UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Honorable Peter J. Walsh Chapter 11
Electroglas, Inc. Electroglas International, Inc.	09-12416 09-12417
Debtors.	Jointly Administered

DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: March 4, 2010

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SECTION I -- INTRODUCTION

Electroglas, Inc. and Electroglas International, Inc. decided to sell their businesses and liquidate their assets to pay creditors. They are circulating this Disclosure Statement to describe that process and solicit support from their creditors as required by the Bankruptcy Code.

A. Definitions and Interpretation

Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the respective meanings ascribed to those terms in Article 1 of the Debtors' Plan of Liquidation Under Chapter 11 of the Bankruptcy Code and attached to this Disclosure Statement as Exhibit A (including any exhibits, annexes, schedules, amendments or supplements thereto, the "Plan"). All references in this Disclosure Statement to dollars are to United States dollars.

The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to this Disclosure Statement as a whole and not to any particular section or clause, except where expressly stated otherwise. A reference to a "Section" refers to a section of this Disclosure Statement, except where expressly stated otherwise. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply in construing this Disclosure Statement. Unless otherwise noted, all references to "Docket No." are to entries on the docket in the Debtors' main bankruptcy case (09-12416 (PJW)).

Where this Disclosure Statement refers to actions by the Debtors, those actions shall be carried out by the Debtors if contemplated to occur before the Effective Date, and by the Plan Administrator if contemplated to occur on or after the Effective Date. This is because on the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Debtors.

B. Disclosure Statement

Electroglas and Electroglas International, the above-captioned debtors and debtors in possession, prepared and are transmitting this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code to holders of Claims against the Debtors in connection with the solicitation of votes for the Plan.

On July 9, 2009, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor may reorganize or liquidate its business for the benefit of itself, its creditors and equity interest holders. The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor at the time the chapter 11 petition is filed. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The confirmation and consummation of a plan is the principal objective of a chapter 11 case. The plan sets forth the means for satisfying or discharging claims against and interests in a debtor. A bankruptcy court's confirmation of a plan makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan, any creditor or equity interest holder, and any other interested party in the chapter 11 case. As described below

in the context of these Chapter 11 Cases, there are basically three stages to presenting and confirming a plan.

First, the Debtors will ask the Bankruptcy Court to approve this Disclosure Statement, which describes the Plan, the Debtors' operations, events leading up to the commencement of the Chapter 11 Cases, events during the Chapter 11 Cases, and the estimated financial consequences resulting from consummating the Plan. However, before the Debtors may solicit acceptances of the Plan, the Bankruptcy Court must approve the Disclosure Statement as containing "adequate information" within the meaning of section 1125 of the Bankruptcy Code, so that those eligible to vote on the Plan can make an informed decision. Second, the Debtors will distribute "solicitation materials" to creditors in those Classes entitled to vote on the Plan (as more fully described in Sections II(B) and IV(D) below), and then tabulate the votes once the voting deadline passes. Third, if at least one Class of Impaired Claims accepts the Plan, the Debtors may ask the Bankruptcy Court to "confirm" (or approve) the Plan.

The Debtors prepared this Disclosure Statement for purposes of soliciting votes to accept the Plan.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND ANY EXHIBITS AND SCHEDULES ANNEXED THERETO IN THEIR ENTIRETY.

THE DEBTORS RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN SOLELY FOR PURPOSES OF SOLICITING VOTES WITH RESPECT TO THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. UNLESS APPROVED BY THE BANKRUPTCY COURT, NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS

OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTORS IN THE CHAPTER 11 CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED. THE DEBTORS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

FOR A DESCRIPTION OF THE PLAN, RISKS AND OTHER FACTORS PERTAINING TO THE PLAN AS IT RELATES TO CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, PLEASE SEE SECTIONS IV & VI OF THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF PROVISIONS OF THE PLAN, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE CHAPTER 11 CASES, FINANCIAL INFORMATION, AND CLAIMS AGAINST THE DEBTORS. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THEY ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT INCLUDE THE ENTIRE TEXT OF THE RELEVANT DOCUMENTS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT BASED ON THE DEBTORS' BOOKS AND RECORDS, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

WHILE THIS DISCLOSURE STATEMENT DESCRIBES CERTAIN BACKGROUND MATTERS AND THE MATERIAL TERMS OF THE PLAN, IT IS INTENDED AS A SUMMARY DOCUMENT ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ATTACHED TO THE PLAN AND THIS DISCLOSURE STATEMENT. SIMILARLY, DESCRIPTIONS IN THIS DISCLOSURE STATEMENT OF PROCEEDINGS, PLEADINGS, ORDERS, AND OTHER COURT FILINGS IN THESE CHAPTER 11 CASES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RELEVANT DOCKET ITEMS. YOU SHOULD READ THE PLAN AND THE EXHIBITS TO OBTAIN A FULL UNDERSTANDING OF THEIR PROVISIONS. ADDITIONAL COPIES OF THIS DISCLOSURE STATEMENT, AS WELL AS ANY DOCKET ITEMS FROM THIS FROM THESE CHAPTER 11 CASES, ARE AVAILABLE FOR INSPECTION DURING REGULAR BUSINESS HOURS AT THE OFFICE OF THE

CLERK OF THE BANKRUPTCY COURT, 3RD FLOOR, 824 MARKET STREET, WILMINGTON, DELAWARE 19801. IN ADDITION, COPIES MAY BE OBTAINED FOR A CHARGE THROUGH DELAWARE DOCUMENT RETRIEVAL, 230 NORTH MARKET STREET, P.O. BOX 27, WILMINGTON, DELAWARE 19801, (302) 658-9971, OR VIEWED ON THE INTERNET (I) FOR NO CHARGE AT THE VOTING AGENT'S WEBSITE, HTTP://WWW.OMNIMGT.COM/SBLITE/ELECTROGLAS; AND (II) FOR A FEE AT THE BANKRUPTCY COURT'S WEBSITE, HTTP://WWW.DEB.USCOURTS.GOV, BY FOLLOWING THE DIRECTIONS FOR ACCESSING THE ECF SYSTEM ON THAT WEBSITE.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

C. Notice to Holders of Claims and Interests

THE DEBTORS ARE TRANSMITTING THIS DISCLOSURE STATEMENT TO HOLDERS OF IMPAIRED CLAIMS THAT ARE ENTITLED TO VOTE ON THE PLAN UNDER THE BANKRUPTCY CODE, AND TO OTHER PARTIES IN INTEREST. THE PURPOSE OF THIS DISCLOSURE STATEMENT IS TO PROVIDE ADEQUATE INFORMATION TO ENABLE THOSE HOLDERS TO MAKE REASONABLY INFORMED DECISIONS WITH RESPECT TO THE PLAN BEFORE EXERCISING THEIR RIGHTS TO VOTE TO ACCEPT OR REJECT THE PLAN.

