or the Company, if the Merger Agreement and the Merger have failed to receive the requisite vote for approval and adoption by the shareholders of the Company under the CCC at the Special Meeting;

(e) by Rockwell, if (i) the Board has (A) withdrawn or modified its approval or recommendation of the Merger Agreement or the Merger in a manner adverse to Rockwell, (B) approved or recommended a Superior Transaction or (C) failed to reaffirm its approval or recommendation of the Merger or the Merger Agreement in accordance with a request by Rockwell or Sub pursuant to the Merger Agreement or (ii) the Company has entered into an Acquisition Agreement with respect to a Superior Transaction;

(f) by Rockwell, if there has been a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in the Merger Agreement, or if any representation or warranty of the Company set forth in the Merger Agreement has become untrue, in any such case such that the conditions to the obligations of Rockwell and Sub to effect the Merger described in clauses (a) and (b) of the second paragraph under "-- Conditions to the Merger" would not be satisfied as of such time, provided that if such breach is curable by the Company prior to the scheduled date of the Special Meeting through the exercise of its reasonable best efforts and for so long as the Company continues to exercise such reasonable best efforts to cure such breach, Rockwell may not terminate the Merger Agreement as described in this subparagraph (f);

(g) by the Company, in connection with entering into a definitive agreement for a Superior Transaction in accordance with the Merger Agreement, provided that the Company has complied with all the provisions of the Merger Agreement with respect to a Superior Transaction, including the notice provisions; or

(h) by the Company, if there has been a breach of any representation, warranty, covenant or agreement on the part of Rockwell or Sub set forth in the Merger Agreement, or if any representation or warranty of Rockwell or Sub set forth in the Merger Agreement has become untrue, in any such case such that the conditions to the obligation of the Company to effect the Merger described in clauses (a) and (b) of the third paragraph under "-- Conditions to the Merger" would not be satisfied as of such time, provided that if such breach is curable by Rockwell or Sub prior to the scheduled date of the Special Meeting through the exercise of their reasonable best efforts and for so long as Rockwell or Sub continues to exercise such reasonable best efforts to cure such breach, the Company may not terminate the Merger Agreement as described in this subparagraph (h).

FEES AND EXPENSES

Except as described below, the Merger Agreement provides that each of the parties thereto agrees to pay, without right of reimbursement from the other, the costs incurred by it incident to the performance of its obligations thereunder, including, without limitation, the fees and disbursements of counsel, accountants, financial advisors, experts and consultants employed by the respective parties in connection with the transactions contemplated thereby, whether or not the Merger is consummated.

The Merger Agreement further provides that if (a) the Merger Agreement is terminated (i) as described in subparagraph (b) under "-- Termination" (other than a termination by Rockwell solely as a result of the failure of the conditions described in clauses (b), (c) or (d) of the first paragraph under "-- Conditions to the Merger" or clauses (d) or (e) of the second paragraph under "-- Conditions to the Merger" to be satisfied where the Company has performed in all material respects each of its obligations required to be performed pursuant to the Merger Agreement) or as described in subparagraph (d) under "-- Termination", an Acquisition Proposal existed at or prior to such termination and within nine months following such termination, the Company approves, recommends, enters into an agreement with respect to or consummates a transaction with respect to an Acquisition Proposal; (ii) as described in subparagraph (e) under "-- Termination"; (iii) as described in subparagraph (f) under "-- Termination", there has been a breach by the Company or the Board of any of its covenants or agreements set forth in the Merger Agreement and within nine months following such termination, the Company approves, recommends, enters into an agreement with respect to or consummates a transaction with respect to an Acquisition Proposal (regardless of whether an Acquisition Proposal existed at or prior to such termination); or (iv) as described in subparagraph (g) under "-- Termination"; or (b) during the term of the Merger Agreement any person, corporation, partnership, other entity or "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder), other than Rockwell or Sub or any of their respective subsidiaries or affiliates, acquires beneficial ownership or the right to acquire beneficial ownership of 40% or more of the then outstanding shares of capital stock of the Company, then the Company shall pay to Rockwell an amount equal to $10 million. The parties to the Merger Agreement have acknowledged that a portion of such payment is intended to reimburse Rockwell and Sub for their fees and expenses

incurred in connection with the Merger Agreement and the transactions contemplated thereby and the Merger Agreement provides that the right of Rockwell thereunder to receive such payment shall be in addition to any other rights or remedies available to Rockwell or Sub in law or in equity.

APPROVAL OF SHAREHOLDERS

The Merger Agreement provides that, as soon as practicable after the execution thereof, the Company will take all action necessary to convene and hold a special meeting of its shareholders to be held not later than September 13, 1996, or such other date as shall be mutually agreed upon in writing by Rockwell and the Company, to consider and vote upon the Merger and the Merger Agreement. Rockwell and the Company have agreed that the Special Meeting may be held on September 24, 1996. The Merger Agreement provides that, subject to the terms thereof, the Company shall use its best efforts to obtain at such meeting a favorable vote of its shareholders on the approval and adoption of the Merger Agreement and approval of the Merger.

DEREGISTRATION OF BROOKTREE COMMON STOCK AFTER THE MERGER

If the Merger is consummated, Brooktree Common Stock will cease to be quoted on The Nasdaq National Market System. Upon consummation of the Merger, the Company intends to make an appropriate filing with the SEC so that it will no longer be subject to the periodic reporting requirements of the Exchange Act, and the registration of the Brooktree Common Stock under the Exchange Act will terminate.

ANTITRUST MATTERS

Under the HSR Act, the Merger may not be consummated until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division (together, the "Agencies") and the expiration of a 30-calendar-day waiting period following such filing, unless such waiting period is earlier terminated by the Agencies. The Company and Rockwell each filed with the Agencies a Notification and Report Form with respect to the Merger on July 12, 1996 and the required waiting period with respect to the Merger expired on August 11, 1996. In addition, private parties as well as state attorneys general may bring legal actions under applicable antitrust laws under certain circumstances. See "-- Conditions to the Merger."

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary describes certain federal income tax consequences under the Internal Revenue Code of 1986, as amended (the "Code"), of the Merger to the holders of Brooktree Common Stock who are citizens or residents of the United States. It is not based upon an opinion of counsel and does not discuss all the tax consequences that may be relevant to Company shareholders entitled to special tax treatment under the Code (such as insurance companies, dealers in securities, tax exempt organizations or foreign persons) or to Company shareholders who acquired their shares of Brooktree Common Stock pursuant to the exercise of employee stock options or otherwise as compensation.

For federal income tax purposes: (a) the exchange of Brooktree Common Stock in the Merger by the Company's shareholders for cash will be a taxable transaction to the Company's shareholders; (b) gain or loss will be recognized by a Company shareholder measured by the difference between the Merger Consideration received by such shareholder and the tax basis of the shares of Brooktree Common Stock exchanged therefor (however, a Company shareholder may be required to compute gain or loss separately with respect to each block of shares); and (c) such gain or loss will be capital gain or loss if such shares of Brooktree Common Stock are held as capital assets at the Effective Time.

THE DISCUSSION SET FORTH ABOVE PROVIDES GENERAL INFORMATION AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO HOLDERS OF BROOKTREE COMMON STOCK WHO ARE CITIZENS OR RESIDENTS OF THE UNITED STATES BUT DOES NOT DISCUSS THE TAX CONSEQUENCES, IF ANY, OF THE MERGER UNDER APPLICABLE FOREIGN, STATE AND LOCAL LAWS OR WITH RESPECT TO TAXPAYERS WHO QUALIFY FOR SPECIAL TAX TREATMENT UNDER THE CODE. THE COMPANY'S SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER.

DISSENTERS' RIGHTS

If the Merger is consummated, holders of Brooktree Common Stock who have properly exercised dissenters' rights in connection with the Merger under Chapter 13 of the CCC will have the right to require the Company to purchase such shareholders' Dissenting Shares (as defined below) and receive payment in cash for the fair market value of such Dissenting Shares pursuant to the laws of the State of California, so long as demands for such purchase and payment are properly filed not later than the date of the Special Meeting with respect to 5% or more of the outstanding shares of Brooktree Common Stock.

The following summary of the provisions of Chapter 13 of the CCC is not intended to be a complete statement of such provisions, and the Company's

shareholders are urged to read the full text of Chapter 13 of the CCC, a copy of which is attached to this Proxy Statement as Annex III.

If the Merger is approved by the required vote of the holders of Brooktree Common Stock and is not abandoned or terminated, each holder of shares of Brooktree Common Stock who votes against the Merger and who follows the procedures set forth in Chapter 13 of the CCC will be entitled to have his or her shares of Brooktree Common Stock purchased by the Company for cash at their fair market value, so long as demands for such purchase and payment are properly filed not later than the date of the Special Meeting with respect to 5% or more of the outstanding shares of Brooktree Common Stock. The fair market value of shares of Brooktree Common Stock will be determined as of the day before the first announcement of the terms of the Merger, excluding any appreciation or depreciation in consequence of the Merger, but adjusted for any stock split, reverse stock split or share dividend that becomes effective thereafter. The value so determined may be more or less than the Merger Consideration. The shares of Brooktree Common Stock with respect to which holders have perfected their purchase demand in accordance with Chapter 13 of the CCC and have not effectively withdrawn or lost such rights are referred to as the "Dissenting Shares."

A shareholder of the Company electing to exercise dissenters' rights must, not later than the date of the Special Meeting as provided in Section 1301(b) of the CCC, demand in writing from the

Company the purchase of his or her shares of Brooktree Common Stock and payment to the shareholder at their fair market value. A holder who elects to exercise dissenters' rights should mail or deliver his or her written demand to the Company at 9868 Scranton Road, San Diego, California 92121, Attention: Secretary. The demand should specify the holder's name and mailing address and the number of shares of Brooktree Common Stock held of record by such shareholder and state that such holder is demanding purchase of his or her shares and payment of their fair market value, and must also contain a statement as to what the shareholder claims to be the fair market value of such shares as of the day before the first announcement of the terms of the proposed Merger. Such statement of the fair market value of the shares of Brooktree Common Stock constitutes an offer by the shareholder to sell to the Company the Dissenting Shares held by such shareholder at that price.

Within 10 days after approval of the Merger by the Company's shareholders, the Company must, if demands for purchase have been properly filed not later than the date of the Special Meeting with respect to 5% or more of the outstanding shares of Brooktree Common Stock, mail a notice of such approval (the "Approval Notice") to all shareholders who have voted against the approval of the Merger and followed the procedures set forth in Chapter 13 of the CCC, together with a statement of the price determined by the Company to represent the fair market value of the applicable Dissenting Shares (determined in accordance with the immediately preceding paragraph), a brief description of the procedures to be followed in order for the shareholder to pursue his or her dissenters' rights and a copy of Sections 1300-1304 of the CCC. The statement of price by the Company constitutes an offer by the Company to purchase all Dissenting Shares at the stated amount.

Within 30 days after the Approval Notice is mailed to a shareholder as provided in Section 1302 of the CCC, the shareholder must submit the certificates representing the Dissenting Shares to the Company for endorsement as Dissenting Shares.

If the Company and the shareholder agree that the shares are Dissenting Shares and agree upon the purchase price of such shares, the dissenting shareholder is entitled to the agreed-upon price with interest thereon at the legal rate on judgments from the date of such agreement. Payment for the Dissenting Shares must be made within 30 days after the later of the date of such agreement or the date on which all statutory and contractual conditions to the Merger are satisfied, and is subject to surrender to the Company of the certificates representing the Dissenting Shares.

If the Company denies that the shares are Dissenting Shares or if the Company and the shareholder fail to agree upon the fair market value of the Dissenting Shares, then within six months after the date on which the Approval Notice is sent to the shareholder, but not thereafter, as provided in Section 1304(a) of the CCC, any shareholder who has made a valid written purchase demand and who has voted against approval and adoption of the Merger Agreement and approval of the Merger may file a complaint in the Superior Court of San Diego County requesting a determination as to whether the shares are Dissenting Shares or as to the fair market value of such holder's Dissenting Shares or both, or may intervene in any pending action on such a complaint brought by any other Company shareholder with request to dissenters' rights. If the fair market value of the Dissenting Shares is at issue, the court may appoint one or more impartial appraisers to determine the fair market value of such Dissenting Shares.

Except as expressly limited by Chapter 13 of the CCC, holders of Dissenting

Shares continue to have all the rights and privileges incident to their shares, until the fair market value of their shares is agreed upon or determined. A holder of Dissenting Shares may not withdraw a demand for payment unless the Company consents thereto.

Dissenting Shares lose their status as Dissenting Shares, and dissenting shareholders cease to be entitled to require the Company to purchase their shares, if: (a) the Merger is abandoned; (b) the shares are transferred prior to their submission to the Company for the required endorsement; (c) the dissenting shareholder and the Company do not agree upon the status of the shares as Dissenting Shares or do not agree on the purchase price, and neither the Company nor the shareholder files a

complaint or intervenes in a pending action with respect to dissenters' rights within six months after mailing of the Approval Notice; or (d) with the Company's consent, the holder delivers to the Company a written withdrawal of such holder's demand for purchase of his or her shares.

THE COMPANY'S SHAREHOLDERS WILL HAVE NO DISSENTERS' RIGHTS UNLESS DEMANDS FOR PURCHASE AND PAYMENT ARE RECEIVED NOT LATER THAN THE DATE OF THE SPECIAL MEETING WITH RESPECT TO 5% OR MORE OF THE OUTSTANDING SHARES OF BROOKTREE COMMON STOCK.

ACCOUNTANTS

Representatives of Ernst & Young LLP, independent accountants who have audited the Company's financial statements since 1991, will be present at the Special Meeting, will be given the opportunity to make a statement and will be available to respond to appropriate questions.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy and information statements and other information with the SEC relating to its business, financial statements and other matters.

The reports, proxy and information statements and other information filed with the SEC by the Company pursuant to the Exchange Act may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at Citicorp Center, 500 Madison Street, Suite 1400, Chicago, Illinois 60661, and at Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by addressing written requests for such copies to the Public Reference Section of the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Brooktree Common Stock is quoted for trading on The Nasdaq National Market and reports, proxy or information statements and other information concerning the Company may be inspected at the offices of the National Association of Securities Dealers, Inc., 9513 Key West Avenue, Rockville, Maryland 20850.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the SEC are incorporated herein by reference:

1. the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 1995;

2. the Company's Quarterly Reports on Form 10-Q for the quarters ended December 30, 1995 and March 30, 1996 and the Company's Quarterly Report on Form 10-Q, as amended, for the quarter ended June 29, 1996;

3. the Company's Current Report on Form 8-K dated October 31, 1995; and

4. the Company's Proxy Statement for its Annual Meeting of Shareholders held on March 15, 1996.

All reports and definitive proxy or information statements filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Proxy Statement and prior to the date of the Special Meeting shall be deemed to be incorporated by reference into this Proxy Statement and to be part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement.

The documents incorporated into this Proxy Statement by reference (without exhibits, unless such exhibits are specifically incorporated by reference into the information that this Proxy Statement incorporates by reference herein) are available without charge to each person, including each beneficial owner, to whom a copy of this Proxy Statement is delivered, upon written or oral request addressed to Brooktree Corporation, 9868 Scranton Road, San Diego, California 92121, Attention: Investor Relations. The Company's telephone number is (619) 452-7580.

ANNEX I

AGREEMENT AND PLAN OF MERGER
AMONG
ROCKWELL INTERNATIONAL CORPORATION,
ROK II ACQUISITION CORPORATION
AND
BROOKTREE CORPORATION

DATED AS OF JULY 1, 1996

AGREEMENT AND PLAN OF MERGER
TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

<TABLE>
<CAPTION>

</TABLE>

GLOSSARY OF DEFINED TERMS

<TABLE>
<CAPTION>

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of July 1, 1996 among ROCKWELL INTERNATIONAL CORPORATION, a Delaware corporation ("Parent"), ROK II ACQUISITION CORPORATION, a Delaware corporation ("Sub") and a wholly-owned subsidiary of Parent, and BROOKTREE CORPORATION, a California corporation (the "Company").

