

February 29, 2000

The Special Committee of the Board of Directors  
Protection One, Inc.  
600 Corporate Pointe  
12<sup>th</sup> Floor  
Culver City, CA 90203

Members of the Special Committee:

We understand that Protection One, Inc., a Delaware corporation (the "Company"), and Protection One Alarm Monitoring, Inc., a Delaware Corporation and a wholly owned subsidiary of the Company ("Monitoring"), are entering into a transaction whereby Westar Capital, Inc. ("Westar"), a Kansas corporation and a wholly owned subsidiary of Western Resources, Inc., a Kansas corporation ("Western Resources"), is purchasing certain assets of the Company and Monitoring. Pursuant to the terms of the purchase agreement, dated February 29, 2000 (the "Purchase Agreement"), Westar will acquire, among other things, from the Company all the issued and outstanding capital stock of the Company's direct and indirect subsidiaries, Protection One (UK) plc, a corporation formed under the laws of the United Kingdom, and Protection One International, Inc., a Delaware corporation whose sole asset we understand to be Protection One France, a French E.U.R.L. (collectively, the "European Business") in exchange for \$168.77 million in cash and the securities described in the next paragraph (such cash and securities are referred to collectively herein as the "Purchase Price"). The sale of the European Business is referred to herein as the "European Business Sale".

Pursuant to the terms of the Purchase Agreement, \$168.77 million of the Purchase Price will be paid in cash, and the balance will be paid by delivery to the Company of certain 13-5/8% Senior Subordinated Discount Notes due 2005, certain 6-3/4% Convertible Senior Subordinated Notes due 2003 and certain 8-1/8% Senior Subordinated Notes due 2009, in each case issued by Monitoring (the "Monitoring Debt"). For purposes of determining the amount of Monitoring Debt to be paid in satisfaction of the non-cash portion of the Purchase Price, the Monitoring Debt has been valued at the average of the average of the daily closing bid price and asked price for each class of Monitoring Debt for the ten trading days ending on and including February 28, 2000, as set forth in the Purchase Agreement. We understand that the Company has attempted to obtain such bid and asked prices from three independent market makers but has only been successful in obtaining such bid and asked prices from one independent market maker, and the value of each class of Monitoring Debt will be based upon the quote of the sole independent market maker from which a quote was obtained. Warburg Dillon Read LLC ("WDR") does not make a market in the Monitoring Debt.

The Purchase Agreement also provides that, if Westar sells all or a specified portion of the European Business to a third party during the four years following the European Business Sale, the Company will receive from Westar 100% of the net realized gain from such sale in

year one, 75% of the net realized gain in year two, 50% of the net realized gain in year three and 25% of the net realized gain in year four.

The foregoing is only a summary of certain terms of the European Business Sale. Such terms are set forth in detail in the Purchase Agreement.

You have requested our opinion as to whether, as of the date hereof, the Purchase Price to be received by the Company for the European Business is fair, from a financial point of view, to the Company.

WDR has been engaged by the Special Committee of the Board of Directors of the Company to render the opinion described above and our opinion to you dated February 24, 2000, and will receive a fee for rendering such opinion. In the past, WDR and its predecessors have provided investment banking services to the Company and received customary compensation for the rendering of such services. WDR and its predecessors also have provided investment banking services to Western and received customary compensation for the rendering of such services and may continue to do so in the future. Until December 17, 1999, our affiliate, UBS AG, was a lender to Monitoring under the Revolving Credit Agreement dated as of December 21, 1998 (the "Monitoring Credit Agreement"), as amended, among Monitoring, the Company and the other lenders and agents party thereto, and received compensation therefrom. On December 17, 1999, Westar assumed all the lenders' rights and obligations under the Monitoring Credit Agreement.

In the ordinary course of its business, UBS AG, our affiliate, is a lender, as part of a syndicate of financial institutions, to both Western Resources and Westar under their revolving credit agreements (the "Western Credit Agreements"), and receives compensation therefrom. The principal amount of loans from UBS AG outstanding under the Western Credit Agreements is immaterial to UBS AG's loan portfolio. We understand that outstanding loans under the Monitoring Credit Agreement will be partially repaid with proceeds of the European Business Sale. Such proceeds or other funds of Western may be used at any time to repay loans owing to UBS AG and the other lenders under the Western Credit Agreement, pro rata among such lenders.