ON [ ], THE BANKRUPTCY COURT ENTERED AN ORDER APPROVING THIS DISCLOSURE STATEMENT AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT AND ADEQUATE DETAIL TO ENABLE SUCH HOLDERS TO MAKE AN INFORMED JUDGMENT WITH RESPECT TO ACCEPTANCE OR REJECTION OF THE PLAN (THE "SOLICITATION PROCEDURES ORDER"). THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN CAREFULLY AND IN THEIR ENTIRETIES BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PLAN, CONSIDERATIONS PERTINENT TO ACCEPTANCE OR REJECTION OF THE PLAN, AND DEVELOPMENTS CONCERNING THE CHAPTER 11 CASES.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO SOLICIT VOTES ON THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT, AND NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY

INFORMATION CONCERNING THE DEBTORS OTHER THAN THE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS, AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. SPECIFICALLY, AND WITHOUT DEROGATING FROM THE GENERALITY OF THE FOREGOING, PROJECTED RECOVERIES FOR CREDITORS AND THE BASIS FOR THOSE RECOVERIES, INCLUDING THE EXPECTED VALUE OF ESTATE ASSETS, ARE ESTIMATES, SUBJECT TO CHANGE, AND ARE BY NO MEANS INTENDED TO BE GUARANTIES OR PROMISES IN ANY RESPECT. EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS DO NOT INTEND TO UPDATE THIS DISCLOSURE STATEMENT; THUS, THIS DISCLOSURE STATEMENT WILL NOT REFLECT THE IMPACT OF ANY SUBSEQUENT EVENTS NOT ALREADY ACCOUNTED FOR HEREIN. FURTHER, THE DEBTORS DO NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUCH EVENTS. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

D. Overview of the Plan

1. Classification and Treatment of Claims

The Plan places Claims and Interests into Classes. These Classes take into account the differing nature of the underlying liability for the Claims and Interests and the relative priority of Claims under the Bankruptcy Code.

The following table (the "Plan Summary Table") summarizes the classification and treatment of Claims and Equity Interests under the Plan (including unclassified Claims), as well as the Debtors' high estimate of the percentage recovery, if any, for holders of Equity Interests and Allowed Claims. **THE PLAN SUMMARY TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES. THE PLAN SUMMARY TABLE IS NOT A SUBSTITUTE FOR A FULL REVIEW OF THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY.**

The percentage recovery for each Class in the Plan Summary Table is based on the Debtors' good-faith high estimate, based on their current knowledge, of (i) the amount of Claims against each Debtor that will ultimately be Allowed,[1] and (ii) the amount of Cash that will be

[1] Estimated amounts of Allowed Claims do not constitute an admission by the Debtors or any other party as to the validity or amount of any particular Claim. The Debtors reserve the right to dispute the validity or amount of any Claim that has not already been allowed by Final Order of the Bankruptcy Court or by agreement of the parties.

available in each estate for distribution to holders of Allowed Claims.[2] **It is important to note that, notwithstanding anything in the Plan, the Disclosure Statement or in any related documents to the contrary, with respect to those Holders of Allowed Claims in Classes 3, 4A and 4B under the Plan (i.e., Allowed Deficiency Claims, Allowed EG General Unsecured Claims and Allowed EII General Unsecured Claims), only those holders of such Allowed Claims that vote in favor of the Plan or that do not vote on the Plan will be entitled to any distribution under the Plan. Conversely, holders of Allowed Deficiency Claims Allowed EG General Unsecured Claims and Allowed EII General Unsecured Claims that vote against the Plan will receive no distribution of any kind or nature under the Plan.** The actual amounts of Allowed Claims against each Debtor and Cash available for distribution to creditors of each estate could vary materially from the Debtors' estimates, and the actual percentage recoveries for creditors will necessarily depend upon the actual amounts of Allowed Claims, expenses of the Estates, Cash realized from prosecuting Causes of Action, and expenses of the Plan Administrator. Further, notwithstanding anything to the contrary in the Disclosure Statement, Plan, or in any documents or filings related hereto, all provisions hereof are expressly made subject to Debtors' rights of setoff and recoupment, including without limitation the right to setoff or recoup claims in favor of Debtors as against a holder of an Allowed Claim against the distribution such holder might be entitled on account of its Allowed Claim under the Plan.

For the foregoing reasons, the Debtors cannot represent (and are not representing) that they will distribute the percentage recoveries set forth in the Plan Summary Table or otherwise to holders of Allowed Claims. **THERE IS NO GUARANTEED RECOVERY AND THERE ARE NO GUARANTEED AMOUNTS OF RECOVERY FOR ANY HOLDER OF A CLAIM OR EQUITY INTEREST. ALL ESTIMATES CONTAINED HEREIN ARE SUBJECT TO RISKS AND ASSUMPTIONS, INCLUDING THOSE DISCUSSED IN SECTION VI. MOREOVER, THESE ESTIMATES ARE SUBJECT TO MATERIAL REVISION. THEY SHOULD NOT BE CONSIDERED A REPRESENTATION OF ACTUAL DISTRIBUTIONS TO CREDITORS.**

In addition, the Plan establishes a disputed claims reserve for the benefit of holders of Disputed Claims. The Debtors, WCSR and/or the Unsecured Creditor Carveout Trustee, as the case may be, may (but are not obligated to) make interim distributions of Cash on account of Allowed Claims of a given Class from time to time, provided they leave sufficient Cash in reserve to cover the Disputed Claims of that Class. As a result, the Debtors may complete the process of distributing all Cash to Holders of Allowed Claims over time.

Distributions to holders of General Unsecured Claims will be comprised of mostly, if not exclusively, of $500,000.00 that was paid by FFI to WCSR at the closing of the sale of the Debtors' MCAT business. On or before the Effective Date, WCSR shall establish, solely for the benefit of the holders of Allowed EG General Unsecured Claims and Allowed EII General Unsecured Claims, the Unsecured Creditor Carveout Account which will be funded on, or as soon as practicable after, the Effective Date with $500,000.00. All costs and expenses of liquidating General Unsecured Claims, making distributions to Allowed General Unsecured Claims, and administering the Unsecured Creditor Carveout Account, including without

[2] For purposes of the Plan Summary Table, estimated Cash excludes cash that the Plan Administrator may recover from prosecuting Causes of Action.

limitation professional fees and costs, shall be borne by and paid from the Unsecured Creditor Carveout Account. For the avoidance of doubt, the funds in the Unsecured Creditor Carveout Account do not constitute property of the Debtors or their estates. All payments on account of Allowed EG General Unsecured Claims and Allowed EII General Unsecured Claims from the Unsecured Creditor Carveout Account shall be made by WCSR or the Unsecured Creditor Carveout Trustee to the appropriate holders of such Claims, free and clear of all Liens, claims and encumbrances.

THE TREATMENT AND DISTRIBUTIONS, IF ANY, PROVIDED TO HOLDERS OF EQUITY INTERESTS AND ALLOWED CLAIMS PURSUANT TO THE PLAN WILL BE IN FULL AND COMPLETE SATISFACTION OF ALL LEGAL, EQUITABLE, AND CONTRACTUAL RIGHTS REPRESENTED BY THOSE EQUITY INTERESTS AND ALLOWED CLAIMS.

In the Liquidation Analysis, the estimated distribution percentages to Holders of Allowed General Unsecured Claims do not include the proceeds from Causes of Action because their value, if any, is unknown and unpredictable. In any event, the expected distributions to Holders of Allowed Claims are based on the Liquidation Analysis attached to this Disclosure Statement as Exhibit B and discussed in detail in Sections V(E)(1) and VI(E).