W I T N E S S E T H :

WHEREAS, Sub is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated under the General Corporation Law of the State of Delaware (the "DGCL"), and has authorized capital stock consisting of 1,000 shares of Common Stock, par value $1.00 per share ("Sub Stock"), all of which are issued and outstanding and owned by Parent;

WHEREAS, the Company is a corporation duly organized and existing under the laws of the State of California, having been incorporated under the General Corporation Law of the State of California (the "CGCL"), and has authorized capital stock consisting of 57,680,555 shares, divided into (i) 12,680,555 shares of Preferred Stock, none of which are issued and outstanding, and (ii) 45,000,000 shares of Common Stock, no par value per share ("Common Stock"), of which 16,872,553 shares are issued and outstanding; and

WHEREAS, the respective Boards of Directors of each of Sub and the Company, and Parent as the sole stockholder of Sub, deem the merger of Sub with and into the Company, upon the terms and subject to the conditions set forth herein, desirable and in the best interests of the respective corporations and their respective shareholders, and the respective Boards of Directors of each of Sub and the Company, and Parent as the sole stockholder of Sub, have approved this Agreement by resolutions duly adopted thereby, and the Board of Directors of the Company has directed that this Agreement be submitted to its shareholders;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter contained, the parties hereto do hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 THE MERGER.

Upon the terms and subject to the conditions hereof, at the Effective Time (as defined in Section 1.2), Sub shall be merged with and into the Company (the "Merger") in accordance with the applicable provisions of the CGCL and the DGCL and the separate corporate existence of Sub shall thereupon cease. The Company, as the surviving corporation in the Merger (the "Surviving Corporation") and a wholly-owned subsidiary of Parent, shall continue its corporate existence under the name "Brooktree Corporation" and shall continue to be governed by the CGCL. The Merger shall have the effects set forth in Section 1107 of the CGCL and Section 259 of the DGCL.

SECTION 1.2. EFFECTIVE TIME OF THE MERGER.

Subject to the provisions of this Agreement, as soon as practicable on or after satisfaction or waiver of the conditions set forth in Article VI, Parent and the Company shall cause this Agreement (together with the requisite officer's certificates of the Company and Sub), a certificate of merger or other appropriate documents (in any such case, the "Merger Documents"), executed in accordance with the relevant provisions of the CGCL and the DGCL, to be filed and recorded as required by the CGCL and the DGCL. The Merger shall become effective when the Merger Documents are duly filed with the Secretary of State of the State of California and the Secretary of State of the State of Delaware, or at such other time as Sub and the Company shall agree and as shall be specified in the Merger Documents. When used in this Agreement, the term "Effective Time" shall mean the time and date at which the Merger becomes effective.

SECTION 1.3. ARTICLES OF INCORPORATION.

At the Effective Time, in accordance with the CGCL, the Articles of Incorporation of the Company as in effect immediately prior to the Effective Time shall be amended to delete in their entirety the provisions thereof and to incorporate in their entirety the provisions set forth on Exhibit A (which shall be provided by Parent to the Company within fifteen days of the date of this Agreement), and as so amended, shall be the Articles of Incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.4. BY-LAWS.

The By-laws of the Company as in effect immediately prior to the Effective Time shall be the By-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.5. BOARD OF DIRECTORS AND OFFICERS.

The members of the Board of Directors of Sub immediately prior to the Effective Time shall be the members of the Board of Directors of the Surviving Corporation, and the officers of Sub immediately prior to the Effective Time shall be the officers of the Surviving Corporation, in each case until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE II
EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE
CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

SECTION 2.1. EFFECT ON CAPITAL STOCK.

(a) CANCELLATION OF TREASURY STOCK AND PARENT OWNED COMMON STOCK. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each share of Common Stock issued and outstanding immediately prior to the Effective Time and (i) owned by Parent or Sub or any other direct or indirect wholly-owned subsidiary of Parent, (ii) held in the treasury of the Company or (iii) owned by any Subsidiary (as defined in Section 3.4) shall cease to be outstanding, shall be canceled and retired without payment of any consideration therefor and shall cease to exist.

(b) CONVERSION OF COMMON STOCK. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Common Stock being canceled pursuant to Section 2.1(a) and any Dissenting Shares (as defined in Section 2.1(d))), shall be converted into the right to receive $15.00 per share, without interest thereon (the "Per Share Amount"), in cash, subject to Section 2.1(e), upon the surrender of the certificate which immediately prior to the Effective Time represented such share in accordance with Section 2.2; each share so converted shall at the Effective Time be canceled and retired and shall cease to exist, and each certificate which theretofore represented shares so converted and canceled shall thereafter cease to have any rights with respect to such shares except the right to receive the Per Share Amount in cash multiplied by the number of such shares formerly represented by such certificate, without interest thereon and subject to Section

2.1(e).

(c) SUB STOCK. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each share of Sub Stock issued and outstanding immediately prior to the Effective Time shall be converted into and become one newly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

(d) DISSENTING SHARES. At the Effective Time, any shares of Common Stock held by shareholders, if any, who shall have demanded and perfected their demand for the Company to purchase their shares of Common Stock and shall have voted against this Agreement and the Merger in accordance with Section 1300 ET SEQ. of the CGCL ("Dissenting Shares") shall not be converted into the right to

receive the Per Share Amount in cash pursuant to the Merger, but instead shall be entitled to only such rights as are provided by the CGCL, except that any Dissenting Shares held by a shareholder who shall, after proper exercise of dissenter's rights, effectively withdraw his or her demand for purchase thereof and payment therefor, or lose his or her right to such payment as provided in Section 1300 ET SEQ. of the CGCL shall cease to be Dissenting Shares hereunder and shall be deemed converted into and represent only the right to receive the amount of cash, subject to Section 2.1(e), such holder otherwise would have been entitled to receive as a result of the Merger as provided in Section 2.1(b), without interest thereon, upon surrender of the certificate or certificates formerly representing such shares in accordance with Section 2.2. The Company shall give Parent and Sub (i) prompt written notice of any written demands for the purchase of shares of Common Stock pursuant to Section 1300 ET SEQ. of the CGCL, any withdrawals of such demands and any other instruments served pursuant to the CGCL received by the Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

(e) WITHHOLDING TAX. Parent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Common Stock outstanding immediately prior to the Effective Time such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Common Stock outstanding immediately prior to the Effective Time in respect of which such deduction and withholding was made.

SECTION 2.2. EXCHANGE OF CERTIFICATES.

(a) PAYING AGENT; INTEREST. Prior to the Effective Time, Parent shall designate a bank or trust company to act as paying agent in respect of the Merger (the "Paying Agent"), and, from time to time at, prior to or after the Effective Time, Parent shall make available, or cause the Surviving Corporation to make available, subject to Section 2.2(e), to the Paying Agent funds in amounts and at the times necessary for the payment of the Per Share Amount upon surrender of certificates formerly representing shares of Common Stock pursuant to Section 2.2(b), it being understood that any and all interest earned on funds made available to the Paying Agent pursuant to this Agreement shall be turned over to Parent on demand.

(b) EXCHANGE PROCEDURE. As soon as reasonably practicable after the Effective Time, Parent shall cause the Paying Agent to mail to each holder of record (other than Parent or Sub or any other direct or indirect wholly-owned subsidiary of Parent or the Company or any Subsidiary) of a certificate or certificates which immediately prior to the Effective Time represented shares of Common Stock (the "Certificates"), a letter of transmittal (which shall contain instructions for use in effecting the surrender of the Certificates in exchange for the Per Share Amount, shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in a form and have such other provisions as Parent may reasonably specify). Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Paying Agent or such other agent or agents, the holder of such Certificate shall be entitled to receive in exchange therefor the Per Share Amount payable, subject to Section 2.1(e), in respect of the shares of Common Stock formerly represented by such Certificate, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of shares of Common Stock that is not registered in the transfer records of the Company, payment may be made to a person other than the person in whose name the Certificate so surrendered is registered if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such

payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of Parent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2(b), each Certificate (other than Certificates canceled pursuant to Section 2.1(a) or representing any Dissenting Shares) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Per Share Amount payable, subject to Section 2.1(e), in respect of the shares of Common Stock theretofore represented by such Certificate. No interest will be paid or will accrue on the cash payable upon the surrender of any Certificate.

(c) NO FURTHER OWNERSHIP RIGHTS IN COMMON STOCK. All cash paid upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Common Stock theretofore represented by such Certificates. At the Effective Time, the stock transfer books of the Company shall be closed, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be canceled and exchanged as provided in this Article II, except as otherwise provided by law with respect to Dissenting Shares.

(d) NO LIABILITY. Notwithstanding anything to the contrary contained herein, none of Parent, Sub, the Surviving Corporation or the Paying Agent shall be liable to any holder of a Certificate or any other person or entity in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(e) RETURN OF FUNDS. Any portion of the funds made available to the Paying Agent pursuant to Section 2.2(a) which remains undistributed to the former holders of Common Stock six months after the Effective Time shall be promptly delivered to Parent (it being understood that prior thereto Parent is only required to make funds available to the Paying Agent at the times necessary for the payment of the Per Share Amount upon surrender of Certificates pursuant to Section 2.2(b)), and any former holders of Common Stock who have not theretofore complied with this Article II and the instructions set forth in the letter of transmittal mailed to such holder after the Effective Time shall thereafter look exclusively to Parent and only as a general creditor thereof for payment of the Per Share Amount to which they become entitled upon exchange of their Certificates pursuant to Section 2.2(b). Any portion of the Per Share Amount made available to the Paying Agent pursuant to Section 2.2(a) with respect to Common Stock for which dissenter's rights have been perfected shall be returned to Parent on demand.

SECTION 2.3. SETTLEMENT OF STOCK OPTIONS.

The Company shall take all action (satisfactory to Parent in its reasonable discretion) necessary to provide that immediately prior to the Effective Time, (i) each then outstanding option to purchase shares of Common Stock (a) granted under the Brooktree Corporation 1985 Stock Option Plan, the Brooktree Corporation 1991 Non-Employee Director Stock Option Plan and the Brooktree Corporation 1992 Stock Plan (each, as amended from time to time prior to the date hereof, a "Stock Option Plan" and, collectively, the "Stock Option Plans") or (b) granted pursuant to a Nonqualified Stock Option to Outside Directors of the Company, in each case, to the extent not exercised (collectively, the "Options"), whether or not then exercisable or vested, shall have become fully exercisable and vested, (ii) each then outstanding Option shall be canceled and (iii) in consideration of such cancellation, and except to the extent that Parent and the holder of any Option shall otherwise agree, the holder of such Option shall receive from the Company (or at Parent's option, from Parent or Sub) for each share subject to such Option an amount (subject to any applicable withholding tax) in cash equal to the excess, if any, of the Per Share Amount over the per share exercise price of such Option (such amount being hereinafter referred to as the "Option Consideration"). The surrender of an Option to the Company in exchange for the Option Consideration shall be deemed a release of any and all rights the holder had or may have had in respect of such Option, and the payment of the Option Consideration

with respect to all Options held by such holder for which the Option Consideration is payable shall be conditioned on such holder acknowledging such release and the cancellation of such Options as well as any Options held by such holder as to which the exercise price equals or exceeds the Per Share Amount (the "Out-of-the-Money Options"). Prior to the Effective Time, the Company shall obtain all necessary consents or releases from holders of Options (including releases from holders who hold Out-of-the Money Options) and shall take all such other lawful action as may be necessary to give effect to the transactions contemplated by this Section 2.3. Except as otherwise agreed to by the Company and Parent, (i) the Stock Option Plans and each Nonqualified Stock Option to Outside Directors shall terminate as of the Effective Time and the provisions in

any other plan, program, agreement or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of the Company or any Subsidiary shall be terminated and canceled as of the Effective Time, and (ii) the Company shall take all action (satisfactory to Parent in its reasonable discretion) necessary to ensure that following the Effective Time no participant in the Stock Option Plans, any Nonqualified Stock Option to Outside Directors or such other plans, programs, agreements or arrangements shall have any right thereunder to acquire equity securities of the Company, Parent, the Surviving Corporation or any subsidiary thereof and to terminate all such plans, programs, agreements and arrangements.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Sub as follows:

SECTION 3.1. ORGANIZATION; CAPITALIZATION.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California with all requisite corporate power and authority to own its properties and to carry on its business as presently conducted. The Company is duly qualified and in good standing to transact business as a foreign corporation in each jurisdiction in which the conduct or nature of its business or the ownership, leasing or holding of its properties makes such qualification necessary, except where the failure to be so qualified would not have, individually or in the aggregate, a Material Adverse Effect (as defined below). For purposes of this Agreement, "Material Adverse Effect" shall mean a material adverse effect on the business, condition (financial or otherwise), assets, liabilities, properties, operations or results of operations of the Company and the Subsidiaries, taken as a whole, or on the ability of the Company to consummate the transactions contemplated by this Agreement. A list of the jurisdictions in which the Company is so qualified is set forth in Section 3.1(a) of the Disclosure Schedule (the "Disclosure Schedule") delivered to Parent prior to the execution of this Agreement. The Company has previously delivered to Parent and Sub true, accurate and complete copies of its Articles of Incorporation and By-laws, each as in effect on the date hereof, and minute books containing minutes of all meetings of the Board of Directors of the Company (including any committees thereof) and shareholders of the Company for the period from January 1, 1990 to and including the date hereof.

(b) The authorized capital stock of the Company consists of 57,680,555 shares, divided into (i) 12,680,555 shares of Preferred Stock, none of which are issued and outstanding or held in the treasury of the Company, and (ii) 45,000,000 shares of Common Stock, no par value per share, of which 16,872,553 shares are issued and outstanding, 3,360,227 shares are reserved for issuance upon exercise of outstanding employee stock options granted pursuant to the Company's Stock Option Plans and non-employee director stock options granted pursuant to Nonqualified Stock Options to Outside Directors, 81,297 shares are reserved for issuance pursuant to the Brooktree Corporation 1992 Employee Stock Purchase Plan (the "1992 Stock Purchase Plan") and the remainder are unissued and not reserved. All the outstanding shares of Common Stock are, and all shares which may be issued will be, when issued, duly authorized, validly issued, fully paid and nonassessable. Options granted by the Company to purchase 3,360,227 shares of Common Stock are outstanding on the date hereof, of which Options granted by the Company to purchase 1,694,870 shares of Common Stock are

exercisable on the date hereof. Except for such Options, the obligation to issue up to approximately 81,297 shares of Common Stock pursuant to the 1992 Stock Purchase Plan (approximately 74,706 shares for the Offering Period (as defined in the 1992 Stock Purchase Plan) ended June 28, 1996 and approximately 6,591 shares for the Offering Period ended pursuant to Section 5.1(j)) in consideration of funds on deposit thereunder and restrictions on transfer imposed by the Company on 290,001 Stock Purchase Plan Shares (as defined in Section 6.2(k)), there are no outstanding securities or obligations convertible into or exchangeable for, or options, warrants, scrip, rights to subscribe for or acquire, calls or commitments of any character whatsoever relating to, or contracts, understandings or arrangements with respect to the issuance or sale of, any shares of the capital stock of the Company or any other securities of the Company, or arrangements or contracts with respect to the purchase, repurchase, sale, redemption, acquisition, conversion, exchange, registration, transfer or voting of shares of its capital stock (including any restrictions on transfer imposed by the Company or any law or regulation within the meaning of Section 1300(b)(1) of the CGCL). Except as set forth above, the Company is not obligated, now or in the future, contingently or otherwise, to issue Common Stock or any other of its securities to any person or entity. The Company has outstanding no bonds, debentures, notes or other obligations the holders of which have the right to vote (or are convertible or exchangeable into or exercisable for securities having the right to vote) with the shareholders of the Company on any matter.

SECTION 3.2. AUTHORITY.

The Company has all requisite corporate power and authority to execute and deliver this Agreement and, subject to approval of this Agreement by the holders of a majority of the outstanding shares of Common Stock, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company subject to approval of this Agreement by the holders of a majority of the outstanding shares of Common Stock. This Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

SECTION 3.3. NO BREACH.