In the ordinary course of business, WDR, its successors and affiliates may trade or have traded securities of the Company, Monitoring or Western Resources for their own accounts and, accordingly, may at any time hold a long or short position in such securities.

Our opinion does not address the Company's underlying business decision to effect the European Business Sale or to accept the Monitoring Debt as partial payment of the Purchase Price for the European Business, nor does it constitute a recommendation or advice, nor have we separately given any advice, to the Special Committee of the Board of Directors of the Company to enter into the European Business Sale or to accept the Monitoring Debt as partial payment of the Purchase Price. We express no opinion as to the solvency of the Company before or after the European Business Sale, as to which we understand you have independently satisfied yourselves.

In addition, at your direction, we have not been asked to, nor do we, offer any opinion as to the terms of the Purchase Agreement other than the fairness, from a financial point of view, of the Purchase Price for the European Business. At your direction, we have not been asked to, nor do we, offer any opinion as to the composition of the Purchase Price (i.e., the relative amount of cash compared to Monitoring Debt), the value of the Monitoring Debt or the amounts that may be required to be paid to the Company by Westar if Westar sells the European Business, as contemplated by the Purchase Agreement. We have not been authorized to and have not solicited indications of interest in the purchase of the European Business from any party nor have we solicited the sale by any party of Monitoring Debt.

In rendering this opinion, we have assumed, at your direction, that for purposes of determining the purchase price for the European Business, the mechanism used for valuing the Monitoring Debt, as described in the Purchase Agreement, will result in the inclusion in the Purchase Price of Monitoring Debt at its fair market value and that such fair market value will be \$56.23 million. We have also assumed, with your consent, that Western Resources and the Company will comply with all the material terms of the Purchase Agreement.

Pursuant to the Purchase Agreement, Westar will also:

- (i) acquire all of the issued and outstanding capital stock of Protection One Investments, Inc. ("PI Investments"), a wholly owned subsidiary of the Company, which we understand holds certain Series C 7% Redeemable Cumulative Preferred Stock and Series D 6% Convertible Cumulative Preferred Stock of Guardian International, Inc. and a portfolio of certain other marketable securities (the "PI Investments Transaction"); and
- (ii) enter into an amendment (the "Credit Agreement Amendment") to the Monitoring Credit Agreement.

At your direction, we have not been asked to, nor do we, offer any opinion as to the PI Investments Transaction, the Credit Agreement Amendment, or the acceptance of the Monitoring Debt in satisfaction of part of the Purchase Price or the valuation of the Monitoring Debt in the European Business Sale and such other transactions.

In arriving at our opinion, we have, among other things: (i) reviewed certain internal financial information and other data relating to the business and financial prospects of the European Business, including estimates and financial forecasts prepared by management of the Company, that were provided to us by the Company and that are not publicly available, (ii) conducted discussions with members of the senior management of the European Business and the Company regarding the European Business, (iii) reviewed publicly available financial and stock market data with respect to certain other companies in lines of business we believe to be generally comparable to those of the European Business, (iv) compared the financial terms of the European Business Sale with the publicly available financial terms of certain other transactions which we believe to be generally relevant, (v) reviewed the Purchase Agreement related to the European Business Sale and (vi) conducted such other financial studies,

analyses, and investigations, and considered such other information as we deemed necessary or appropriate.

In connection with our review, at your direction, we have not assumed any responsibility for independent verification of the information reviewed by us for the purpose of this opinion that is obtained or derived from third party sources (including the Company) and have, at your direction, relied on its being complete and accurate in all material respects. In addition, at your direction, we have not made any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the European Business or the Monitoring Debt, nor have we been furnished with any such evaluation or appraisal. Without limiting the generality of the foregoing, with respect to the financial forecasts and estimates referred to above, we have assumed, at your direction, that they 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 performance of the European Business. In addition, we have assumed with your approval that the future financial results referred to above will be achieved at the times and in the amounts projected by management. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

This letter is for the benefit and use of the Special Committee of the Board of Directors of the Company in connection with its consideration of the European Business Sale and may not be relied upon by any other person or be used for any other purpose, or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, including for purposes of any of the Company's credit agreements or indentures, without our prior written consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the aggregate Purchase Price to be received by the Company for the European Business, taken as a whole, is fair, from a financial point of view, to the Company.


Very truly yours,

WARBURG DILLON READ LLC

By: 

Name: Dan Chu

Title: Managing Director

By: 

Name: LaSalle D. Leffall III

Title: Director