Summary of Classification and Treatment of Claims and Interests

CLASS	DESCRIPTION	TREATMENT OF ALLOWED CLAIMS WITHIN CLASS	ESTIMATED % RECOVERY
n/a	Administrative Expense Claims	Paid in full in Cash equal to the respective Allowed amounts of the Administrative Expense Claims, without payment of interest.	100%
n/a	Professional Compensation and Reimbursement Claims	Paid in full in Cash equal to the respective Allowed amounts of the Professional Compensation and Reimbursement Claims, without payment of interest.	100%
n/a	Priority Tax Claims	Paid in full in Cash equal to the respective Allowed amounts of the Priority Tax Claims, without payment of interest; provided, however, that if Debtors elect, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, to make annual payments of Cash to Holders of Allowed Priority Tax Claims over a period of time after the Effective Date, Allowed Priority Tax Claims will receive interest at the applicable rate under non-bankruptcy law.	100%
1	Other Priority Claims	Paid in full in Cash equal to the respective Allowed amounts of the Other Priority Claims, without payment of interest.	100%

2	Secured Noteholder Claims	Pro-rata portion of aggregate Secured Noteholder Distribution, presently estimated to be in the amount of $3,724,000.00.	14%
3	Deficiency Claims	Pro-rata portion of Available Cash For Deficiency Claims.	*De minimis*
4A	EG General Unsecured Claims	Pro-Rata Share of that portion of the Unsecured Creditor Carveout Account attributable to EG General Unsecured Claims (estimated to be approximately 97% of the entire Unsecured Creditor Carveout Account), less costs and expenses, plus Pro-Rata Share of the EG Available Cash	1 – 2 %
4B	EII General Unsecured Claims	Pro-Rata Share of that portion of the Unsecured Creditor Carveout Account attributable to EII General Unsecured Claims (estimated to be approximately 3% of the entire Unsecured Creditor Carveout Account), less costs and expenses, plus Pro-Rata Share of the EG Available Cash	1 – 2 %
5	Convenience Claims	Cash equal to 50% of the Allowed Amount of the respective Convenience Claim, without payment of interest.	50%
6	EG Equity Interests	No distribution.	0%
7	EII Equity Interests	No distribution.	0%

E. Recommendation

THE DEBTORS RECOMMEND THAT ALL CREDITORS ENTITLED TO VOTE ON THE PLAN CAST THEIR BALLOTS TO ACCEPT THE PLAN. THE DEBTORS BELIEVE THAT CONFIRMATION OF THE PLAN WILL PROVIDE THE CREDITORS WITH THE GREATEST AND EARLIEST POSSIBLE RECOVERY.

SECTION II -- PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Impairment and Eligibility to Vote

The Plan divides Claims and Equity Interests into different Classes and treats each Class according to sections 503, 507, 1122, 1123 and 1129 of the Bankruptcy Code. As set forth in

section 1123(a)(4) of the Bankruptcy Code, the Plan provides for the same treatment of all Claims and Interests within a particular Class.

The level of "impairment" determines whether or not a Holder of a Claim or Interest is entitled to vote on the Plan. "Impairment" is discussed in section 1124 of the Bankruptcy Code. Generally, and qualified by the language of section 1124 of the Bankruptcy Code in all respects, under Section 1124 of the Bankruptcy Code, a Class of Claims or interests is deemed to be "impaired" if the Plan changes a claimant's legal, equitable or contractual rights, or does not cure all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and does not reinstate the maturity of such Claim or Interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (1) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (2) the claim or interest is impaired by the plan. If the holder of an impaired claim or interest will not receive a distribution under the plan in respect of its claim or interest, the Bankruptcy Code provides that the holder of the claim or interest is deemed to reject the plan and that holder's vote does not need to be solicited. Claims can be deemed "allowed" for voting purposes only, without affecting the rights of the debtor or any other party in interest to object to the claim on substantive grounds. Here, the solicitation procedures order contains procedures for how the Debtors will estimate Claims for purposes of voting on the Plan.

More specifically, the holder of an "impaired" claim against a debtor is entitled to vote to accept or reject the plan if (1) the plan provides a distribution in respect of such claim, and (2)(a) the claim has been scheduled by the debtors (and such claim is not scheduled as disputed, contingent, or unliquidated), or (b) the holder has filed a proof of claim (and such claim is not contingent) on or before the bar date applicable to such holder, pursuant to sections 502(a) and 1126(a) of the Bankruptcy Code and Bankruptcy Rules 3003 and 3018. Any claim (a) for which a proof of claim has been filed and is identified as a contingent claim, or (b) as to which an objection has been timely filed and has not been withdrawn or dismissed, is not entitled to vote unless the Bankruptcy Court, pursuant to an application under Bankruptcy Rule 3018(a) from the holder of the claim, temporarily allows the claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting a plan.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to Section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or not in accordance with the provisions of the Bankruptcy Code. The Solicitation Procedures Order also sets forth assumptions and procedures for tabulating incorrect or incomplete Ballots.

The Debtors propose to establish April 8, 2010 as the record date for determining Plan voting eligibility. Unless otherwise agreed by the Debtors and approved by the Bankruptcy Court, only the Creditors holding eligible Claims on that date will receive a Ballot with this Disclosure Statement.

Pursuant to section 1123(a)(1) of the Bankruptcy Code, the Plan does not classify Administrative Claims and Priority Tax Claims for Plan voting purposes, or for purposes of receiving distributions under the Plan. Rather, all Administrative Claims and Priority Tax Claims will be "unclassified" and will be paid in full.

Under the Plan, Holders of Claims in the Classes listed in the following tables are not Impaired, are conclusively presumed to accept the Plan, and shall not receive a Ballot.

Class	Description
Class 1	Other Priority Claims

If and to the extent that any Class identified as not Impaired in the foregoing tables is determined to be Impaired, then that Class will be entitled to vote to accept or reject the Plan.

Under the Plan, Holders of Claims in Classes listed in the following tables are entitled to vote to accept or reject the Plan and will receive a Ballot.

Class	Description
Class 2	Secured Noteholder Claims
Class 3	Deficiency Claims
Class 4A	EG General Unsecured Claims
Class 4B	EII General Unsecured Claims
Class 5	Convenience Claims

Under the Plan, Holders of EG Equity Interests and EII Equity Interests are not expected to receive any property under the Plan on account of those Interests. Under section 1126(g) of the Bankruptcy Code, Holders of Interests in and against each of the Debtors, as reflected in the following tables are conclusively deemed not to have accepted the Plan, are not entitled to a vote and shall not receive a Ballot.

Class	Description
Class 6	EG Equity Interests
Class 7	EII Equity Interests

CREDITORS WHOSE CLAIMS ARE SUBJECT TO A PENDING OBJECTION ARE NOT ELIGIBLE TO VOTE UNLESS SUCH OBJECTIONS ARE RESOLVED IN THEIR FAVOR OR, AFTER NOTICE AND A HEARING PURSUANT TO BANKRUPTCY RULE 3018(A), THE BANKRUPTCY COURT ALLOWS THE CLAIM TEMPORARILY OR ESTIMATES THE AMOUNT OF THE CLAIM FOR THE SOLE PURPOSE OF VOTING TO ACCEPT OR REJECT THE PLAN. ANY CREDITOR

THAT WANTS ITS CLAIM TO BE ALLOWED TEMPORARILY OR ESTIMATED FOR THE SOLE PURPOSE OF VOTING MUST TAKE THE STEPS NECESSARY TO ARRANGE AN APPROPRIATE HEARING WITH THE BANKRUPTCY COURT UNDER BANKRUPTCY RULE 3018(A).