The execution, delivery and performance of this Agreement by the Company do not, and the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, with or without the giving of notice or the lapse of time, or both, conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Articles of Incorporation or By-laws of the Company or the certificates of incorporation or the by-laws (or the equivalent thereof) of any of the Subsidiaries, or (ii) except as set forth in Section 3.3 of the Disclosure Schedule, any contract, agreement, note, bond, mortgage, indenture, lease, license, franchise, permit, concession, instrument, obligation, commitment, covenant, understanding or arrangement to which the Company or any of the Subsidiaries is a party or by which any of its assets may be affected (a "Contract"), or (iii) any order, ruling, decree, judgment, arbitration award, statute, law, ordinance, rule, regulation or stipulation to which the Company or any of the Subsidiaries or their respective properties or assets is subject, or result in the creation of any restriction on voting or transfer, pledge, claim, lien, charge, encumbrance or security interest of any kind (a "Lien") upon any of the properties or assets of the Company or any of the Subsidiaries, except, in the case of items (ii) and (iii) above, for those which would not have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.4. SUBSIDIARIES.

Except as set forth on Section 3.4 of the Disclosure Schedule, the only companies, partnerships, joint ventures or other entities or organizations in which the Company directly or indirectly owns any equity or debt securities or has any other ownership interest are the following entities (each a "Subsidiary" and collectively, the "Subsidiaries"):

<TABLE>
<CAPTION>

SUBSIDIARY	JURISDICTION OF INCORPORATION OR ORGANIZATION
<S>	<C>
Brooktree Foreign Sales Corporation	U.S. Virgin Islands
Brooktree International Ltd.	Cayman Islands
Brooktree Ltd.	United Kingdom
Brooktree Pte.	Singapore
Brooktree Technologies Ltd.	Cayman Islands
Brooktree Worldwide Sales Corporation	California
California Solution Networks Corporation	California

</TABLE>

Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization set forth above with all requisite corporate power and authority to own and operate its business and properties and to carry on its business as presently conducted. Each Subsidiary is duly qualified and in good standing to transact business as a foreign corporation in each jurisdiction in which the conduct or nature of its business or the ownership, leasing or holding of its properties makes such qualification necessary, except where the failure to be so qualified would not have, individually or in the aggregate, a Material Adverse Effect. A list of the jurisdictions in which each Subsidiary is so qualified is set forth in Section 3.4 of the Disclosure Schedule. The Company has previously delivered to Parent and Sub true, accurate and complete copies of the certificates of incorporation, by-laws or other organizational documents, each as in effect on the date hereof, and minute books of each of the Subsidiaries containing minutes of all meetings of the Board of Directors (including any committees thereof) and shareholders of each of the Subsidiaries for the period from January 1, 1990 to and including the date hereof. The outstanding shares of capital stock of each of the Subsidiaries are validly issued and fully paid and nonassessable and, except for 400,000 shares of common stock of California Solution Networks Corporation ("CSNC") held by the President of CSNC and one ordinary share of Brooktree Ltd. held by a nominee of the Company, are owned

beneficially and of record by the Company or a wholly-owned Subsidiary free and clear of all Liens. Except for options to purchase 8,000 shares of common stock of CSNC granted under the CSNC 1995 Stock Option Plan, there are no outstanding securities or obligations convertible into or exchangeable for, or options, warrants, scrip, rights to subscribe for or acquire, calls or commitments of any character whatsoever relating to, or contracts, understandings or arrangements with respect to the issuance or sale of, any shares of the capital stock of any class or any other securities of any of the Subsidiaries, or arrangements or contracts with respect to the purchase, repurchase, sale, redemption, acquisition, conversion, exchange, registration, transfer or voting of shares of capital stock of any of the Subsidiaries. Except as set forth above, neither the Company nor any of the Subsidiaries is obligated, now or in the future, contingently or otherwise, to issue stock of any class or any other securities of any Subsidiary to any person or entity. Except as identified in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (including certain portions of the Company's 1995 Annual Report to Shareholders and the Company's Proxy Statement with respect to its 1996 Annual Meeting of Shareholders held on March 15, 1996 incorporated by reference therein) or the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended December 30, 1995 and March 30, 1996, other than forward looking information disclosed therein (such documents, without giving effect to the forward looking information contained therein, are referred to herein collectively as the "Current SEC Documents"), neither the Company nor any Subsidiary is subject to any obligation, contingent or otherwise, to provide funds or make an investment in any entity.

SECTION 3.5. FINANCIAL STATEMENTS.

The audited consolidated financial statements of the Company and its subsidiaries at September 30, 1995, September 30, 1994, September 30, 1993, September 30, 1992 and September 30, 1991 and for the respective fiscal years then ended, and the notes thereto, reported on by Ernst & Young LLP, and the unaudited consolidated financial statements of the Company and its subsidiaries at December 30, 1995 and March 30, 1996 and for the three month and six month periods then ended, and the notes thereto which the Company has delivered to Parent and Sub and which are contained in the SEC Filings (as defined in Section 3.18), have been prepared in accordance with generally accepted accounting principles applied (except as set forth therein) on a consistent basis, and present fairly the consolidated financial position of the Company and its consolidated subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for each of the fiscal years or three month or six month periods then ended (subject, in the case of unaudited interim financial statements, to the absence of notes and to normal year-end adjustments). Except as and to the extent reflected or reserved against in the consolidated balance sheet of the Company and its subsidiaries at March 30, 1996 (the "March 30 Balance Sheet"), at March 30, 1996, neither the Company nor any of the Subsidiaries had any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by generally accepted accounting principles to be reflected on a balance sheet or in the notes thereto. Since March 30, 1996, neither the Company nor any of the Subsidiaries has incurred any liabilities or obligations other than those arising from operations in the ordinary course of business consistent with past practice. Since September 30, 1995 the Company and the Subsidiaries have conducted their respective businesses only in the ordinary course consistent with past practice and, except as identified in the Current SEC Documents or as set forth in Section 3.5 of the Disclosure Schedule, there has been no change in or development with respect to the business, condition (financial or otherwise), assets, liabilities, properties, operations or results of operations of the Company and the Subsidiaries except changes and developments in the ordinary course of business consistent with past practice which have not had or may not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and changes relating to the economy in general or changes resulting from industry-wide developments affecting other companies in similar businesses. Specifically, and without limiting the generality of the foregoing, since September 30, 1995 (except as otherwise contemplated by this Agreement or as identified in the Current SEC Documents, neither the Company nor any of the Subsidiaries has taken any action described in Section 5.1.

SECTION 3.6. TAXES.

Except as set forth in Section 3.6 of the Disclosure Schedule:

(a) All Tax Returns (as defined below) of the Company and each of the Subsidiaries and all predecessor corporations have been duly and timely filed and are correct and complete in all material respects. Each of the Company and the Subsidiaries and any predecessor corporation has withheld proper and accurate amounts from their employees, customers, depositors, shareholders, and others from whom they are required to withhold Taxes (as defined below) in compliance with all applicable federal, state, local and foreign laws and have timely paid all such withheld amounts to the appropriate taxing authorities. All Taxes or estimates thereof of the Company and each of the Subsidiaries and any predecessor corporations that are due have been timely and appropriately paid and to the extent the

liabilities for Taxes have not been fully discharged, adequate reserves have been established, in accordance with generally accepted accounting principles. No Liens for Taxes exist with respect to any assets of the Company or any of the Subsidiaries or any predecessor corporation, except for Liens for Taxes not yet due;

(b) No assessment, audit, examination or other proceeding by any taxing authority or other Governmental Entity (as defined in Section 3.15) is proposed, pending, or, to the knowledge of the Company or any of the Subsidiaries, threatened with respect to the Taxes or Tax Returns of the Company or the Subsidiaries or any predecessor corporation. Each deficiency resulting from any

audit or examination relating to Taxes by any taxing authority has been paid. No issues relating to Taxes were raised in writing by the relevant taxing authority in any completed audit or examination that can reasonably be expected to recur in a later taxable period;

(c) There are no outstanding agreements, waivers or arrangements extending the statutory period of limitations applicable to any claim for or the period for the collection or assessment of Taxes of the Company or any of the Subsidiaries or any predecessor corporation due for any taxable period;

(d) None of the Company or any of the Subsidiaries is a party to or is bound by any Tax sharing agreement or similar agreement, arrangement or practice with respect to Taxes (including any advance pricing agreement, closing agreement or other agreement relating to Taxes with any taxing authority) or has any liability for the Taxes of any person or entity (other than the Company and any of the Subsidiaries that is currently a member of the Company's affiliated group filing a consolidated federal income tax return) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, provincial, local, or foreign law), as a transferee or successor, by contract or otherwise, and, in the case of any item disclosed on Section 3.6 of the Disclosure Schedule, are in material compliance with any such agreement;

(e) Neither the Company nor any of the Subsidiaries is a party to any agreement, plan, understanding or arrangement that, and none of the transactions contemplated by this Agreement, would result, individually or in the aggregate, in the payment of any amount (whether in cash or property) that would not be deductible pursuant to the terms of Sections 162(a)(1), 162(m) or 280G of the Code; and

(f) Neither the Company nor any Subsidiary is a "United States real property holding corporation" as defined in Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code and none of Brooktree Foreign Sales Corporation, Brooktree International Ltd., Brooktree Ltd., Brooktree Pte. and Brooktree Technologies Ltd. (i) is engaged in a U.S. trade or business for federal income Tax purposes, (ii) is a foreign investment company within the meaning of the Code, or (iii) is a passive foreign investment company within the meaning of the Code or has participated in or cooperated with an international boycott within the meaning of Section 999 of the Code or has been requested to do so in connection with any transaction or proposed transaction.

As used in this Agreement, (i) "Tax" or "Taxes" means all taxes, charges, duties, fees, levies or other assessments, including but not limited to, income, excise, property, sales, value added, profits, license, withholding (with respect to compensation or otherwise), payroll, employment, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Governmental Entity, and including any interest, penalties and additions attributable thereto; and (ii) "Tax Return" or "Tax Returns" means any return, report, declaration, information return, statement or other document filed or required to be filed with any Governmental Entity in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

SECTION 3.7. INSURANCE.

All material casualty, directors' and officers' liability, general liability (including product liability) and all other material types of insurance maintained by the Company or any of the Subsidiaries are duly in force and no notice has been received by the Company or any of the Subsidiaries from any insurance carrier purporting to cancel or reduce coverage under any such policy.

SECTION 3.8. MATERIAL CONTRACTS.

Section 3.8 of the Disclosure Schedule sets forth each Contract which is:

(a) other than the employment agreements to be entered into with certain employees of the Company described in Section 6.2, a Contract with any director, officer, subsidiary or affiliate of the Company or any Subsidiary;

(b) other than such of the following as are identified in the Current SEC Documents, a Contract relating to the borrowing of money by the Company or any Subsidiary or to the direct or indirect guarantee or assumption by the Company or any Subsidiary of the obligations of any other person or entity for borrowed money, including any arrangement which has the economic effect although not the legal form of such a guarantee;

(c) or contains a covenant not to compete (other than those of which the Company or any Subsidiary is the beneficiary of the covenant in employee related agreements and those identified in the Current SEC Documents);

(d) other than such of the following as is entered into in the ordinary course of business consistent with past practice between the date of this Agreement and the Effective Time, a lease or similar agreement under which (i) the Company or any Subsidiary is a lessee of, or holds or operates, any real property owned by any third person for an annual rent in excess of $300,000 or (ii) the Company or any Subsidiary is a lessor of, or makes available for use by any third person, any real property owned or held as lessee by the Company or any Subsidiary for an annual rent in excess of $300,000;

(e) other than such of the following as is entered into in the ordinary course of business consistent with past practice between the date of this Agreement and the Effective Time, a lease or similar agreement under which (i) the Company or any Subsidiary is a lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any third person for an annual rent in excess of $300,000 or (ii) the Company or any Subsidiary is a lessor of, or makes available for use by any third person, any tangible personal property owned (including ownership for tax purposes) by the Company or any Subsidiary having a fair market value in excess of $300,000;

(f) other than such of the following as is entered into in the ordinary course of business consistent with past practice between the date of this Agreement and the Effective Time, a Contract involving the obligation of the Company or any Subsidiary to purchase products or services or the legal right to make or vend products or deliver services for payment by the Company or any Subsidiary of more than $300,000 either as a lump sum or reasonably contemplated periodic payments over the term of the Contract (unless terminable by the Company or any Subsidiary without payment or penalty upon no more than 30 days' notice);

(g) other than such of the following as is entered into in the ordinary course of business consistent with past practice between the date of this Agreement and the Effective Time, a Contract involving the obligation of the Company or any Subsidiary to deliver products or services with an unfilled order balance of more than $300,000 (unless terminable by the Company or any Subsidiary without payment or penalty upon no more than 30 days' notice);

(h) other than such of the following as are identified in the Current SEC Documents, a mortgage, pledge, security agreement, deed of trust or other document granting a material Lien (including Liens upon properties acquired under conditional sales, capital lease or other title retention or security devices);

(i) a Contract providing for the formation of a joint venture, teaming agreement or other similar arrangement;

(j) a power of attorney or similar authorization (including, without limitation, with respect to Taxes) given by the Company or any of the Subsidiaries; or

(k) other than such of the following as are identified in the Current SEC Documents, any other Contract material to the business, condition (financial or otherwise), assets, liabilities, properties, operations or results of operations of the Company and the Subsidiaries taken as a whole.

All of the Contracts are valid and enforceable, and neither the Company nor any of the Subsidiaries, nor to the knowledge of the Company and the Subsidiaries any other party thereto, is in default in any material respect under any thereof. Customer Contracts which are unperformed, considered as a whole, by which the Company or any of the Subsidiaries is currently bound will not result in a loss having, in the aggregate, a Material Adverse Effect. The transactions contemplated hereby may be consummated without the consent or approval of any person or party under any Contract and without being a breach thereof, except where the failure to obtain such consents or approvals or such breach would not have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.9. EMPLOYEES; LABOR MATTERS.

(a) Except as set forth in Section 3.9 of the Disclosure Schedule or identified in the Current SEC Documents, no employee of the Company or any of the Subsidiaries has a salary rate in excess of $100,000 per annum.

(b) Neither the Company nor any of the Subsidiaries is a party to any collective bargaining agreement or other contract with or commitment to any labor union or association representing any employee of the Company or any of the Subsidiaries, nor does any labor union or collective bargaining agent represent any employees of the Company or any of the Subsidiaries. No such agreement, contract or other commitment has been requested by, or is under discussion by management of the Company or any of the Subsidiaries (or any management group or association of which the Company or any of the Subsidiaries is a member or otherwise a participant) with, any group of employees or others, nor are there any representation proceedings or petitions seeking a representation proceeding presently pending against the Company or any of the Subsidiaries with the National Labor Relations Board or any labor relations tribunal, nor are there any other current activities known to the Company or any of the Subsidiaries to organize any employees of the Company or any of the Subsidiaries into a collective bargaining unit. Except as set forth in Section 3.9 of the Disclosure Schedule, there is no unfair labor practice charge or complaint pending or, to the knowledge of the Company and the Subsidiaries, threatened against the Company or any of the Subsidiaries. During the past five years, there has been no labor strike, slow-down, work stoppage, arbitration or other work-related dispute involving the Company or any of the Subsidiaries and no such dispute is now pending or, to the knowledge of the Company and the Subsidiaries, threatened against the Company or any of the Subsidiaries.

SECTION 3.10. PROPRIETARY RIGHTS.

(a) Section 3.10 of the Disclosure Schedule sets forth a complete and correct list of all foreign and domestic: (i) patents and patent applications; (ii) written records of inventions; and (iii) registered and unregistered trademarks, service marks, trade names, logos, other forms of trade identity and registrations and applications thereof.