B. Solicitation Package

On [ ], the Bankruptcy Court entered the Solicitation Procedures Order, which, among other things, approved this Disclosure Statement and established the procedures for soliciting votes to accept or reject the Plan. Pursuant to the Solicitation Procedures Order, in addition to this Disclosure Statement, the solicitation materials will include copies of: (1) the Plan; (2) a notice establishing the date, time, and place of the Confirmation Hearing, and the time for filing objections to confirmation of the Plan, among other things; (3) the Solicitation Procedures Order; and (4) one or more Ballots (and return envelopes), provided you are the Holder of a Claim or Claims entitled to vote on the Plan.

C. Voting Procedures, Ballots, and Voting Deadline

If you are a holder of a Claim entitled to vote on the Plan and a Ballot is included with this Disclosure Statement, after carefully reviewing the Plan, this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your original Ballot and return it in the envelope provided. Copies and facsimiles will not be accepted. Each Ballot has been coded to reflect the appropriate Class. Accordingly, in voting to accept or reject the Plan, you must use only the original coded Ballot or Ballots sent to you with this Disclosure Statement.

If you are the holder of a Claim entitled to vote on the Plan and you have any questions about (a) the procedure for voting your Claim with respect to the packet of materials that you have received, or (b) the amount of your Claim, please contact Omni Management Group, LLC ("Omni") at the following address and phone number:

Omni Management Group, LLC
16501 Ventura Blvd., Ste 400
Encino, CA 91436-2068
Hotline Tel: 818-906-8300

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH IN THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN MAY 14, 2010 AT 4:00 P.M. (EST) (THE "VOTING DEADLINE") BY OMNI AT THE ADDRESS SET FORTH ABOVE. UNLESS THE BALLOT BEING FURNISHED IS TIMELY SUBMITTED ON OR BEFORE THE VOTING DEADLINE, TOGETHER WITH ANY OTHER DOCUMENTS REQUIRED BY THE BALLOT, THE SOLICITATION PROCEDURES ORDER PROVIDES FOR THE REJECTION OF THE BALLOT AS INVALID AND, THEREFORE, THE BALLOT WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, please contact Omni at the address or phone number set forth above.

You may obtain an additional copy of the Plan, this Disclosure Statement, or any appendices or exhibits to these documents by contacting Omni at the address or phone number set forth above. In addition, as previously discussed, copies of the Plan, this Disclosure Statement, any supplements or amendments to the Plan (if and after filed), and all other filings and orders of the Bankruptcy Court, are or will be publicly available (i) for no charge at Omni's website at http://www.omnimgt.com/sblite/electroglas; and (ii) for a fee at the Bankruptcy Court's website: http://www.deb.uscourts.gov.

SECTION III -- BACKGROUND OF THE DEBTORS AND THE CHAPTER 11 CASES

A. Present Status of the Chapter 11 Cases

On July 9, 2009, the Debtors filed their respective voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On July 13, 2009, the Bankruptcy Court signed the order jointly administering the Chapter 11 Cases. The Debtors continue to manage their remaining property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; however, as described in more detail below, in October 2009, the Debtors sold (collectively, the "Asset Sales"): (a) their motion control for advanced technologies assets (the "MCAT Assets") to Seneca Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of FormFactor, Inc., also a Delaware corporation (collectively, "FFI"); and (b) the rest of the their assets (excluding accounts receivable), including their wafer probing equipment and other assets (excluding accounts receivable) (collectively, the "Prober Assets"), to EG Systems, LLC, a California limited liability company ("EG Systems"). Thus, the only assets that remain in the estates are, for the most part, Cash, accounts receivable, causes of action arising under the Bankruptcy Code, and certain causes of action arising under non-bankruptcy law.

B. Corporate Structure

Electroglas was incorporated in 1993 and is currently a public company. However, Electroglas stopped filing periodic reports with the SEC because of the commencement of the Chapter 11 Cases. Until March 2009, the common stock of Electroglas traded on the NASDAQ stock exchange.

Electroglas International is a wholly owned subsidiary of Electroglas, and conducted, through registered branches, non-U.S. operations in Taiwan and France. Electroglas also had wholly-owned sales and service subsidiaries in Germany, Singapore and Shanghai (which is a wholly-owned subsidiary of Debtors' subsidiary located in the Cayman Islands) organized under the local laws of the relevant non-U.S. jurisdictions. As described in more detail below, the Debtors shut down, or are otherwise in the process of shutting down, all non-U.S. operations.

C. Former Business Operations of the Debtors

Generally, the Debtors supplied semiconductor manufacturing test equipment and software to the global semiconductor industry, and were in the semiconductor equipment business for more than 40 years. (Even though Electroglas was only incorporated in 1993, it operated as a division of General Signal Corporation since the 1960s, which spun off into Electroglas in 1993.) Until the closing of the Asset Sales, the Debtors primarily operated two business lines: (1) the business of designing, manufacturing, servicing and selling automated wafer probing equipment (the "Prober Business"); and (2) the business of creating, designing and selling motion control systems for advanced technologies (the "MCAT Business").

The best way to describe a wafer prober and its related software is in the context of the semiconductor microchip manufacturing process, which can be divided into three broad stages: front-end wafer processing, wafer level testing using what is known as a "test cell" (the "Test Cell"), and chip final packaging. The stage that is relevant for the Wafer Prober Business is the wafer level testing stage. The wafer prober is a positioning tool used in the wafer level testing process and is one of three components that comprise the Test Cell. The other two components of the Test Cell are the probe card and the tester. The testing of each chip on the wafer is necessary to insure that each chip is functioning properly. During wafer level testing a report is generated that identifies the functioning and non-functioning microchips.

The Debtors' primary MCAT Business product line consists of turn-key motion systems that provide much better positional accuracy than most standard motion systems. ("Motion systems" are systems that use robot-like instruments to manufacture, assemble or test products.) By utilizing the motion control for advanced technology platform ("MCAT Tools"), the Debtors' customers are able to build novel equipment with smaller engineering teams while also avoiding the cost and time associated with designing a high accuracy motion system. The Debtors' MCAT customers create tools for end-users in markets such as precision printing, wafer dicing (separation of the wafers into individual microchips), and cellular phone camera lens manufacturing. The exact performance of these tools and the number of MCAT systems required depends on the industry of the end-user. MCAT Tools are generally designed with the flexibility to adapt to most processes and integrate with most equipment and systems. This ensures that the MCAT systems can be sold into a broad range of end-user applications.

D. Capital Structure

Electroglas was capitalized with equity and with secured debt.

The stock in Electroglas consists of 26.7 million shares of common stock (together with 4.7 million unexercised employee common stock options and 162,000 shares of unreleased restricted stock). The majority of the Debtors' common stock was, as of the Commencement Date, held by four investors: Sidus Investment Management LLC (as of April 2, 2009, 2,779,140 shares), State of Wisconsin Investment Board (as of April 28, 2009, 2,588,290 shares), and Peninsula Capital Management L.P. (as of May 14, 2009, 2,100,000), collectively referred as the "Investors." There are no preferred shares outstanding, although the Board of Directors has the authority to provide for the issuance of 1,000,000 shares of preferred stock. As of the Petition Date, no dividends had even been declared or paid by the Debtors in 2009, or ever.

As of the Petition Date, the Debtors had two forms of secured debt: (a) a revolving line of credit with Comerica Bank (the "Senior Loan Agreement"); and (b) 6.25% fixed-rate, subordinated, convertible secured notes due 2027 in the principal face amount of $25.75 million, payable semi-annually in June and December (the "Notes"). Comerica Bank ("Comerica"), the Indenture Trustee, the Collateral Agent, Electroglas and Electroglas International, are all parties to the Intercreditor and Subordination Agreement, dated as of March 26, 2007 (as amended, modified or supplemented and in effect from time to time, the "Intercreditor Agreement"), which, among other things, sets forth the relative priority of the security interests of the prepetition lien holders.

On July 16, 2004, Electroglas entered into the Senior Loan Agreement with Comerica Bank. Thereafter, Electroglas International guaranteed Electroglas's obligations under the Senior Loan Agreement and executed a Third Party Security Agreement, dated March 26, 2007 in favor of Comerica. Under the Senior Loan Agreement, Comerica provided Electroglas with a revolving credit line of $7,500,000, including a letter of credit sublimit of $3,500,000. The obligations owed under the Senior Loan Agreement to Comerica are secured by a first priority lien on substantially all of the Debtors' assets. As of the Commencement Date, Electroglas owed Comerica approximately $401,000.00 in then-outstanding letters of credit issued pursuant to the Senior Loan Agreement. On or about January 15, 2010, however, the Debtors satisfied their remaining obligations under the Senior Loan Agreement in full.

In March 2007, Electroglas completed a $25.75 million private placement of 6.25% Convertible Senior Subordinated Secured Notes due 2027 under the indenture dated March 26, 2007, with Bank of New York Mellon Trust Co., NA ("BNYMTC") as indenture trustee, evidencing the Notes (the "Indenture"), which were guaranteed by Electroglas International and collateralized by a second priority lien on substantially all of the Debtors' assets. In connection with the issuance of the Notes, the Debtors entered into a Security Agreement dated March 26, 2007 (the "Security Agreement"), pursuant to which BNYMTC serves as collateral agent for the benefit of the Noteholders. Under the Security Agreement, the Debtors granted BNYMTC a second priority lien on substantially all of their assets, for the benefit of BNYMTC as both collateral agent and trustee, and for the benefit of the Noteholders.

E. Events Leading to the Chapter 11 Filings

During the year ended December 31, 2000, the Debtors employed over 650 full time employees worldwide and had annual revenues of over $225 million. In addition to the Prober Business at that time, the Debtors also owned and operated a separate software subsidiary and had other operations.[3]

In the years that immediately followed, however, the semiconductor industry as a whole experienced a meltdown. This caused severe financial stress throughout the industry, and the companies best equipped to survive the meltdown were those with cutting edge product lines and growing customer bases. The Debtors were not among those companies.

[3] The MCAT Business did not exist in 2000; it was started in late 2008 and early 2009.

Instead, the Debtors relied heavily on their legacy customers and products and as a result, were at a significant competitive disadvantage during and after the meltdown. The precipitous downturn in the semiconductor markets coupled with the competitive disadvantage of the Debtors' products caused the Debtors' customer base to shrink or level off, and revenue to decline exceptionally. For instance, for the year ended December 31, 2001, the Debtors' annual revenue dropped to just under $85 million, over a 60% drop from the year before.

That was only the beginning of the Debtors' financial decline. Except for a small uptick in 2004, the Debtors' revenue continued to drop or remain stagnant through 2009; for the majority of the years after 2001 to the present, annual revenues were well below $50 million, less than 25% of what they were in 2000.

However, the Debtors did not remain idle during this crisis. Over the years, they trimmed costs and disposed of their divisions and other operations that deviated from the core Prober Business. For instance, the Debtors disposed of their software division and their inspection business. The Debtors also modified their manufacturing strategy by moving their facilities from the U.S. to Singapore and then later, outsourcing their manufacturing to a third party altogether. The Debtors also shut down multiple offices worldwide, including offices in Tokyo, Texas, Massachusetts and Arizona.

These cost cutting measures reduced the workforce over the years by about 85%, to approximately 50 full time and contract employees as of the Petition Date; they also helped the Debtors' bottom line to some degree. However, under the circumstances, they were not enough. In July 2008, the Debtors' quarterly revenue was approximately $11 million. At the end of 2008, that number dropped by more than 80% to approximately $2 million per quarter – over a 95% drop from quarterly revenue in 2000. This severe decline between 2008 and 2009 was due to the worldwide freeze in the credit and equity markets and the deep down cycle in the semiconductor equipment markets.

As a result and as the Debtors saw their cash continuing to deplete and revenues decline, on January 29, 2009, the Debtors engaged Needham & Company ("Needham") to act as their exclusive investment bankers. Needham's primary role was to help the Debtors restructure, whether through an asset sale or otherwise. As of April 13, 2009, Needham contacted fifty six (56) potential strategic or financial buyers. In connection with its marketing efforts, Needham distributed materials about the Debtors and their operations to forty seven (47) interested parties. Twelve (12) of them expressed further interest and entered into non-disclosure agreements with the Debtors so that they could perform additional due diligence. During that process, Needham and the Debtors' management presented their cash projections to those twelve (12) parties, but were unable to proceed with a transaction because the Debtors were not expected to achieve cash flow positive operations until the second calendar quarter of 2010.

While the Debtors were working with Needham to find a potential buyer or restructuring partner, they missed their sales goals and as a result, found themselves in yet further financial decline. A number of factors contributed to this, including the continued impact of the credit crisis on the financial services market and the relentless down cycle in the semiconductor equipment markets generally. The Debtors were accustomed to ordinary downturns in revenue because the semiconductor market is cyclical and accordingly, accounted for a reasonable

downturn cycle in setting their sales goals. This time around, however, the down cycle was worse than anticipated. It was unexpected and financially catastrophic for the Debtors, and it became more apparent afterward that they were going to run out of cash in the near term and they had to walk a thin line between remaining an attractive platform for potential buyers (which is expensive), and shutting their doors completely.

In late April 2009, Needham generated several bids for all or substantially all of the Debtors' assets, but because of the current macro market conditions, including the severe liquidity and credit crisis, as well as the micro market conditions affecting the semiconductor business generally, Needham could not find a cash buyer that was willing to pay a high enough sales price to satisfy the Debtors' outstanding obligations to the Noteholders.

Throughout the marketing process, the Debtors used a significant amount of available cash so that they could maintain their employees and operations at a level to best remain attractive to potential strategic and financial partners. During that time, they exhausted all reasonable alternatives and accordingly, decided to enter "survival mode" by terminating all remaining non-essential employees and conserving cash by all commercially reasonable means. The Debtors and the Noteholders then collectively agreed that it would be in the best interests of the Debtors, as well as the creditors and stakeholders of the Debtors, to commence these chapter 11 cases.

F. Events During the Chapter 11 Cases

1. Debtor in Possession Status

Since the Petition Date, the Debtors have continued to operate their pre-sale businesses and to manage their properties as debtors-in-possession, subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. The Debtors are authorized to conduct their affairs in the ordinary course of business. Transactions outside the ordinary course of business must be approved by the Bankruptcy Court. As previously stated, the Debtors sold their assets and businesses in connection with the Asset Sales, and the business affairs of the Debtors currently involve the collection of Receivables, the continuation of winding down their operations and, subject to the Bankruptcy Court approval, carrying out the Plan.