(b) Except as set forth in Section 3.10 of the Disclosure Schedule or identified in the Current SEC Documents, (1) the Company and the Subsidiaries own all of the Intellectual Property (as defined below), free from any Liens and free from any requirement of any past, present or future payments (other than maintenance and similar payments), charges or fees or conditions, rights or restrictions; (2) to the knowledge of the Company and the Subsidiaries, no Intellectual Property or any service rendered by the Company or any Subsidiary, or any product, process or material used in the business of the Company or any Subsidiary, infringes upon any rights owned or held by any other person or entity; (3) there is neither pending nor (to the knowledge of the Company and the Subsidiaries)

threatened any claim or litigation against the Company or the Subsidiaries contesting the rights of Company or the Subsidiaries to any Intellectual Property or the ownership, enforceability or validity of the Intellectual Property or use by the Company or any Subsidiary of any Intellectual Property; (4) no Intellectual Property is subject to any outstanding order, ruling, decree, judgment or stipulation by any arbitrator, court or other Governmental Entity, nor is there any pending (or to the knowledge of the Company and the Subsidiaries, threatened) proceeding relating thereto; (5) to the knowledge of the Company and the Subsidiaries, there is no infringement or misappropriation of the Intellectual Property by any other person or entity; (6) there are no agreements or licenses between the Company or any of the Subsidiaries, on the one hand, and any other person or entity, on the other hand, which may have been terminated or expired prior to the date hereof and under which the Company or any of the Subsidiaries has granted rights or licenses in the Intellectual Property to such other persons or entities or granted an option to acquire such rights or licenses, which rights or licenses or the option to acquire the same survived such termination or expiration; and (7) no person or entity has any licenses under any of the Intellectual Property, except in each of cases (1)-(7) above such as would not have a Material Adverse Effect. The Company and the Subsidiaries have taken reasonable steps (including measures to protect secrecy and confidentiality) to protect its right, title and interest in and to the Intellectual Property. All employees, agents, consultants and other representatives of the Company and the Subsidiaries who have access to confidential or proprietary information of the Company and the Subsidiaries incorporated in the Intellectual Property have a legal obligation of confidentiality to the Company and the Subsidiaries with respect to such information.

(c) For purposes of this Agreement, "Intellectual Property" shall mean all of the following owned or controlled by the Company and the Subsidiaries: (1) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents (including utility and design patents, industrial designs and utility models), patent applications, and patent or invention disclosures, together with all reissuances, continuations,

continuations-in-part, divisions, revisions, extensions and re-examinations thereof; (2) all copyrightable works, and all applications, registrations and renewals in connection therewith; (3) all mask works and semiconductor chip rights and all applications, registrations and renewals in connection therewith; (4) all trade secrets and confidential business and technical information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, engineering notebooks, industrial models, software and specifications); (5) all computer software, both source code and object code (including data and related documentation, flow charts, diagrams, descriptive texts and programs, computer print-outs, underlying tapes, computer databases and similar items); (6) all trademarks, service marks, trade names, trade dress, logos, business and product names, slogans, and registrations and applications for registration thereof; (7) all rights to sue for and remedies against past, present and future infringements of any or all of the foregoing and rights of priority and protection of interests therein under the laws of any jurisdiction worldwide; (8) all copies and tangible embodiments of any or all of the foregoing (in whatever form or medium, including without limitation electronic media); and (9) all other proprietary, intellectual property and other rights relating to any or all of the foregoing.

SECTION 3.11. PROPERTY.

Section 3.11 of the Disclosure Schedule accurately identifies all real property, plants, warehouses, distribution centers, structures and other buildings of the Company and the Subsidiaries. All properties and assets of the Company and the Subsidiaries, real and personal, material to the conduct of their respective businesses are, except for changes in the ordinary course of business consistent with past practice since March 30, 1996, reflected on the March 30 Balance Sheet, and the Company and the Subsidiaries have good and marketable title to their respective real and personal property, free and clear of all Liens, except for Permitted Liens (as defined below). For purposes of this Agreement "Permitted Liens" shall mean those Liens (A) identified in the March 30 Balance Sheet or the notes thereto or in the Current SEC Documents, (B) set forth in Section 3.11 of the Disclosure Schedule, (C) for Taxes not yet due or payable or being contested in good faith (and for which adequate reserves

in accordance with generally accepted accounting principles have been established) or (D) which would not have, individually or in the aggregate, a Material Adverse Effect. All plants, warehouses, distribution centers, structures and other buildings and material equipment of each of the Company and the Subsidiaries are currently used in the operation of the business of such company, are adequately maintained and are in satisfactory operating condition and repair for the requirements of the business as presently conducted by such company.

SECTION 3.12. EMPLOYEE BENEFIT PLANS; EMPLOYMENT, TERMINATION AND SEVERANCE AGREEMENTS.

(a) (i) Section 3.12(a) of the Disclosure Schedule sets forth a true, accurate and complete list of each pension, retirement, savings, profit sharing, deferred compensation, medical, vision, dental and other health plan, disability, accident and life insurance plan, bonus, stock option, incentive and special compensation and other plan and each other employee benefit plan program, contract, arrangement, agreement and understanding (whether written or oral) (hereinafter referred to individually as a "Plan" and collectively as the "Plans") to which the Company or any of the Subsidiaries contributes or is required to contribute, or which the Company or any of the Subsidiaries sponsors, maintains or administers or which is otherwise applicable to employees or retirees or categories of employees or retirees of the Company or any of the Subsidiaries generally; (ii) no "prohibited transaction" within the meaning of Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code that is not exempt under Section 408 of ERISA or Section 4975 of the Code has occurred with respect to any Plan sponsored, maintained or administered by the Company or any of the Subsidiaries; (iii) all "employee benefit plans" as defined in Section 3(3) of ERISA ("ERISA Plans") sponsored, maintained or administered by the Company or any of the Subsidiaries comply currently and have complied in the past in all material respects, in form and in operation, with the provisions of ERISA, the Code, the rules and regulations promulgated under these statutes, all other applicable federal, state or common law and with the terms of their respective documents and funding instruments; (iv) there are no actions, suits or claims pending (other than routine claims for benefits) or any actions, suits or claims (other than routine claims for benefits) which could reasonably be expected to be asserted, against any Plan or the assets or fiduciaries of any Plan sponsored, maintained or administered by the Company or any of the Subsidiaries or any ERISA Plan established or maintained by an entity or arrangement which is a member of a controlled group of corporations with the Company or any of the Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code (each such entity or arrangement is referred to as an "ERISA Affiliate"), which would have a Material Adverse Effect; (v) no civil or criminal action under Title I, Subtitle B, Part 5 of ERISA is pending or, to the knowledge of the Company and the Subsidiaries, threatened against the Company or any Subsidiary

or any fiduciary of any Plan sponsored or maintained by the Company or any of the Subsidiaries; (vi) no Plan nor any fiduciary of a Plan sponsored, maintained or administered by the Company or any of the Subsidiaries has been the direct or indirect subject of an audit, investigation or examination by any Governmental Entity or quasi-governmental agency; (vii) all Plans which are "employee pension benefit plans" as defined in Section 3(2) of ERISA ("ERISA Pension Plans") and their respective trusts sponsored or maintained by the Company and each of the Subsidiaries are qualified plans and trusts under the Code and any applicable regulations; (viii) the Company and each of the Subsidiaries has received a determination letter from the Internal Revenue Service (the "IRS") indicating that each of the ERISA Pension Plans it sponsors, maintains or administers is qualified, and nothing has occurred since the date of each determination letter that would affect adversely the qualified status of any ERISA Pension Plan and the IRS has not taken or, to the knowledge of the Company and the Subsidiaries, proposed to take any action to revoke any favorable determination with respect to the qualified status of any ERISA Pension Plan; (ix) neither the Company, any Subsidiary nor any ERISA Affiliate has, or during the six year period ended immediately preceding the date of this Agreement had, sponsored, maintained or administered or contributed to or incurred any obligation under or liability to, any ERISA Pension Plan subject to the provisions of Title IV of ERISA or Section 412 of the Code; (x) all contributions to each Plan have been timely made and there are no contributions to any Plan that are past due and owing other than those which, if not made, would not have a Material Adverse Effect; (xi) no ERISA Pension Plan of the

Company or any of the Subsidiaries or any ERISA Affiliate has been terminated during the six years immediately before the date of this Agreement; (xii) no ERISA Pension Plan of the Company or any of the Subsidiaries or any ERISA Affiliate has been merged during the six years immediately before the date of this Agreement; (xiii) neither the Company, any Subsidiary nor any ERISA Affiliate has, or during the six year period immediately preceding the date of this Agreement had, contributed to or an obligation to contribute to any "multiemployer plan" as defined in Sections 3(37) or 4001(a) of ERISA; (xiv) each Plan which is an "employee welfare benefit plan" as defined in Section 3(1) of ERISA ("ERISA Welfare Plan") of the Company, any Subsidiary or any ERISA Affiliate that is a "group health plan" within the meaning of Section 4980B(g)(2) of the Code has been administered in accordance with Title I, Subtitle B, Part 6 of ERISA and has met the requirements of Section 4980B of the Code; and (xv) neither the Company nor any of the Subsidiaries has any obligation to provide benefits under any Plan except to its active employees.

(b) Section 3.12(b) of the Disclosure Schedule sets forth a true, accurate and complete list of each employment, termination and severance agreement, contract, arrangement and understanding (whether written or oral) with employees of the Company and each Subsidiary. All such agreements, contracts, arrangements or understandings are valid and enforceable, and neither the Company nor any of the Subsidiaries nor, to the knowledge of the Company and the Subsidiaries, any employee is in default in any material respect under any thereof. Except as separately set forth in Section 3.12(b) of the Disclosure Schedule, neither the Company nor any of the Subsidiaries is a party to any employment, termination or severance agreement, contract, arrangement or understanding with any employee or former employee of the Company or any of the Subsidiaries that is not terminable by its terms at will by the applicable employer without liability. Except as set forth on Section 3.12(b) of the Disclosure Schedule, this Agreement and the transactions contemplated hereby will not result in any obligation to pay any employee of the Company or any of the Subsidiaries severance pay or termination benefits.

SECTION 3.13. LITIGATION.

Except as set forth in Section 3.13 of the Disclosure Schedule or identified in the Current SEC Documents, there are no claims, actions, suits, proceedings or investigations pending or, to the knowledge of the Company and the Subsidiaries, threatened against the Company or any of the Subsidiaries, or any properties or rights owned or leased by the Company or any of the Subsidiaries (including any such claims, actions, suits, proceedings or investigations relating to environmental matters), before any court, administrative, governmental or regulatory authority or body, arbitration panel or other Governmental Entity, which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect (whether or not covered by insurance), and neither the Company nor any of the Subsidiaries knows of any basis for any such claim, action, suit, proceeding or investigation. Neither the Company nor any of the Subsidiaries nor any property owned or leased by them is subject to any order, judgment, injunction or decree which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.14. ENVIRONMENTAL MATTERS.

None of the real property of the Company or any of the Subsidiaries and none of the premises demised under real property leases to the Company or any of the Subsidiaries and no real property previously owned or leased by the Company or any of the Subsidiaries or any predecessor of any of them, have, to the

knowledge of the Company and the Subsidiaries, been used at any time: (i) as a site for the storage, except as authorized under applicable Environmental Laws (as defined below), or disposal of any Hazardous Material (as defined below); or (ii) so as to cause a violation of or to give rise to a removal, restoration or reimbursement liability under any Environmental Law, including as a result of (A) the handling or removal by or at the request of the Company or any of the Subsidiaries or any predecessor of any of them, of any Hazardous Material at or from such real property or such leased or previously owned or leased properties, (B) the disposition of such removed Hazardous Materials at any other locations, (C) the Release (as defined below) or presence of Hazardous Materials or (D) the discontinuance, sale or transfer of operations of any business conducted at such real property or the

premises demised under such real property leases or the previously owned or leased properties. The Company and the Subsidiaries have complied in all material respects with all, and have not violated in any material respect any, Environmental Laws in connection with their business or operations, including the acquisition, storage, handling, transportation, processing, use or disposal of any goods or materials, whether as raw materials, work-in-process or finished goods.

As used in this Agreement, the term "Environmental Laws" means any and all applicable treaties, laws, common law, regulations, enforceable requirements, binding determinations, orders, decrees, judgments, injunctions, permits, approvals, authorizations, licenses, variances, permissions, notices or binding agreements issued, promulgated or entered into by any Governmental Entity, relating to the environment, protection or preservation of human health or safety, including the health and safety of employees, preservation or reclamation of natural resources, or the management, Release or threatened Release of Hazardous Materials in each case as in effect on the date hereof. As used in this Agreement, the term "Hazardous Materials" means those materials, substances or wastes that are regulated by, or from the basis of liability under, any Environmental Law, including PCBs, pollutants, solid wastes, explosive or regulated radioactive materials or substances, hazardous or toxic materials, substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials, materials listed in 49 C.F.R. Section 172.101 and materials defined as hazardous substances pursuant to Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended to the date hereof ("CERCLA"). As used in this agreement, the term "Release" shall have the meaning set forth in Section 101(22) of CERCLA.

SECTION 3.15. GOVERNMENTAL APPROVALS.

Except (a) for applicable requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder, (b) for the filings and recordation of appropriate merger documents required by the CGCL and the DGCL, (c) for the filings required under and compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") and (d) where the failure to obtain such consent, approval, order, authorization or allowance, or to make any such filing, registration or notification, would not have, individually or in the aggregate, a Material Adverse Effect, no approval, order or authorization of, or filing or registration with, allowance by, or consent of or notification to any federal, state or local government or any court, administrative or regulatory agency or commission or other governmental authority or agency, domestic or foreign (a "Governmental Entity"), is required to be obtained or made by the Company or any of the Subsidiaries in connection with the execution and delivery by the Company of this Agreement, the performance of obligations of the Company hereunder or the consummation by the Company of the transactions contemplated hereby or for the continuation of the business and operations of the Company after the Merger or for preventing the termination of any material right, privilege or contract of the Company or any of the Subsidiaries.

SECTION 3.16. COMPLIANCE WITH APPLICABLE LAW.

Except as set forth in Section 3.16 of the Disclosure Schedule, (i) the Company and the Subsidiaries are in compliance with all applicable laws, ordinances and regulations of any Governmental Entity, including those relating to occupational health and safety, fair employment and equal opportunity, (ii) no claims or complaints from any Governmental Entities or other parties have been asserted or received by the Company or any of the Subsidiaries during the past five years, and, to the knowledge of the Company and the Subsidiaries, no claims or complaints are threatened, alleging that the Company or any of the Subsidiaries is in violation of any such law, ordinance or regulation, and (iii) neither the Company nor any of the Subsidiaries has received notice from any Governmental Entity of any pending proceedings to take all or any part of the properties of the Company or any of the Subsidiaries (whether leased or owned) by condemnation or right of eminent domain and, to the knowledge of the Company and the Subsidiaries, no such proceedings are threatened, except, in each such case, for such

noncompliance, claims, complaints or proceedings which would not have, individually or in the aggregate, a Material Adverse Effect. This Section 3.16 does not relate to environmental matters, which are the subject of Section 3.14.

SECTION 3.17. LICENSES; PERMITS.

The Company has all material licenses, permits, approvals and other authorizations from all Governmental Entities as are necessary for the conduct of the business and operations of the Company and the Subsidiaries, in a manner consistent with good business practice and in compliance with all laws applicable to such business operations (including Environmental Laws). All such licenses, permits, approvals and other authorizations are validly held by the Company or the relevant Subsidiary, are in full force and effect and the same will not be subject to suspension, modification, revocation or nonrenewal as a result of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except where such failure to hold such licenses, permits, approvals and authorizations would not have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.18. SEC FILINGS.

The Company has delivered to Parent and Sub true, accurate and complete copies of (a) its Annual Reports on Form 10-K for the fiscal years ended September 30, 1995 and September 30, 1994 as filed with the Securities and Exchange Commission (the "SEC"), (b) its Quarterly Reports on Form 10-Q filed with the SEC for each quarter or quarterly period since September 30, 1994, (c) all definitive proxy statements filed with the SEC relating to the Company's meetings of shareholders (whether annual or special) during 1996, 1995 and 1994, (d) all other forms, reports, statements, documents and other filings required to be filed by the Company with the SEC in connection with and since its initial public offering and (e) all exhibits, schedules, documents incorporated by reference, amendments and supplements to the foregoing (collectively, the "SEC Filings"). The SEC Filings (i) when filed complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, as the case may be, and the rules and regulations thereunder, and (ii) did not, at the time they were filed (and at the effective date thereof in the case of registration statements), contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Except to the extent any information in an SEC Filing has been revised, corrected or superseded by a later-filed SEC Filing filed and publicly available prior to the date of this Agreement, none of the SEC Filings contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Any filings made by the Company with the SEC between the date hereof and the Effective Time (other than the Proxy Statement (as defined in Section 5.1(c)) which shall meet the standards set forth in Section 3.19) will meet the standards set forth in the preceding sentence.