2. First Day Relief

Concurrently with filing their bankruptcy petitions, the Debtors filed several "first day" motions with the Bankruptcy Court to stabilize the Debtors and enable them to continue their operations and wind down their businesses. In connection with the relief requested in the "first day" motions, the Bankruptcy Court granted the Debtors the authority, among other things: (i) to jointly administer the Chapter 11 Cases [Docket No. 31]; (ii) to appoint Omni as claims and noticing agent in the Chapter 11 Cases [Docket No. 32]; (iii) to pay prepetition sales and use taxes [Docket No. 33]; (iv) to maintain the Debtors' prepetition cash management system and bank accounts [Docket No. 35]; (v) to pay prepetition wages, salaries and benefits and otherwise continue employee benefit programs [Docket No. 36]; (vi) to continue all insurance policies [Docket No. 37]; (vii) to establish procedures for monthly and quarterly compensation and reimbursement of expenses of professionals [Docket No. 39]; (viii) on an interim basis, to enter

into a DIP financing agreement and use cash collateral (and grant adequate protection) [Docket No. 40].

Shortly thereafter, the Debtors obtained other administrative relief from the Bankruptcy Court, including orders: (i) establishing executory contract and lease rejection procedures (the "Rejection Procedures") [Docket No. 123]; (iii) granting an extension of time to file their Schedules and Statements of Financial Affairs [Docket No. 124]; (ii) establishing procedures for retention of ordinary course professionals (the "OCP Order") [Docket No. 125]; and (iv) establishing the deadline for creditors to file proofs of claim [Docket No. 350].

3. Appointment of the Official Committee of Unsecured Creditors

On July 23, 2009, the U.S. Trustee appointed the Creditors' Committee. The Creditors' Committee has continued to participate in substantially all aspects of these Chapter 11 Cases since its formation, including negotiations with respect to the Asset Sales and this Plan.

As of the date of this Disclosure Statement, the following entities are members of the Creditors' Committee[4]:

NPI Solutions, Inc.
U-Freight America, Inc.
Execuforce LLC

The Creditors' Committee retained the law firm of Womble, Carlyle, Sandridge & Rice, PLLC as its counsel and Weiser LLP as its financial advisor.

4. DIP Financing and Use of Cash Collateral

On September 16, 2009, the Court entered the Final Order (i) Approving Debtor-In-Possession Financing Pursuant To 11 U.S.C. §§ 105(a), 362, And 364 And Fed. R. Bankr. P. 3002, 4001 And 9014 And Local Bankruptcy Rule 4001-2; (ii) Authorizing Use Of Cash Collateral Pursuant To 11 U.S.C. §§ 105, 361, 362 And 363 Of The Bankruptcy Code; (iii) Granting Adequate Protection And Superpriority Administrative Claims; And (iv) Granting Related Relief [Docket No. 241] (the "DIP Financing Order"), and on October 2, 2009, the Court entered the First Amended DIP Financing Order [Docket No. 281] (the "First Amended DIP Financing Order") pursuant to which the Debtors were authorized to borrow, on a post-petition basis, $2 million (the "DIP Loan") and to grant the DIP lender post-petition liens, super-priority administrative claims, and other loan protections. The DIP Loan has been fully repaid using a portion of the consideration Debtors obtained through the Asset Sales.

5. The Asset Sales

As noted, *supra*, during these Chapter 11 proceedings the Debtors have successfully completed sales of substantially all of their business operations and assets. Following an extensive auction process that spanned more than six weeks, on October 2, 2009, the Court entered the Order Authorizing The Sale Of Purchased Assets To FormFactor, Inc. [Docket No.

[4] Committee membership is subject to change at any time before the Confirmation Date.

288] (the "MCAT Sale Order"), pursuant to which the Court approved a sale (the "MCAT Sale") of the MCAT Assets to a wholly-owned subsidiary of FFI, for the following purchase price designated as follows: (i) $2 million for repayment of the DIP Loan; (ii) $500,000 to fund the Unsecured Creditor Carveout Account; (iii) $426,000 for repayment of indebtedness arising under the Senior Loan Agreement; (iv) $1.5 million for payment of Administrative Expenses; (v) $500,000 to fund the Liquidation Expenses Carveout; and (v) $2,424,000 for distribution to the Debtors' creditors in accordance with the priorities of their respective claims under the Bankruptcy Code, for an aggregate total of $7.35 million. On October 20, 2009, the Court entered the Order Authorizing The Sale Of Prober Assets To EG Systems, LLC [Docket No. 305] (the "Prober Sale Order"), pursuant to which the Court approved a sale (the "Prober Sale") of the Prober Assets to EG Systems, LLC, for a purchase price of $1.3 million. Neither sale included a sale of Debtors' accounts receivable. As the MCAT Sale and the Prober Sale transferred, respectively, substantially all of the Debtors' operating assets, the property remaining in the Debtors' estates is mainly comprised of Cash, accounts receivable, and causes of action.

6. Rejecting Unexpired Leases and Executory Contracts

To minimize costs and strengthen their financial position, the Debtors have been using certain Bankruptcy Court approved rejection procedures to reject, or "cancel," pursuant to section 365 of the Bankruptcy Code, burdensome or unnecessary contracts, including licensing agreements, supplier agreements and agreements for services. The utilization of the Rejection Procedures has enabled the Debtors to expeditiously wind down their Estates, while providing adequate notice and objection opportunities to parties in interest. Specifically, Debtors filed and noticed Omnibus Rejection Notices on October 20, 2009 [Docket No. 304], on November 25, 2009 [Docket No. 352] and on February 12, 2010 [Docket No. 431].

7. Filing of Schedules and Statement of Financial Affairs; Claims Bar Dates

The Debtors filed their Schedules and Statements of Financial Affairs on August 13, 2009 [Docket Nos. 134-137]. On November 24, 2009, the Bankruptcy Court entered the Bar Date Order [Docket No. 350]. Pursuant to the Bar Date Order, the deadline for non-governmental entities to submit Proofs of Claim in the Chapter 11 Cases was January 31, 2010 (the "General Bar Date"). The deadline for governmental units to assert pre-petition Claims against any of the Debtors is March 31, 2010.

8. Extensions of Exclusivity

On November 24, 2009, the Court entered the Order Extending Exclusive Periods For Debtors To File And Solicit Acceptances of A Plan [Docket No. 349], pursuant to which the Court extended the Debtors' exclusive filing period to March 8, 2010 and extended the Debtors' exclusive Plan solicitation period to May 7, 2010. On February 8, 2010, the Debtors filed a Second Motion for additional extensions of the exclusive filing and solicitation periods [Docket No. 427].

9. Winddown of Non-U.S. Operations

Throughout these Chapter 11 Cases, and consistent with the stated purpose of these Chapter 11 Cases to liquidate the Debtors' business, the Debtors have been in the process of effecting an orderly wind down of their foreign operations, including liquidation of the respective assets of the foreign branches and distribution of the proceeds thereof to the creditors of such branches in accordance with the legal requirements of the respective jurisdictions in which Debtors are liquidating. The following is a summary of the status of these winddown efforts as of February 28, 2010

a. Cayman Islands subsidiary – Debtors' Cayman Islands facility is the sole shareholder of the Debtors' China operations, and has no assets other than shares in the China subsidiary. Prior to the Commencement Date, Debtors retained Cayman counsel to formally dissolve the branch under Cayman law, and costs of doing so were paid in advance through a pre-petition retainer. Dissolution of the Cayman branch will be effective once the wind down issues related to the China subsidiary(discussed below) have been resolved.

b. China subsidiary – Debtors' Chinese facility has ceased operations and all employees of that facility have been terminated. Presently, Debtors are consulting professionals with expertise in Chinese liquidation, wind down and insolvency law to determine the most efficient and least expensive way to dissolve the Chinese facility.

c. French Branch – Debtors' facility in France has been shut down, employees have been terminated and operations have ceased. Debtors are currently in discussions with their French counsel, but expect to undertake formal insolvency proceedings in France. French counsel has been retained in the Chapter 11 cases. Debtors expect that the assets of the French facility will be less than its liabilities, and therefore do not expect that the proceeds of liquidation of the French branch will be available to fund distributions under the Plan.

d. German subsidiary – Debtors' German facility entered into formal insolvency proceedings on September 9, 2009 and an insolvency administrator has been appointed and is currently overseeing liquidation of the German's assets.

e. Singapore subsidiary – As with the Debtors' other non-U.S. branches, operations at the Singapore branch have ceased and employees have been terminated. Debtors plan to liquidate the facility's assets, distribute the proceeds to creditors, and dissolve the branch, a process which Debtors expect to take several months or more.

f. Taiwan Branch – In Taiwan, Debtors have ceased operations and terminated employees. Debtors are presently in the process of formally dissolving this entity, and believe that liquidation of the branch's assets may generate approximately $280,000 to help fund costs of administration and to fund distributions under the Plan. The liquidation process is expected to take several months or more.

SECTION IV -- THE PLAN

The following is a summary of principal provisions of the Plan. It is qualified in its entirety by reference to the Plan, which is attached as Exhibit A to this Disclosure Statement. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and

reference is made to the Plan and to those documents for the full and complete statements of their terms and provisions. In the event of any discrepancy between this Disclosure Statement, including the following summary description, and any provision of the Plan, the Plan will control.

A. Classification of Claims and Interests

1. Summary

As required by the Bankruptcy Code, the Plan places Claims and Interests into Classes according to their priority and other considerations. Article 2 of the Plan addresses non-classified claims that are to be paid in full. Article 3 of the Plan identifies the Classes of Claims and Interests and whether those Claims and Interests are Impaired. Article 4 of the Plan explains how each classification and the treatment of Claims and Interests in the respective Classes. The categories of Claims and Interests listed below classify Claims (except for Administrative Claims and Priority Tax Claims) and Interests for all purposes, including voting, confirmation and distribution pursuant to the Plan. Notwithstanding anything to the contrary in the Plan, Disclosure Statement, any Order confirming this Plan, or in any other filings or documents related to the solicitation, confirmation, consummation or administration of the Plan, any and all rights of Debtors, the Debtors' Estates and the Plan Administrator to setoff and recoupment are expressly preserved, including without limitation that Debtors and the Plan Administrator, as the case may be, shall be entitled to setoff or recoup amounts owed to Debtors or Debtors' Estates by the holder of an Allowed Claim as against any distribution to be made to such holder of such Allowed Claim hereunder, without further notice or authorization.

2. Classification

The Claims against the Debtors shall be classified as specified below (other than Administrative Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims, which shall be treated in accordance with Article 2 of the Plan). Consistent with section 1122 of the Bankruptcy Code, the Plan places a Claim or Equity Interest in a particular Class only to the extent the Claim or Interest is within the description of the Class, and the Plan places a Claim or Interest in a different Class to the extent it is within the description of that different Class.

Classification and Treatment of Claims and Interests

CLASS	DESCRIPTION	TREATMENT OF ALLOWED CLAIMS WITHIN CLASS	ESTIMATED % RECOVERY
n/a	Administrative Expense Claims	Paid in full in Cash equal to the respective Allowed amounts of the Administrative Expense Claims, without payment of interest.	100%
n/a	Professional Compensation and Reimbursement Claims	Paid in full in Cash equal to the respective Allowed amounts of the Professional Compensation and Reimbursement Claims,	100%

		without payment of interest.	
n/a	Priority Tax Claims	Paid in full in Cash equal to the respective Allowed amounts of the Priority Tax Claims, without payment of interest; provided, however, that if Debtors elect, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, to make annual payments of Cash to Holders of Allowed Priority Tax Claims over a period of time after the Effective Date, Allowed Priority Tax Claims will receive interest at the applicable rate under non-bankruptcy law.	100%
1	Other Priority Claims	Paid in full in Cash equal to the respective Allowed amounts of the Other Priority Claims, without payment of interest.	100%
2	Secured Noteholder Claims	Pro-rata portion of aggregate Secured Noteholder Distribution, presently estimated to be in the amount of $3,724,000.00.	14%
3	Deficiency Claims	Pro-rata portion of the Available Cash For Deficiency Claims	*De minimis*
4A	EG General Unsecured Claims	Pro-Rata Share of that portion of the Unsecured Creditor Carveout Account attributable to EG General Unsecured Claims (estimated to be approximately 97% of the entire Unsecured Creditor Carveout Account), less costs and expenses, plus Pro-Rata Share of the EG Available Cash	1 – 2 %
4B	EII General Unsecured Claims	Pro-Rata Share of that portion of the Unsecured Creditor Carveout Account attributable to EII General Unsecured Claims (estimated to be approximately 3% of the entire Unsecured Creditor Carveout Account), less costs and expenses, plus Pro-Rata Share of the EII Available Cash	1 – 2 %
5	Convenience Claims	Paid in Cash equal to 50% of the Allowed Amount of the respective Convenience Claim, without payment of interest.	50%
6	EG Equity Interests	No distribution.	0%
7	EII Equity Interests	No distribution.	0%

B. Treatment of Administrative Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims

As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims shall not be classified for the purposes of voting or receiving distributions under the Plan. Rather, these Claims shall be treated separately as unclassified Claims by the terms set forth in the Plan.

1. Administrative Expense Claims

Each holder of an Administrative Expense Claim (other than a Professional Compensation and Reimbursement Claim) must file an Administrative Claim Request with the Bankruptcy Court by no later than the Administrative Expense Claims bar date (as to be established in the Confirmation Order pursuant to section 13.1 of the Plan); provided, however, that any Administrative Claim Request need not be filed with a hearing date. Except to the extent that any Entity entitled to payment of an Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors in Possession shall be paid in full by the Debtors in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions. Any holder of an Administrative Claim that fails to comply in a timely manner with the Administrative Expense Claim bar date shall be forever barred from asserting the Claim against the Debtors or any property of the Debtors and from sharing in any distribution under the Plan. Notwithstanding anything in the Plan to the contrary, the Debtors (if before or on the Effective Date) and the Plan Administrator (if after the Effective Date) may pay, without approval from the Bankruptcy Court, any expenses of administering the Estates incurred in the ordinary course of business including, without limitation, the costs of wind down of the Debtors' foreign operations. Without limiting the foregoing, all U.S. Trustee Fees that have not been paid as of the Effective Date shall be paid by the Plan Administrator no later than thirty (30) days after the Effective Date or when due in the ordinary course.