SECTION 3.19. PROXY STATEMENT.

The Proxy Statement and any supplements or amendments thereto will, when filed (a) comply in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder and (b) contain no untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, except that no representation and warranty is made by the Company pursuant to this Section 3.19 with respect to information furnished in writing by Parent or Sub specifically for inclusion in the Proxy Statement, and the Company will advise Parent and Sub in writing if prior to the Effective Time it shall obtain knowledge of any facts (including facts with respect to itself or any of the Subsidiaries) that would make it necessary to supplement or amend the Proxy Statement in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or to comply with applicable laws, rules and regulations, and will promptly amend or supplement the Proxy Statement as required and distribute the same to its shareholders. In the event Parent or Sub shall advise the Company as to its obtaining

knowledge of any facts that would make it necessary to supplement or amend the Proxy Statement as provided in Section 4.5, the Company shall promptly amend or supplement the Proxy Statement as required and distribute the same to its shareholders.

SECTION 3.20. STATE TAKEOVER STATUTES.

Other than Section 1101(e) of the CGCL, no "fair price", "moratorium", "control share acquisition", or other anti-takeover statute or regulation

applies or purports to apply to this Agreement, the Merger and the other transactions contemplated hereby.

SECTION 3.21. OPINION OF FINANCIAL ADVISOR.

The Company has received the Opinion of Lehman Brothers dated on or about June 30, 1996, to the effect that, as of such date, the consideration to be received in the Merger by the Company's shareholders is fair to such shareholders from a financial point of view. The Company has been authorized by Lehman Brothers, subject to prior review by such financial advisor, to permit such fairness opinion (or references thereto) to be included in the Proxy Statement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub hereby represent and warrant to the Company as follows:

SECTION 4.1. ORGANIZATION AND STANDING; SHARE OWNERSHIP.

Each of Parent and Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The only issued and outstanding shares of capital stock of Sub are owned by Parent.

SECTION 4.2. AUTHORITY; RESOURCES.

Parent and Sub have all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement by Parent and Sub and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action on the part of Parent and Sub, as applicable. This Agreement has been duly executed and delivered by Parent and Sub and constitutes the valid and binding obligation of Parent and Sub, enforceable against Parent and Sub in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity. Parent has sufficient resources to satisfy its obligations contained in Article II.

SECTION 4.3. NO BREACH.

The execution, delivery and performance of this Agreement by Parent and Sub do not, and consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, with or without the giving of notice or the lapse of time, or both, conflict with or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a material benefit under, (i) the Certificate of Incorporation or By-laws of Parent or Sub, or (ii) any material contract, agreement, note, bond, mortgage, indenture, lease, license, franchise, permit, concession, instrument, obligation, commitment, covenant, understanding or arrangement to which it is a party or by which any of its assets may be affected, or (iii) any order, ruling, decree, judgment, arbitration award, statute, law, ordinance, rule, regulation or stipulation to which Parent or Sub or their respective properties or assets is subject, or result in the creation of any Lien upon any of their respective properties or assets, except, in the case of items (ii) and (iii) above, for those, which would not have, individually or in the aggregate, a material adverse effect on the ability of Parent or Sub to consummate the transactions contemplated by this Agreement.

SECTION 4.4. GOVERNMENTAL APPROVALS.

Except (a) for the applicable requirements of the Exchange Act, (b) for the filings and recordation of appropriate merger documents required by the CGCL and the DGCL, (c) for the filings required under and compliance with the HSR Act, (d) for the filings or approvals required under the laws and regulations of various foreign jurisdictions in respect of the Merger and (e) where the failure to obtain such consent, approval, order, authorization or allowance, or to make any such filing, registration or notification, would not have, individually or in the aggregate, a material adverse effect on the ability of Parent or Sub to consummate the transactions contemplated by this Agreement, no approval, order or authorization of, or filing or registration with, allowance by, or consent of or notification to any Governmental Entity is required to be obtained or made by Parent or Sub in connection with the execution and delivery by Parent and Sub of this Agreement, the performance of obligations of Parent and Sub hereunder or the consummation by Parent and Sub of the transactions contemplated hereby.

SECTION 4.5. INFORMATION.

The Proxy Statement and any supplements or amendments thereto, insofar as they contain information relating to Parent and Sub that has been furnished in

writing by Parent or Sub specifically for inclusion therein, will comply in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder, and Parent or Sub will advise the Company in writing if prior to the Effective Time it shall obtain knowledge of any facts with respect to Parent or Sub or any affiliate of either of them that would make it necessary to supplement or amend the Proxy Statement in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or to comply with applicable laws, rules and regulations. No representation or warranty is made by Parent or Sub pursuant to this Section 4.5 other than with respect to information in the Proxy Statement relating solely to Parent and Sub. Neither Parent nor Sub shall have any obligation to supply or furnish any information other than information in the Proxy Statement relating solely to Parent and Sub.

ARTICLE V
COVENANTS

SECTION 5.1. COVENANTS OF THE COMPANY.

(a) ORDINARY COURSE. Prior to the Effective Time, the Company (i) shall conduct, and shall cause each of the Subsidiaries to conduct, their respective businesses in the ordinary course consistent with past practice (including, without limitation, spending and investments related to research and development and new product development in current lines of business), (ii) shall use, and shall cause each of the Subsidiaries to use, its best efforts to maintain in effect all existing qualifications, licenses, permits, approvals and other authorizations referred to in Sections 3.1, 3.4 and 3.17 and to preserve their respective business organizations intact and (iii) shall use, and shall cause each of the Subsidiaries to use, commercially reasonable efforts to retain the services of their respective present officers, employees and agents and to maintain satisfactory relationships with customers, suppliers and others having business relationships with it.

(b) MEETING OF THE COMPANY'S SHAREHOLDERS. The Company will, as soon as practicable after the execution of this Agreement, take all action necessary under applicable law and its Articles of Incorporation and By-laws to convene and hold a special meeting of its shareholders to be held not later than September 13, 1996, or such other date as shall be mutually agreed upon in writing by Parent and the Company, to consider and vote upon the Merger and this Agreement (the "Special Meeting"). Subject to Section 5.1(e)(iv), the Company shall use its best efforts to obtain at the Special Meeting a favorable vote of its shareholders on the approval and adoption of the Merger and this Agreement.

(c) PROXY STATEMENT. As soon as practicable after the execution of this Agreement, the Company will prepare and file with the SEC under the Exchange Act and the rules and regulations

thereunder, and will use its best efforts to have cleared by the SEC, and as soon as possible thereafter will disseminate to its shareholders, a proxy statement (the "Proxy Statement") with respect to the Special Meeting. The Company will obtain an opinion of Lehman Brothers, dated the date of the Proxy Statement, to the effect that, as of such date, the consideration to be received in the Merger by the Company's shareholders is fair to such shareholders from a financial point of view and will, subject to prior review by such financial advisor, include a copy of such fairness opinion in the Proxy Statement. Parent and Sub will provide such assistance, information and cooperation to the Company as is reasonably required to describe Parent or Sub for purposes of the Proxy Statement. The Company will provide Parent, Sub and their counsel with a copy of any written comments or telephonic notification of any oral comments the Company may receive from the SEC or its staff with respect to the Proxy Statement promptly after the receipt thereof and will provide Parent, Sub and their counsel with a copy of any written responses and telephonic notification of any oral responses of the Company or its counsel. Parent, Sub and their counsel shall be given an opportunity to review and comment on the Proxy Statement and any amendments or supplements thereto at reasonable times prior to the filing thereof with the SEC. The Company will not mail any Proxy Statement, or any amendment or supplement thereto, to which Parent reasonably objects.

(d) NEGATIVE COVENANTS. Prior to the Effective Time, the Company will not, nor will it permit any of the Subsidiaries (except with the prior written approval of Parent) to:

(i) amend their respective charter documents, by-laws or other organizational documents (except as otherwise contemplated by Article I of this Agreement);

(ii) issue or sell, or authorize, propose or agree to the issuance or sale of (except pursuant to the exercise of Options outstanding on the date hereof or pursuant to the 1992 Stock Purchase Plan in accordance with Section 6.2(k)), or purchase, redeem or otherwise acquire, any shares of its capital stock or any of its other securities or issue any securities or obligations convertible into or exchangeable for, or options, warrants, scrip, rights to subscribe for, calls or commitments of any character

whatsoever relating to, or enter into any contract, understanding or arrangement with respect to the issuance or sale of, any shares of its capital stock or any of its other securities, or enter into any arrangement or contract with respect to the purchase, repurchase, sale, redemption, conversion, exchange registration, transfer or voting of shares of its capital stock, or adjust, split, reacquire, redeem, combine or reclassify any of its securities, or make any other changes in its capital structure;

(iii) (1) incur (contingently or otherwise) any debt or other obligation to pay money borrowed or enter into any guarantee of any such obligation of another person or mortgage, pledge or subject to any Lien their assets, properties or business, or (2) make any loans, advances or capital contributions to, or investments in, any other person or entity;

(iv) sell or otherwise dispose of or lease any part of their respective properties or assets or purchase or otherwise acquire or lease properties or assets, except sales or purchases of inventory in the ordinary course of business consistent with past practice, or acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof;

(v) declare, set aside or pay any dividends on, or make any distributions of any nature in respect of, their respective shares of outstanding capital stock;

(vi) (1) grant any general increase in wage or salary rates or in employee benefits, or (2) grant any increase in salary or in employment, retirement, severance or termination or other benefits or pay any bonus to any officer or director (except as required by existing agreements, plans or arrangements), or (3) enter into any employment contract with any person which the Company or the relevant Subsidiary does not have the unconditional right to terminate without liability, or (4) take any action to cause to be exercisable any otherwise unexercisable option under

the Stock Option Plans, except as contemplated by this Agreement, or (5) adopt (or amend in any manner which would, individually or in the aggregate, materially increase the benefits under) any bonus, profit sharing, compensation, stock option, employment or other employee benefit plan, agreement, trust, plan fund or other arrangement for the benefit or welfare of any employee of the Company or any of the Subsidiaries;

(vii) make any change in their accounting methods, principles or procedures, except as may be required by a change in generally accepted accounting principles; or

(viii) issue any press release or make any other public announcements without providing Parent with a reasonable opportunity to review such release or announcement and comment thereon prior to its dissemination.

(e) NO SOLICITATION; BOARD RECOMMENDATION.

(i) The Company, the Subsidiaries and their respective officers, directors, employees, representatives, agents or affiliates (including, without limitation, any investment banker, attorney or accountant retained by the Company or any of the Subsidiaries) (collectively, the "Company's Representatives") shall immediately cease any discussions or negotiations with any party that may be ongoing with respect to an Acquisition Proposal (as defined below). From and after the date hereof and prior to the Effective Time, the Company shall not, nor shall it authorize or permit any of the Subsidiaries or any of the Company's Representatives to, directly or indirectly, (A) solicit, initiate or encourage (including by way of furnishing or disclosing non-public information), or cause to be solicited, initiated or encouraged, any Acquisition Proposal or (B) other than (x) acknowledging receipt of a written bona fide unsolicited offer or proposal concerning an Acquisition Proposal, (y) requesting the maker of an oral bona fide unsolicited offer or proposal concerning any Acquisition Proposal to put the same in writing and (z) requesting information with respect to the financial capability of the maker of a written bona fide unsolicited offer or proposal concerning any Acquisition Proposal (provided that Parent is fully informed as to the status and details of the Company's communications (and responses thereto) described in such clauses (x), (y) and (z)), participate in any discussion or negotiations with, or explore or otherwise communicate in any way with, any third party (other than Parent or Sub) with respect to any Acquisition Proposal or (C) enter into any agreement, arrangement or understanding requiring the Company to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by this Agreement. Notwithstanding the foregoing, the Company may furnish information concerning its business, properties or assets to, and participate in any discussion or negotiations with, or explore or otherwise communicate with, any financially capable third party that makes after the date hereof a written bona fide unsolicited offer or proposal concerning any Acquisition Proposal, if (x) the Board of Directors of the Company, after consultation with its legal and

financial advisors and upon written advice of its outside legal counsel that taking such action is necessary to comply with the directors' fiduciary duties to the shareholders of the Company under applicable law, determines by a majority vote that taking such action is reasonably likely to lead to an Acquisition Proposal that is more favorable to the shareholders of the Company than the Merger and that taking such action is necessary to comply with the directors' fiduciary duties and (y) prior to taking such action, the Company (1) provides reasonable notice to Parent, orally and in writing, to the effect that it is taking such action, which notice shall describe the material terms and conditions of the proposal, and the identity of the third party making it, and (2) receives from such third party an executed confidentiality agreement in a form substantially the same as the Confidentiality Agreement (as defined in Section 5.4). The Company will keep Parent fully informed of the status and details (including amendments and proposed amendments) of any such proposal and will provide Parent with a copy of any such written proposal (including amendments and proposed amendments) within two business days of receipt thereof by the Company or any of the Company's Representatives.

(ii) Nothing contained herein shall be construed to prohibit the Company from taking and disclosing to the shareholders of the Company a position as contemplated by Rule 14e-2 under the Exchange Act, or from making such other disclosure to shareholders if, in the good faith judgment of

the Board of Directors of the Company, on written advice of its outside legal counsel, such disclosure is necessary to comply with its fiduciary duties to the Company's shareholders under applicable law; provided that the Company will not, except as permitted by Section 5.1(e)(iv), withdraw or modify, or propose to withdraw or modify, its position with respect to the Merger or approve or recommend, or propose to approve or recommend, an Acquisition Proposal.

(iii) For purposes of this Agreement, "Acquisition Proposal" shall mean any indication of interest, inquiry, proposal or offer with respect to any of the following transactions (other than the transactions between the Company, Parent and Sub contemplated hereunder) involving the Company or the Subsidiaries: (A) any merger, consolidation, business combination, share exchange, recapitalization, liquidation, dissolution or other similar transaction; (B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of a substantial amount of the assets of the Company and the Subsidiaries, taken as a whole, in a single transaction or series of transactions; (C) any tender offer or exchange offer for 10% or more of the outstanding shares of capital stock of the Company or the filing of a registration statement under the Securities Act in connection therewith; (D) any person having acquired beneficial ownership or the right to acquire beneficial ownership of, or any "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder) having been formed which beneficially owns or has the right to acquire beneficial ownership of, 10% or more of the then outstanding shares of capital stock of the Company; (E) any other transaction, the consummation of which could reasonably be expected to impede, interfere with, prevent or delay the Merger or which would dilute the benefits to Parent and Sub of the transactions contemplated hereby; (F) any proxy solicitation (other than as contemplated by Section 5.1(b)); or (G) any public announcement of an offer, proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

(iv) Except as set forth in this Section 5.1(e)(iv), neither the Board of Directors of the Company nor any committee thereof shall (A) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent or Sub, the approval or recommendation by the Board of Directors of the Company or any such committee, of this Agreement or the Merger, (B) approve or recommend, or propose to approve or recommend, any Acquisition Proposal or (C) cause the Company to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each an "Acquisition Agreement") with respect to any Acquisition Proposal. Notwithstanding the foregoing, but without limiting the provisions of Section 5.1(e)(i), if the Board of Directors of the Company, after consultation with and upon written advice of its outside legal counsel, determines in good faith that it is necessary to do so in order to comply with the directors' fiduciary duties to the shareholders of the Company under applicable law, the Board of Directors of the Company may (x) withdraw or modify its approval or recommendation of this Agreement or the Merger, (y) approve or recommend a Superior Transaction (as defined below) or (z) cause the Company to enter into any Acquisition Agreement with respect to a Superior Transaction, but in any such case only after providing reasonable written notice to Parent and Sub advising Parent and Sub that the Board of Directors of the Company has received such other offer, specifying the material terms and conditions of such offer and identifying the person making such offer. For purposes of this Agreement, "Superior Transaction" shall mean any bona fide offer by a third party to acquire, directly or indirectly, the Company (whether by merger, acquisition, consolidation, business combination, share exchange, tender or exchange offer or other similar transaction, or purchase of all or substantially all of the assets or equity securities thereof) and otherwise on terms which the Board of Directors of the Company determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation, including Lehman Brothers) to be more favorable to the Company's shareholders

than the Merger and the other transactions contemplated hereby and for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of the Company (based on the advice of a financial advisor of nationally recognized reputation, including Lehman Brothers), is reasonably capable of being financed by such third party.

(v) Unless the Board of Directors of the Company shall have exercised its rights pursuant to the provisions of the second sentence of Section 5.1(e)(iv), upon the written request of Parent or Sub, the Board of Directors of the Company shall promptly reaffirm in writing its approval or recommendation of the Merger and this Agreement.

(f) ADVICE OF CHANGES. The Company shall promptly give notice to Parent and Sub upon becoming aware of (i) any representation or warranty of the Company contained in this Agreement becoming untrue or inaccurate, or (ii) the failure by the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement, and, shall use its best efforts to prevent or promptly remedy the same.

(g) ACCOUNTING. Prior to the Effective Time, the Company shall maintain, and cause the Subsidiaries to maintain, their respective books of account and financial records in the usual, regular and ordinary manner consistent with past practice, which, in reasonable detail, shall accurately and fairly reflect transactions and dispositions of assets.

(h) OTHER ACTIONS. Except as contemplated by this Agreement, the Company will not nor will it permit any of the Subsidiaries to take or to agree or commit to take any action that would result in any of the Company's representations or warranties hereunder being untrue such that the condition in Section 6.2(a) will not be satisfied.

(i) TAX MATTERS. The Company will not make any material tax election (unless required by law) or settle or compromise any material income tax liability of the Company or any of the Subsidiaries except if such action is taken in the ordinary course of business consistent with past practice and Parent and Sub shall have been provided reasonable prior notice thereof.

(j) STOCK PURCHASE PLANS.

(i) The Company shall take such actions as are necessary to cause the Exercise Date (as defined in the Company's 1992 Stock Purchase Plan) applicable to the then current Offering Period (as defined in the 1992 Stock Purchase Plan) to be a date not later than July 15, 1996 (the "Final Exercise Date"). On the Final Exercise Date, the Company shall apply the funds credited as of such date under the 1992 Stock Purchase Plan within each participant's payroll withholdings account to the purchase of whole shares of Common Stock in accordance with the terms of the 1992 Stock Purchase Plan. The cost to each participant in the 1992 Stock Purchase Plan for shares of Common Stock shall be the lower of 85% of the closing sale price of Common Stock on the Nasdaq National Market on (1) the first day of the then current Offering Period or (2) the Final Exercise Date. No further amounts shall be withheld or deposited, and no shares of Common Stock will be issued or sold, pursuant to the 1992 Stock Purchase Plan after the Final Exercise Date.

(ii) Except as otherwise agreed to by the parties, (x) the 1992 Stock Purchase Plan and the Stock Purchase Plans shall terminate as of the Effective Time and the provisions in any other plan, program, agreement or arrangement providing for the purchase of the capital stock of the Company or any Subsidiary (other than the CSNC 1995 Stock Option Plan), shall be terminated and canceled as of the Effective Time, and (y) the Company shall take all action necessary to ensure that following the Effective Time no participant in the 1992 Stock Purchase Plan, the Stock Purchase Plans or other plans, programs, agreements or arrangements shall have any right thereunder to acquire equity securities of the Company, Parent, the Surviving Corporation or any Subsidiary (other than the CSNC 1995 Stock Option Plan) and to terminate all such plans, programs, agreements and arrangements.

SECTION 5.2. HART-SCOTT-RODINO ACT FILINGS.

(a) Each of Parent and the Company will promptly, and in any event within ten days after execution of this Agreement, make all filings or submissions as are required under the HSR Act. Each

of Parent and the Company will promptly furnish to the other party hereto such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission which is necessary under the HSR Act in connection with the Agreement and the Merger. Without limiting the generality of the foregoing, each of Parent and the Company will promptly notify the other of the receipt and content of any inquiries or

requests for additional information made by any Governmental Entity in connection therewith and will promptly (i) comply with any such inquiry or request and (ii) provide the other with a description of the information provided to any Governmental Entity with respect to any such inquiry or request. In addition, each of Parent and the Company will keep the other hereto apprised of the status of any such inquiry or request.

(b) Each of Parent and the Company agrees to cooperate with the other and, subject to the terms and conditions set forth in this Agreement, use its reasonable best efforts promptly to prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to obtain as promptly as practicable all necessary permits, consents, orders, approvals and authorizations of, or any exemption by, all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement. Each of Parent and the Company agrees that it will consult with the other with respect to the obtaining of all permits, consents, orders, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each of Parent and the Company will keep the other reasonably apprised of the status of matters relating to completion of the transactions contemplated hereby.

SECTION 5.3. PUBLIC ANNOUNCEMENTS.

Subject to applicable legal requirements, each of Parent and the Company agrees that any press release or other public announcement regarding the transactions contemplated by this Agreement will be made only after consultation with the other.

SECTION 5.4. ACCESS TO INFORMATION.

The Company shall, on and after the date of this Agreement, give, and shall cause each of the Subsidiaries to give, to Parent, Sub and the attorneys, accountants or other representatives of Parent and Sub, upon reasonable notice, full access during normal business hours to make or cause to be made such investigation of the properties and business of the Company and each of the Subsidiaries and of its and their financial and legal condition as Parent and Sub deem necessary or advisable to familiarize themselves with such properties, business and other matters and to investigate the representations, warranties, covenants and agreements of the Company set forth herein, provided that such investigation shall not interfere unreasonably with normal operations, and the Company shall furnish, and shall cause each of the Subsidiaries to furnish, such financial and operating data and other information (including, without limitation, Tax Returns of the Company and its subsidiaries and lists of the Company's then current record and beneficial shareholders and optionholders) with respect to the business, properties and condition of the Company and the Subsidiaries as Parent and Sub shall from time to time reasonably request. The Confidentiality Agreement, dated as of April 18, 1996, between Parent and the Company (the "Confidentiality Agreement") shall apply with respect to the information furnished thereunder or hereunder.

SECTION 5.5. FURTHER ACTION.

Subject to the terms and conditions herein provided (including, without limitation, Section 5.1(e)(iv)), each of the parties hereto agrees to use its reasonable best efforts to take promptly all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by this Agreement, including using its reasonable best efforts to obtain all necessary waivers, consents and approvals, effecting all necessary registrations and filings, and defending any lawsuits or other proceedings, whether judicial or administrative, challenging this Agreement or the consummation of any of the transactions contemplated hereby,

including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed, provided that none of the Company, Parent or Sub shall be required to divest any business or assets. In connection with and without limiting the foregoing, the Company and the Board of Directors of the Company shall (i) take all action reasonably necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the Merger, this Agreement, or any of the other transactions contemplated by this Agreement and (ii) if any state takeover statute or similar statute or regulation becomes applicable to the Merger, this Agreement, or any other transaction contemplated by this Agreement, take all action reasonably necessary to ensure that the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Merger, this Agreement, and the other transactions contemplated by this Agreement.

SECTION 5.6. TRANSFER TAXES.

The Company and Parent shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer, stamp, recording and any similar taxes ("Transfer Taxes"). Parent shall pay or cause to be paid, without withholding from the amounts payable to any holder of any shares of Common Stock, all Transfer Taxes.

SECTION 5.7. INDEMNIFICATION.

(a) After the Effective Time, Parent shall, and shall cause the Surviving Corporation to, indemnify and hold harmless each person who has at any time prior to the Effective Time been an officer, director or employee or of the Company in connection with acts or omissions occurring at or prior to the Effective Time to the same extent and on the same terms and conditions as provided in the Company's Articles of Incorporation, By-laws and written indemnification agreements in effect on the date hereof (to the extent consistent with applicable law).

(b) For a period of six years after the Effective Time, Parent shall cause the Surviving Corporation to use its best efforts to maintain in effect, if available, directors' and officers' liability insurance covering those persons who are currently covered by the Company's directors' and officers' liability insurance policy (a copy of which has been heretofore delivered to Parent) with respect to claims arising from acts or events which occurred before the Effective Time on terms comparable to those contained in the Company's directors' and officers' liability insurance in effect on the date hereof; provided, however, that Parent or the Surviving Corporation shall not be obligated to make annual premium payments for such insurance in excess of 150% of the annual premiums paid as of the date hereof by the Company for such insurance.

(c) This Section 5.7 shall survive the consummation of the Merger and is intended to benefit the indemnified parties.

ARTICLE VI
CONDITIONS

SECTION 6.1. CONDITIONS TO EACH PARTY'S OBLIGATIONS TO EFFECT THE MERGER.

The respective obligations of each party to effect the Merger is subject to the satisfaction at or prior to the Effective Time of each of the following conditions:

(a) COMPANY SHAREHOLDER APPROVAL. This Agreement and the Merger shall have been approved and adopted by the affirmative vote of the shareholders of the Company to the extent required by the CGCL;

(b) HSR ACT. The applicable waiting period under the HSR Act shall have expired or been earlier terminated;

(c) GOVERNMENTAL APPROVALS. All filings required to be made prior to the Effective Time by the Company, any of the Subsidiaries, Parent or Sub with, and all consents, approvals and authorizations required to be obtained prior to the Effective Time by the Company, any of the Subsidiaries, Parent or Sub from, any Governmental Entity in connection with the execution, delivery and performance of this Agreement shall have been made or obtained, except where the failure to make or obtain the same would not have a Material Adverse Effect or a material adverse effect on the ability of Parent and Sub to consummate the transactions contemplated by this Agreement and could not reasonably be expected to subject the Company, any of the Subsidiaries, Parent or Sub or any of their respective affiliates or any directors or officers of any of the foregoing to the risk of criminal liability; and

(d) NO INJUNCTIONS OR RESTRAINTS. No statute, law, rule, regulation, decree, judgment, temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect; provided, however, that each of the parties shall have used reasonable best efforts to prevent the entry of any such injunction or other order and to appeal as promptly as possible any injunction or other order that may be entered.

SECTION 6.2. CONDITIONS TO OBLIGATIONS OF PARENT AND SUB TO EFFECT THE MERGER.

The obligations of Parent and Sub to effect the Merger are subject to the satisfaction at or prior to the Effective Time of each of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all respects as of the date of this Agreement and, except for the effect of any activities or transactions which are specifically contemplated by this

Agreement, shall be true and correct in all material respects at the Effective Time with the same effect as though all such representations and warranties had been made at such time, and the Company shall have delivered to Parent and Sub a certificate signed by an authorized executive officer of the Company confirming the foregoing as of the Effective Time;

(b) PERFORMANCE OF OBLIGATIONS OF THE COMPANY. Each and all of the covenants and agreements of the Company to be performed or complied with pursuant to this Agreement prior to the Effective Time shall have been fully performed and complied with in all material respects, and the Company shall have delivered to Parent and Sub a certificate signed by an authorized executive officer of the Company confirming the foregoing as of the Effective Time;

(c) OPTIONS. Immediately prior to the Effective Time, Parent shall have received evidence satisfactory to it in its reasonable discretion that (i) the Company shall have taken all necessary action to effect the cancellation of Options pursuant to Section 2.3 and (ii) there shall not be outstanding any options which shall be exercisable for stock of the Surviving Corporation at or after the Effective Time;

(d) LITIGATION, ETC. On or after the date hereof, there shall not exist or have been instituted or pending any suit, action or proceeding by or before any court of competent jurisdiction or other Governmental Entity (i) which is reasonably likely to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit the consummation of the Merger, or which is reasonably likely to result in material damages in connection with the Merger, (ii) which is reasonably likely to result in (x) the prohibition of ownership or the operation by Parent or Sub of all or a material portion of the business or assets of the Company and the Subsidiaries or of Parent and its subsidiaries or (y) the compelling of Parent or Sub to dispose of or to hold separately all or a material portion of the business or assets of Parent or any of its subsidiaries or of the Company or any of the Subsidiaries, as a result of the Merger, (iii) which is reasonably likely to result in the imposition of material limitations on the ability of Parent or Sub effectively to exercise full rights of ownership of any shares of Common Stock, including, without limitation, the right to vote any

shares of Common Stock acquired by Parent or Sub on all matters properly presented to the Company's shareholders, (iv) which is reasonably likely to result in the divestiture by Parent or Sub of any shares of Common Stock, (v) which is reasonably likely to result in any material diminution in the benefits expected to be derived by Parent or Sub as a result of the transactions contemplated by the Merger or (vi) which otherwise has had or may reasonably be expected to have a Material Adverse Effect or a material adverse effect on Parent or its affiliates taken as a whole;

(e) LAWS, ETC. On or after the date of this Agreement, there shall not exist or have been enacted, entered, enforced, promulgated or deemed applicable to the Merger, any statute, law, rule, regulation, judgment, order or injunction or any other action taken by any court or other Governmental Entity, other than the application to the Merger of applicable waiting periods under the HSR Act, that has resulted, or may reasonably be expected to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (vi) of paragraph (d) above;

(f) NO MATERIAL ADVERSE CHANGE. Except as set forth in Section 6.2(f) of the Disclosure Schedule, on or after the date of this Agreement, there shall not have occurred (or reasonably be expected to occur) any event, change or development which has had or may reasonably be expected to have a Material Adverse Effect;

(g) COMPETING TRANSACTION. On or after the date of this Agreement, (i) the Board of Directors of the Company or any committee thereof shall not have (A) withdrawn or modified in a manner adverse to Parent or Sub its approval or recommendation of the Merger or this Agreement, (B) approved or recommended a Superior Transaction or (C) failed to reaffirm its approval or recommendation of the Merger or this Agreement in accordance with a request by Parent or Sub pursuant to Section 5.1(e)(v) and (ii) the Company shall not have entered into any Acquisition Agreement with respect to a Superior Transaction;

(h) THIRD PARTY CONSENTS. All consents or approvals of all persons and entities (other than Governmental Entities) required to be obtained prior to the Effective Time in connection with the execution, delivery and performance of this Agreement (i) by the Company and the Subsidiaries shall have been obtained and shall be in full force and effect, except for those the absence of which would not have a Material Adverse Effect and (ii) by Parent and Sub shall have been obtained and shall be in full force and effect, except for those the absence of which would not have a material adverse effect on the ability of Parent and Sub to consummate the transactions contemplated by this Agreement;

(i) AGREEMENTS WITH EMPLOYEES. Parent shall have entered into agreements in substantially the form previously agreed to by the parties with (i) 90% of the employees of the Company set forth in subsection A of Section 6.2(i) of the Disclosure Schedule, (ii) 85% of the employees of the Company set forth in subsections A and B of Section 6.2(i) of the Disclosure Schedule and (iii) 80% of the employees of the Company set forth in subsections A, B and C of Section 6.2(i) of the Disclosure Schedule;

(j) OPINION OF COMPANY'S COUNSEL. Parent and Sub shall have received the opinion of Wilson, Sonsini, Goodrich & Rosati, counsel for the Company, in a form reasonably agreeable to the parties; and

(k) STOCK PURCHASE PLAN SHARES. Each holder of shares of Common Stock purchased pursuant to the Company's 1984 Stock Purchase Plan or the Company's 1988 Stock Purchase Plan (such shares referred to as "Stock Purchase Plan Shares" and such plans referred to collectively as the "Stock Purchase Plans") shall have paid to the Company such amounts as are required to be paid to the Company pursuant to the Stock Purchase Plans, the related Subscription Agreements and the resolutions of the Board of Directors of the Company related thereto in respect of the removal of restrictions on transfer applicable to the Stock Purchase Plan Shares (I.E., an amount equal to the product of the Delta (as defined in the Stock Purchase Plans) times

the number of Stock Purchase Plan Shares owned by such holder). Section 6.2(k) of the Disclosure Schedule sets forth a list of each holder of Stock Purchase Plan Shares, the number of Stock Purchase Plan Shares owned by such holder and the corresponding Delta for such Stock Purchase Plan Shares.

SECTION 6.3. CONDITIONS TO OBLIGATION OF THE COMPANY TO EFFECT THE MERGER.

The obligation of the Company to effect the Merger is subject to the satisfaction at or prior to the Effective Time of each of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Parent and Sub set forth in this Agreement shall be true and correct in all respects as of the date of this Agreement and, except for the effect of any activities or transactions which are specifically contemplated by this Agreement, shall be true and correct in all material respects at the Effective Time with the same effect as though all such representations and warranties had been made at such time, and Parent shall have delivered to the Company a certificate signed by an authorized executive officer of Parent confirming the foregoing as of the Effective Time;

(b) PERFORMANCE OF OBLIGATIONS OF PARENT AND SUB. Each and all of the covenants and agreements of Parent and Sub to be performed or complied with pursuant to this Agreement prior to the Effective Time shall have been fully performed and complied with in all material respects, and Parent shall have delivered to the Company a certificate signed by an authorized executive officer of Parent confirming the foregoing as of the Effective Time; and

(c) OPINION OF COUNSEL TO PARENT AND SUB. The Company shall have received the opinion of Messrs. Chadbourne & Parke LLP, counsel for Parent and Sub, in a form reasonably agreeable to the parties.

ARTICLE VII
TERMINATION

SECTION 7.1. TERMINATION.

This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time:

(a) by the mutual written agreement of Parent and the Company;

(b) by either Parent or the Company, if the Effective Time shall not have occurred on or before October 30, 1996, except that neither Parent, on the one hand, nor the Company, on the other hand, may so terminate this Agreement if the absence of such occurrence is due to the failure of Parent or Sub, on the one hand, or the Company, on the other hand, to perform in all material respects each of their or its obligations required to be performed prior to the Effective Time;

(c) by either Parent or the Company, if there shall be any statute, law, rule or regulation that makes consummation of the Merger illegal or otherwise prohibited or if any court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger, and such order, decree, ruling or other action shall not be subject to appeal or shall have become final and unappealable;

(d) by either Parent or the Company, if this Agreement and the Merger shall fail to receive the requisite vote for approval and adoption by the shareholders of the Company under the CGCL at the Special Meeting;

(e) by Parent, if (i) the Board of Directors of the Company shall have (A) withdrawn or modified its approval or recommendation of this Agreement or the Merger in a manner adverse to

Parent, (B) approved or recommended a Superior Transaction or (C) failed to reaffirm its approval or recommendation of the Merger or this Agreement in accordance with a request by Parent or Sub pursuant to Section 5.1(e)(v) or (ii) the Company shall have entered into an Acquisition Agreement with respect to a Superior Transaction;

(f) by Parent, if there shall have been a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement, or if any representation or warranty of the Company set forth in this Agreement shall have become untrue, in any such case such that the conditions set forth in Section 6.2(a) or Section 6.2(b), as the case may be, would not be satisfied as of such time, provided that if such breach is curable by the Company prior to the scheduled date of the Special Meeting through the exercise of its reasonable best efforts and for so long as the Company continues to exercise such reasonable best efforts to cure the same, Parent may not terminate this Agreement pursuant to this Section 7.1(f);

(g) by the Company, in connection with entering into a definitive agreement for a Superior Transaction in accordance with Section 5.1(e)(iv), provided that the Company has complied with all the provisions thereof, including the notice provisions therein; or

(h) by the Company, if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Parent or Sub set forth in this Agreement, or if any representation or warranty of Parent or Sub set forth in this Agreement shall have become untrue, in any such case such that the conditions set forth in Section 6.3(a) or Section 6.3(b), as the case may be, would not be satisfied as of such time, provided that if such breach is curable by Parent or Sub, as the case may be, prior to the scheduled date of the Special Meeting through the exercise of its reasonable best efforts and for so long as Parent or Sub, as the case may be, continues to exercise such reasonable best efforts to cure the same, the Company may not terminate this Agreement pursuant to this Section 7.1(h).

ARTICLE VIII
SURVIVAL

SECTION 8.1. SURVIVAL.

The representations and warranties in this Agreement or in any instrument or certificate delivered pursuant to this Agreement shall not survive the Effective Time. This Section 8.1 shall not limit any covenant or agreement which by its terms contemplates performance after the Effective Time.

ARTICLE IX
ASSIGNMENT; PARTIES IN INTEREST; AMENDMENT; WAIVER

SECTION 9.1. ASSIGNMENT.

The parties to this Agreement shall not convey, assign or otherwise transfer any of their rights or obligations under this Agreement without the express written consent of Parent and Sub or the Company, as the case may be, except that Parent or Sub may (without obtaining any consent) assign its rights, interests or obligations to any direct or indirect wholly-owned subsidiary of Parent. Any conveyance, assignment or transfer requiring the express written consent of the other party which is made without such consent shall be void ab initio. No assignment of this Agreement shall relieve the assigning party of its obligations hereunder.

SECTION 9.2. PARTIES IN INTEREST.

This Agreement is binding upon and is for the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement is not made for the benefit of any person, firm, corporation or other entity not a party hereto, except for those officers, directors and employees of the

Company to the extent provided for in Section 5.7, and no person, firm, corporation or other entity other than the parties hereto or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

SECTION 9.3. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement executed by the parties hereto; provided, however, that subsequent to the adoption of this Agreement by the shareholders of the Company, this Agreement may be so amended only as may be permitted by the CGCL and the DGCL.

SECTION 9.4. WAIVER.

At any time prior to the Effective Time, Parent or Sub may extend the time for the performance of or waive compliance with any of the obligations or other acts of the Company contained herein or waive any inaccuracies in the representations and warranties of the Company contained herein or in any document delivered pursuant hereto, and the Company may extend the time for the performance of or waive compliance with any of the obligations or other acts of Parent or Sub contained herein or waive any inaccuracies in the representations and warranties of Parent or Sub contained herein or in any document delivered pursuant hereto. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

ARTICLE X
GENERAL PROVISIONS

SECTION 10.1. EFFECT OF INVESTIGATION.

All representations, warranties, covenants and agreements made by the Company in this Agreement or in any certificates, statements or other instruments delivered pursuant to this Agreement shall be unaffected by any investigation made by or on behalf of Parent or Sub or knowledge obtained as a result thereof or otherwise.

SECTION 10.2. FEES AND EXPENSES.

(a) Except as otherwise provided in this Section 10.2, each of the parties hereto agrees to pay, without right of reimbursement from the other, the costs incurred by it incident to the performance of its obligations hereunder, including, without limitation, the fees and disbursements of counsel, accountants, financial advisors, experts and consultants employed by the respective parties in connection with the transactions contemplated hereby, whether or not the Merger is consummated.

(b) The Company agrees that:

(1) if this Agreement shall be terminated pursuant to:

(i) Section 7.1(b) (other than a termination by Parent solely as a result of the failure of the conditions set forth in Sections 6.1(b), 6.1(c), 6.1(d), 6.2(d) or 6.2(e) to be satisfied where the Company has performed in all material respects each of its obligations required to be performed pursuant to this Agreement) or 7.1(d), an Acquisition Proposal existed at or prior to such termination and within nine months following such termination, the Company approves, recommends, enters into an agreement with respect to or consummates a transaction with respect to an Acquisition Proposal;

(ii) Section 7.1(e);

(iii) Section 7.1(f), there has been a breach by the Company or its Board of Directors of any of its covenants or agreements set forth in this Agreement and within nine months

following such termination, the Company approves, recommends, enters into an agreement with respect to or consummates a transaction with respect to an Acquisition Proposal (regardless of whether an Acquisition Proposal existed at or prior to such termination); or

(iv) Section 7.1(g); or

(2) if after the date hereof and during the term of this Agreement any person, corporation, partnership, other entity or "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder), other than Parent or Sub or any of their respective subsidiaries or affiliates, acquires beneficial ownership or the right to acquire beneficial ownership of 40% or more of the then outstanding shares of capital stock of the Company,

then the Company shall pay to Parent an amount equal to $10,000,000. The parties acknowledge that a portion of such payment is intended to reimburse Parent and Sub for their fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby. The right of Parent hereunder to receive such payment shall be in addition to any other rights or remedies available to Parent or Sub in law or in equity.

(c) Any payment required to be made pursuant to Section 10.2(b) shall be made as promptly as practicable but not later than five business days after the occurrence of the event giving rise to such payment and shall be made by wire transfer of immediately available funds to an account designated by Parent, except that any payment to be made pursuant to Section 10.2(b)(1)(iv) shall be made not later than the termination of this Agreement by the Company pursuant to Section 7.1(g).

SECTION 10.3. NOTICES.

Any notice, request, instruction or other communication to be given hereunder by any party to the others shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, or by telecopy or telefacsimile, upon confirmation of receipt, (ii) on the first business day following the date of dispatch if delivered by Federal Express or other nationally reputable next-day courier service, or (iii) on the third business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(a) If to Parent or Sub:

Rockwell International Corporation
World Headquarters
2201 Seal Beach Boulevard
Seal Beach, California 90740-8250
Attention: William J. Calise, Jr., Esq.
Senior Vice President, General
Counsel and Secretary
Telecopy: (310) 797-5687

with a copy to:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, New York 10112
Attention: Peter R. Kolyer, Esq.
Telecopy: (212) 541-5369

(b) If to the Company:

Brooktree Corporation
9868 Scranton Road
San Diego, California 92121-3707
Attention: Mr. James A. Bixby
Chairman, Chief Executive
Officer and President
Telecopy: (619) 452-6265

with a copy to:

Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304-1050
Attention: Steven E. Bochner, Esq.
Telecopy: (415) 496-4084

SECTION 10.4. BROKERS; FEE SCHEDULE.

The Company represents and warrants that there are no claims (or any basis for any claims) for brokerage commissions, finder's fees or like payments in connection with this Agreement or the transactions contemplated hereby resulting from any action taken by or on behalf of the Company, except for fees payable by the Company to Lehman Brothers. The estimated fees and expenses incurred and to be incurred by the Company in connection with this Agreement and the transactions contemplated hereby (including the fees of the Company's legal counsel) are set forth separately in Section 10.4 of the Disclosure Schedule. The Company has provided Parent full and complete copies of all agreements (i) between Lehman Brothers and the Company and (ii) between the Company's legal counsel and the Company. Each of Parent and Sub represents and warrants that there are no claims (or any basis for any claims) for brokerage commissions, finder's fees or like payments in connection with this Agreement or the transactions contemplated hereby or thereby resulting from any action taken by or on behalf of it, except for fees payable by Parent to Dillon, Read & Co. Incorporated.

SECTION 10.5. CAPTIONS; CURRENCY.

The Article, Section and paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Unless otherwise specified, all references contained in this Agreement, in any Exhibit or

Schedule referred to herein or in any instrument or document delivered pursuant hereto to dollars shall mean United States Dollars. Unless otherwise specified, all references herein to numbered sections and articles are to sections and articles of this Agreement and all references herein to Exhibits are to Exhibits to this Agreement.

SECTION 10.6. ENTIRE AGREEMENT.

This Agreement and the Confidentiality Agreement together constitute the entire agreement between the parties with respect to the subject matter hereof and this Agreement and the Confidentiality Agreement supersede all prior agreements or understandings of the parties relating thereto.

SECTION 10.7. SPECIFIC PERFORMANCE.

In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are or are to be thereby aggrieved shall have the right to seek specific performance and injunctive relief giving effect to its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived.

SECTION 10.8. SEVERABILITY.

If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions thereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated thereby is not affected in any manner adverse to any party. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

SECTION 10.9. EXHIBITS AND SCHEDULES.

All Exhibits attached hereto and the Disclosure Schedule are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Capitalized terms used in the Disclosure Schedule but not otherwise defined therein shall have the respective meanings assigned to such terms in this Agreement.

SECTION 10.10. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and to be performed entirely within such State, without regard to the conflicts of law principles of such State, except that the Merger shall be governed by the CGCL and the DGCL.

SECTION 10.11. COUNTERPARTS.

For the convenience of the parties, this Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first hereinabove written.

ROCKWELL INTERNATIONAL
CORPORATION

By /s/ WILLIAM J. CALISE, JR.

Name: William J. Calise, Jr.
Title: Senior Vice President,
General Counsel
and Secretary

By /s/ JOHN R. STOCKER

Name: John R. Stocker
Title: Vice President -- Law

ROK II ACQUISITION CORPORATION

By /s/ DWIGHT W. DECKER

Name: Dwight W. Decker
Title: President

By /s/ WILLIAM J. CALISE, JR.

Name: William J. Calise, Jr.
Title: Secretary

BROOKTREE CORPORATION

By /s/ JAMES A. BIXBY

Name: James A. Bixby
Title: Chairman, Chief Executive Officer
and President

By /s/ NOREEN E. BURNS

Name: Noreen E. Burns
Title: Secretary

ANNEX II

LEHMAN BROTHERS

August 26, 1996

Board of Directors
Brooktree Corporation
9868 Scranton Road
San Diego, California 92121-3701
Attention: James A. Bixby
President and Chief Executive Officer

Members of the Board:

We understand that Brooktree Corporation ("Brooktree" or the "Company") intends to enter into a transaction with Rockwell International Corporation ("Rockwell") pursuant to which Brooktree shall merge with a wholly-owned subsidiary of Rockwell and each outstanding share of common stock of the Company will be exchanged for $15.00 in cash (the "Proposed Transaction"). The terms and conditions of the Proposed Transaction are set forth in more detail in the Agreement and Plan of Merger among Rockwell, ROK Acquisition Corporation and Brooktree dated as of July 1, 1996 (the "Agreement").

We have been requested by the Board of Directors of the Company to render our opinion with respect to the fairness, from a financial point of view, to the Company's shareholders of the consideration to be offered to such shareholders in the Proposed Transaction. We have not been requested to opine as to, and our opinion does not in any manner address, the Company's underlying business decision to proceed with or effect the Proposed Transaction.

In arriving at our opinion, we reviewed and analyzed: (1) the Agreement and the specific terms of the Proposed Transaction, (2) such publicly available information concerning the Company and Rockwell that we believe to be relevant to our inquiry, including without limitation, the Brooktree Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934, (3) financial and operating information with respect to the business, operations and prospects of the Company furnished to us by the Company, including without limitation the financial results of the Company for the quarter ended June 30, 1996 which were publicly disclosed concurrently with the announcement of the Proposed Transaction, (4) a trading history of the Company's common stock from its initial public offering to the present and a comparison of that trading history with those of other companies that we deemed relevant, (5) research analyst reports regarding the Company and its estimated financial performance and a comparison of such estimates with the financial results for the quarter ended June 30, 1996 and subsequent quarters estimated by the Company, (6) a comparison of the historical financial results and present financial condition of the Company with those of other companies that we deemed relevant, and (7) a comparison of the financial terms of the Proposed Transaction with the financial terms of certain other recent transactions that we deemed relevant. In addition, we have had discussions with the management of the Company concerning its

business, operations, assets, financial condition and prospects and undertook such other studies, analyses and investigations as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the financial and other information used by us without assuming any responsibility for independent verification of such information and have further relied upon the assurances of management of the Company that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the financial projections of the Company, upon advice of the Company we have assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company and we have relied on such projections in arriving at our opinion. In arriving at our opinion, we have not conducted a physical inspection of the properties and

facilities of the Company and have not made or obtained any evaluations or appraisals of the assets or liabilities of the Company. In addition, although we have had certain preliminary discussions with third parties, you have not authorized us to, and we have not, formally solicited any proposals or offers from any third party with respect to the purchase of all or a part of the Company's business. Our opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of this letter.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that, from a financial point of view, the consideration to be offered to the shareholders of the Company in the Proposed Transaction is fair to such shareholders.

We have acted as financial advisor to the Company in connection with the Proposed Transaction and will receive a fee for our services which is contingent upon the consummation of the Proposed Transaction. In addition, the Company has agreed to indemnify us for certain liabilities that may arise out of the rendering of this opinion. We also have performed various investment banking services for the Company in the past (including advising the Company on the sale of a division to Pioneer Electronic Corporation and the acquisition of Base2 Systems, Inc.) and have received customary fees for such services. In addition, Michael Wishart, a managing director of Lehman Brothers, is on the Board of Directors of the Company. We have performed various investment banking services for Rockwell in the past and have received customary fees for such services. In the ordinary course of our business, we actively trade in the equity securities of the Company and Rockwell for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of the Company and is rendered to the Board of Directors in connection with its consideration of the Proposed Transaction. This opinion is not intended to be and does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Proposed Transaction.

Very truly yours,

LEHMAN BROTHERS

ANNEX III

CHAPTER 13
DISSENTERS' RIGHTS

SECTION 1300. RIGHT TO REQUIRE PURCHASE -- "DISSENTING SHARES" AND "DISSENTING SHAREHOLDER" DEFINED.

(a) If the approval of the outstanding shares (Section 152) of a corporation is required for a reorganization under subdivisions (a) and (b) or subdivision (e) or (f) of Section 1201, each shareholder of the corporation entitled to vote on the transaction and each shareholder of a subsidiary corporation in a short-form merger may, by complying with this chapter, require the corporation in which the shareholder holds shares to purchase for cash at their fair market value the shares owned by the shareholder which are dissenting shares as defined in subdivision (b). The fair market value shall be determined as of the day before the first announcement of the terms of the proposed reorganization or short-form merger, excluding any appreciation or depreciation in consequence of the proposed action, but adjusted for any stock split, reverse stock split or share dividend which becomes effective thereafter.

(b) As used in this chapter, "dissenting shares" means shares which come

within all of the following descriptions:

(1) Which were not immediately prior to the reorganization or short-form merger either (A) listed on any national securities exchange certified by the Commissioner of Corporations under subdivision (o) of Section 25100 or (B) listed on the list of OTC margin stocks issued by the Board of Governors of the Federal Reserve System, and the notice of meeting of shareholders to act upon the reorganization summarizes this section and Sections 1301, 1302, 1303 and 1304; provided, however, that this provision does not apply to any shares with respect to which there exists any restriction on transfer imposed by the corporation or by any law or regulation; and provided, further, that this provision does not apply to any class of shares described in subparagraph (A) or (B) if demands for payment are filed with respect to 5 percent or more of the outstanding shares of that class.

(2) Which were outstanding on the date for the determination of shareholders entitled to vote on the reorganization and (A) were not voted in favor of the reorganization or, (B) if described in subparagraph (A) or (B) of paragraph (1) (without regard to the provisos in that paragraph), were voted against the reorganization, or which were held of record on the effective date of a short-form merger; provided, however, that subparagraph (A) rather than subparagraph (B) of this paragraph applies in any case where the approval required by Section 1201 is sought by written consent rather than at a meeting.

(3) Which the dissenting shareholder has demanded that the corporation purchase at their fair market value, in accordance with Section 1301.

(4) Which the dissenting shareholder has submitted for endorsement, in accordance with Section 1302.

(c) As used in this chapter, "dissenting shareholder" means the recordholder of dissenting shares and includes a transferee of record.

SECTION 1301. DEMAND FOR PURCHASE.

(a) If, in the case of a reorganization, any shareholders of a corporation have a right under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, to require the corporation to purchase their shares for cash, such corporation shall mail to each such shareholder a notice of the approval of the reorganization by its outstanding shares (Section 152) within 10 days after the date of such approval, accompanied by a copy of Sections 1300, 1302, 1303, 1304 and this section, a statement of the price determined by the corporation to represent the fair market value of the dissenting shares, and a brief description of the procedure to be followed if the shareholder desires

to exercise the shareholder's right under such sections. The statement of price constitutes an offer by the corporation to purchase at the price stated any dissenting shares as defined in subdivision (b) of Section 1300, unless they lose their status as dissenting shares under Section 1309.

(b) Any shareholder who has a right to require the corporation to purchase the shareholder's shares for cash under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, and who desires the corporation to purchase such shares shall make written demand upon the corporation for the purchase of such shares and payment to the shareholder in cash of their fair market value. The demand is not effective for any purpose unless it is received by the corporation or any transfer agent thereof (1) in the case of shares described in subparagraph (A) or (B) of paragraph (1) of subdivision (b) of Section 1300 (without regard to the provisos in that paragraph), not later than the date of the shareholders' meeting to vote upon the reorganization, or (2) in any other case within 30 days after the date on which the notice of the approval by the outstanding shares pursuant to subdivision (a) or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(c) The demand shall state the number and class of the shares held of record by the shareholder which the shareholder demands that the corporation purchase and shall contain a statement of what such shareholder claims to be the fair market value of those shares as of the day before the announcement of the proposed reorganization or short-form merger. The statement of fair market value constitutes an offer by the shareholder to sell the shares at such price.

SECTION 1302. ENDORSEMENT OF SHARES.

Within 30 days after the date on which notice of the approval by the outstanding shares or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, the shareholder shall submit to the corporation at its principal office or at the office of any transfer agent thereof, (a) if the shares are certificated securities, the shareholder's certificates representing any shares which the shareholder demands that the corporation purchase, to be stamped or endorsed with a statement that the shares are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed or (b) if the shares are uncertificated securities, written notice of the number

of shares which the shareholder demands that the corporation purchase. Upon subsequent transfers of the dissenting shares on the books of the corporation, the new certificates, initial transaction statement, and other written statements issued therefor shall bear a like statement, together with the name of the original dissenting holder of the shares.

SECTION 1303. AGREED PRICE -- TIME FOR PAYMENT.

(a) If the corporation and the shareholder agree that the shares are dissenting shares and agree upon the price of the shares, the dissenting shareholder is entitled to the agreed price with interest thereon at the legal rate on judgments from the date of the agreement. Any agreements fixing the fair market value of any dissenting shares as between the corporation and the holders thereof shall be filed with the secretary of the corporation.

(b) Subject to the provisions of Section 1306, payment of the fair market value of dissenting shares shall be made within 30 days after the amount thereof has been agreed or within 30 days after any statutory or contractual conditions to the reorganization are satisfied, whichever is later, and in the case of certificated securities, subject to surrender of the certificates therefor, unless provided otherwise by agreement.

SECTION 1304. DISSENTER'S ACTION TO ENFORCE PAYMENT.

(a) If the corporation denies that the shares are dissenting shares, or the corporation and the shareholder fail to agree upon the fair market value of the shares, then the shareholder demanding purchase of such shares as dissenting shares or any interested corporation, within six months after the date on which notice of the approval by the outstanding shares (Section 152) or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, but not thereafter, may file a complaint

in the superior court of the proper county praying the court to determine whether the shares are dissenting shares or the fair market value of the dissenting shares or both or may intervene in any action pending on such a complaint.

(b) Two or more dissenting shareholders may join as plaintiffs or be joined as defendants in any such action and two or more such actions may be consolidated.

(c) On the trial of the action, the court shall determine the issues. If the status of the shares as dissenting shares is in issue, the court shall first determine that issue. If the fair market value of the dissenting shares is in issue, the court shall determine, or shall appoint one or more impartial appraisers to determine, the fair market value of the shares.

SECTION 1305. APPRAISERS' REPORT -- PAYMENT COSTS.

(a) If the court appoints an appraiser or appraisers, they shall proceed forthwith to determine the fair market value per share. Within the time fixed by the court, the appraisers, or a majority of them, shall make and file a report in the office of the clerk of the court. Thereupon, on the motion of any party, the report shall be submitted to the court and considered on such evidence as the court considers relevant. If the court finds the report reasonable, the court may confirm it.

(b) If a majority of the appraisers appointed fail to make and file a report within 10 days from the date of their appointment or within such further time as may be allowed by the court or the report is not confirmed by the court, the court shall determine the fair market value of the dissenting shares.

(c) Subject to the provisions of Section 1306, judgment shall be rendered against the corporation for payment of an amount equal to the fair market value of each dissenting share multiplied by the number of dissenting shares which any dissenting shareholder who is a party, or who has intervened, is entitled to require the corporation to purchase, with interest thereon at the legal rate from the date on which judgment was entered.

(d) Any such judgment shall be payable forthwith with respect to uncertificated securities and, with respect to certificated securities, only upon the endorsement and delivery to the corporation of the certificates for the shares described in the judgment. Any party may appeal from the judgment.

(e) The costs of the action, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable, but, if the appraisal exceeds the price offered by the corporation, the corporation shall pay the costs (including in the discretion of the court attorneys' fees, fees of expert witnesses and interest at the legal rate on judgments from the date of compliance with Sections 1300, 1301 and 1302 if the value awarded by the court for the shares is more than 125 percent of the price offered by the corporation under subdivision (a) of Section 1301).

SECTION 1306. DISSENTING SHAREHOLDER'S STATUS AS CREDITOR.

To the extent that the provisions of Chapter 5 prevent the payment to any holders of dissenting shares of their fair market value, they shall become creditors of the corporation for the amount thereof together with interest at the legal rate on judgments until the date of payment, but subordinate to all other creditors in any liquidation proceeding, such debt to be payable when permissible under the provisions of Chapter 5.

SECTION 1307. DIVIDENDS PAID AS CREDIT AGAINST PAYMENT.

Cash dividends declared and paid by the corporation upon the dissenting shares after the date of approval of the reorganization by the outstanding shares (Section 152) and prior to payment for the shares by the corporation shall be credited against the total amount to be paid by the corporation therefor.

SECTION 1308. CONTINUING RIGHTS AND PRIVILEGES OF DISSENTING SHAREHOLDERS.

Except as expressly limited in this chapter, holders of dissenting shares continue to have all the rights and privileges incident to their shares, until the fair market value of their shares is agreed upon or determined. A dissenting shareholder may not withdraw a demand for payment unless the corporation consents thereto.

SECTION 1309. TERMINATION OF DISSENTING SHAREHOLDER STATUS.

Dissenting shares lose their status as dissenting shares and the holders thereof cease to be dissenting shareholders and cease to be entitled to require the corporation to purchase their shares upon the happening of any of the following:

(a) The corporation abandons the reorganization. Upon abandonment of the reorganization, the corporation shall pay on demand to any dissenting shareholder who has initiated proceedings in good faith under this chapter all necessary expenses incurred in such proceedings and reasonable attorneys' fees.

(b) The shares are transferred prior to their submission for endorsement in accordance with Section 1302 or are surrendered for conversion into shares of another class in accordance with the articles.

(c) The dissenting shareholder and the corporation do not agree upon the status of the shares as dissenting shares or upon the purchase price of the shares, and neither files a complaint or intervenes in a pending action as provided in Section 1304, within six months after the date on which notice of the approval by the outstanding shares or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(d) The dissenting shareholder, with the consent of the corporation, withdraws the shareholder's demand for purchase of the dissenting shares.

SECTION 1310. SUSPENSION OF PROCEEDINGS FOR PAYMENT PENDING LITIGATION.

If litigation is instituted to test the sufficiency or regularity of the votes of the shareholders in authorizing a reorganization, any proceedings under Sections 1304 and 1305 shall be suspended until final determination of such litigation.

SECTION 1311. EXEMPT SHARES.

This chapter, except Section 1312, does not apply to classes of shares whose terms and provisions specifically set forth the amount to be paid in respect to such shares in the event of a reorganization or merger.

SECTION 1312. ATTACKING VALIDITY OF REORGANIZATION OR MERGER.

(a) No shareholder of a corporation who has a right under this chapter to demand payment of cash for the shares held by the shareholder shall have any right at law or in equity to attack the validity of the reorganization or short-form merger, or to have the reorganization or short-form merger set aside or rescinded, except for an action to test whether the number of shares required to authorize or approve the reorganization have been legally voted in favor thereof but any holder of shares of a class whose terms and provisions specifically set forth the amount to be paid in respect to them in the event of a reorganization or short-form merger is entitled to payment in accordance with those terms and provisions or, if the principal terms of the reorganization are approved pursuant to subdivision (b) of Section 1202, is entitled to payment in accordance with the terms and provisions of the approved reorganization.

(b) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with, another

party to the reorganization or short-form merger, subdivision (a) shall not apply to a shareholder of such party who has not demanded payment of cash for such shareholder's shares pursuant to this chapter, but if the shareholder institutes any action to

attack the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, the shareholder shall not thereafter have any right to demand payment of cash for the shareholder's shares pursuant to this chapter. The court in any action attacking the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded shall not restrain or enjoin the consummation of the transaction except upon 10 days' prior notice to the corporation and upon a determination by the court that clearly no other remedy will adequately protect the complaining shareholder or the class of shareholders of which such shareholder is a member.

(c) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with another party to the reorganization or short-form merger, in any action to attack the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, (1) a party to a reorganization or short-form merger which controls another party to the reorganization or short-form merger shall have the burden of proving that the transaction is just and reasonable as to shareholders of the controlled party, and (2) a person who controls two or more parties to a reorganization shall have the burden of proving that the transaction is just and reasonable as to the shareholders of any party so controlled.

BROOKTREE CORPORATION

PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS -- SEPTEMBER ____, 1996

James A. Bixby and Noreen E. Burns, or either of them, each with the power of substitution and revocation, are hereby authorized to represent the undersigned, with all powers which the undersigned would possess if personally present, to vote the Common Stock of the undersigned at the special meeting of shareholders of BROOKTREE CORPORATION (the "Company") to be held at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121, at 10:00 a.m. on _____, September _____, 1996, and at any postponements or adjournments of that meeting, as set forth below, and in their discretion upon any other business that may properly come before the meeting.

This proxy will be voted as specified or, if no choice is specified, will be voted FOR each of the proposals specified herein.

BROOKTREE CORPORATION

PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS -- SEPTEMBER ____, 1996

James A. Bixby and Noreen E. Burns, or either of them, each with the power of substitution and revocation, are hereby authorized to represent the undersigned, with all powers which the undersigned would possess if personally present, to vote the Common Stock of the undersigned at the special meeting of shareholders of BROOKTREE CORPORATION (the "Company") to be held at the Company's principal executive offices located at 9868 Scranton Road, San Diego, California 92121, at 10:00 a.m. on _____, September _____, 1996, and at any postponements or adjournments of that meeting, as set forth below, and in their discretion upon any other business that may properly come before the meeting.

This proxy will be voted as specified or, if no choice is specified, will be voted FOR each of the proposals specified herein.

BROOKTREE CORPORATION

PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS -- SEPTEMBER ____, 1996

James A. Bixby and Noreen E. Burns, or either of them, each with the power of substitution and revocation, are hereby authorized to represent the undersigned, with all powers which the undersigned would possess if personally present, to vote the Common Stock of the undersigned at the special meeting of shareholders of BROOKTREE CORPORATION (the "Company") to be held at the Company's principal

executive offices located at 9868 Scranton Road, San Diego, California 92121, at 10:00 a.m. on _____, September _____, 1996, and at any postponements or adjournments of that meeting, as set forth below, and in their discretion upon any other business that may properly come before the meeting.

This proxy will be voted as specified or, if no choice is specified, will be voted FOR each of the proposals specified herein.

BROOKTREE CORPORATION
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY

1. To approve and adopt the Agreement and Plan of Merger dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company and to approve the merger of Sub with and into the Company pursuant to such agreement.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS. IF ACTING AS ATTORNEY, EXECUTOR, TRUSTEE, OR IN REPRESENTATIVE CAPACITY, SIGN NAME AND INDICATE TITLE. IF SHARES ARE HELD BY JOINT TENANTS, BOTH SHOULD SIGN.

Check here for address change. / /

New Address:

Check here if you plan to attend the meeting. / /

Dated , 1996

Signature

Signature

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

BROOKTREE CORPORATION
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY

1. To approve and adopt the Agreement and Plan of Merger dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company and to approve the merger of Sub with and into the Company pursuant to such agreement.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS. IF ACTING AS ATTORNEY, EXECUTOR, TRUSTEE, OR IN REPRESENTATIVE CAPACITY, SIGN NAME AND INDICATE TITLE. IF SHARES ARE HELD BY JOINT TENANTS, BOTH SHOULD SIGN.

Check here for address change. / /

New Address:

Check here if you plan to attend the meeting. / /

Dated , 1996

Dated , 1996

Signature

Signature

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

BROOKTREE CORPORATION

PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY

1. To approve and adopt the Agreement and Plan of Merger dated as of July 1, 1996 among Rockwell International Corporation, a Delaware corporation ("Rockwell"), ROK II Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of Rockwell ("Sub"), and the Company and to approve the merger of Sub with and into the Company pursuant to such agreement.

FOR	AGAINST	ABSTAIN
/ /	/ /	/ /

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS. IF ACTING AS ATTORNEY, EXECUTOR, TRUSTEE, OR IN REPRESENTATIVE CAPACITY, SIGN NAME AND INDICATE TITLE. IF SHARES ARE HELD BY JOINT TENANTS, BOTH SHOULD SIGN.

Check here for address change. / /

New Address:

Check here if you plan to attend the meeting. / /

Dated , 1996

Signature

Signature

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.