2. Professional Compensation and Reimbursement Claims

Any final application for allowance of a Professional Compensation and Reimbursement Claim for services rendered and costs incurred through the Effective Date must be filed with the Bankruptcy Court and served on counsel for the Debtors and the Plan Administrator at the addresses listed in Article [ ] of the Plan and on the U.S. Trustee so that it is received no later than twenty (20) days after the Effective Date (or such other date as fixed by the Bankruptcy Court), or the Professional Compensation and Reimbursement Claim shall be forever barred and shall not be enforceable against the Debtors, their Estates, the Plan Administrator, nor their successors, affiliates or assigns. The Plan Administrator shall pay all Allowed Professional Compensation and Reimbursement Claims in full in Cash in accordance with the terms of the Plan. The Plan Administrator shall pay Professionals who are entitled to reimbursement or

allowance of fees and expenses from the Estates pursuant to sections 503(b)(2) - (b)(6) of the Bankruptcy Code, in Cash, in the amount awarded to the Professionals by Final Order of the Bankruptcy Court, within ten (10) days of the date that any order awarding fees and expenses becomes a Final Order, in accordance with the terms of any order entered by the Bankruptcy Court governing the payment of fees and expenses during the course of the Chapter 11 Cases.

3. Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, at the option of the Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, (b) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, equal annual Cash payments commencing on the first anniversary of the Effective Date in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest on any outstanding balance from the Effective Date at the applicable rate under non-bankruptcy law, over a period not exceeding five years after the Commencement Date or (c) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim with deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim; provided, however, that the Debtors shall have the right to pay any Allowed Priority Tax Claim, or any remaining balance, in full, at any time on or after the Effective Date, without premium or penalty. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.

Under the Plan, no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any interest accrued on such Claims from and after the Commencement Date or other Postpetition Interest or penalty with respect to or in connection with an Allowed Priority Tax Claim.

C. Treatment of Classified Claims and Interests

1. Other Priority Claims (Class 1)

Class 1 is not Impaired and consists of all Claims, other than Administrative Expense Claims and Priority Tax Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, but only to the extent entitled to such priority. Except to the extent that a holder of an Allowed Other Priority Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Other Priority Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Other Priority Claim Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

2. Secured Noteholder Claims (Class 2)

Class 2 is impaired by the Plan. Except to the extent that a holder of an Allowed Secured Noteholder Claim has been paid prior to the Effective Date, on the Effective Date or as soon thereafter as is practicable, and subject to section 10.5 of the Plan, the Plan Administrator shall make one or more payment(s): (i) to FFI in the amount of the FFI Secured Noteholder Distribution; and (ii) to the Indenture Trustee in the amount of the Remaining Secured Noteholder Distribution, in full and complete settlement and satisfaction of the Allowed Secured Noteholder Claims. The total Secured Noteholder Distribution is estimated to be in the amount of $3,724,000.00, provided, however, that the Secured Noteholder Distribution shall in no event be comprised of any proceeds from any Avoidance Action nor shall consist of any share of the Unsecured Creditor Carveout Account. For the avoidance of doubt, in no event shall any Secured Noteholder Claim be comprised, in whole or in part, of any Deficiency Claim. The Indenture Trustee shall bear sole responsibility for allocating the Remaining Secured Noteholder Distribution appropriately among the Remaining Noteholders and making payments to the individual Remaining Noteholders. Neither Debtors, their estates, nor the Plan Administrator shall be responsible for making distributions to the individual Remaining Noteholders and neither the Plan Administrator, the Debtors nor the Debtors' estates shall have any liability for any errors or omissions of the Indenture Trustee in allocating the Remaining Secured Noteholder Distribution among the Remaining Noteholders. In no event shall the Secured Noteholder Distribution exceed $25,750,000. Except to the extent that a holder of a Secured Noteholder Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Secured Noteholder Claim shall retain the Liens (or replacement Liens), if any, securing its Allowed Secured Noteholder Claim as of the Effective Date until any distribution(s) shall have been made to such holder hereunder, at which time such Liens shall be deemed null and void and shall be unenforceable for all purposes. As to any holder of an Allowed Secured Noteholder Claim that has been paid prior to the Effective Date, such Liens shall be deemed null and void and shall be unenforceable for all purposes.

3. Deficiency Claims (Class 3)

Class 3 is impaired by the Plan and consists of all Deficiency Claims allowed against the Debtors' estates. Each holder of an Allowed Deficiency Claim that votes to accept the Plan or does not vote with respect to the Plan shall receive a Distribution as set forth herein. **Notwithstanding anything to the contrary in the Plan, Disclosure Statement or any related documents, each holder of an allowed Deficiency Claim that votes against the Plan shall receive no Distribution of any kind or nature on account of its Allowed Deficiency Claim.** Except to the extent that a holder of an Allowed Deficiency Claim has been paid prior to the Effective Date or agrees to a different treatment, the Plan Administrator shall make one or more payment(s) to the Indenture Trustee, in full and complete satisfaction of the Allowed Deficiency Claims, of the Available Cash For Deficiency Claims. For the avoidance of doubt, no Deficiency Claim shall be entitled to participate in the distributions made from the Unsecured Creditor Carveout for satisfaction of any portion of such Deficiency Claim. The Indenture Trustee shall bear sole responsibility for allocating the Available Cash For Deficiency Claims appropriately and making payments to the individual Noteholders. Neither Debtors, their estates, nor the Plan Administrator shall be responsible for allocating the Available Cash For Deficiency Claims to the individual Noteholders and neither the Plan Administrator, the Debtors nor the

Debtors' estates shall have any liability for any errors or omissions of the Indenture Trustee in allocating the Available Cash For Deficiency Claims among the Noteholders.

4. EG General Unsecured Claims (Class 4A)

Class 4A is Impaired and consists of all General Unsecured Claims allowed against the Estate of Electroglas, Inc. Each holder of an Allowed EG General Unsecured Claim that votes to accept the Plan or does not vote with respect to the Plan shall receive a Distribution as set forth herein. **Notwithstanding anything to the contrary in the Plan, Disclosure Statement, or any related documents, each holder of an Allowed EG General Unsecured Claim that votes against the Plan shall receive no Distribution of any kind or nature on account of its Allowed EG General Unsecured Claim.** Except to the extent that a holder of an Allowed EG General Unsecured Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed EG General Unsecured Claim shall receive, in full and complete settlement and satisfaction of its Allowed EG General Unsecured Claim, on the later of the First Distribution Date and the date such EG General Unsecured Claim becomes an Allowed EG General Unsecured Claim, or as soon thereafter as is practicable, payment from two sources.

First, holders of Allowed EG General Unsecured Claims that vote in favor of the Plan or that do not vote on the Plan are entitled to a share of the Unsecured Creditor Carveout Account. Specifically, these claimants will receive a Pro Rata Share of that portion of the $500,000.00 in the Unsecured Creditor Carveout Account, that is attributable to the Allowed EG General Unsecured Claims, after deducting the costs and expenses of liquidating the General Unsecured Claims. Debtors estimate that the portion of the Unsecured Creditor Carveout Account attributable to Allowed EG General Unsecured Claims equals 97% of the entire Unsecured Creditor Carveout Account remaining after payment of costs and expenses. This percentage is calculated by dividing the total amount of all scheduled and filed EG General Unsecured Claims that Debtors anticipate will ultimately be Allowed by the total amount of all General Unsecured Claims that Debtors anticipate will ultimately be Allowed. Payments from the Unsecured Creditor Carveout Account are not dealt with in the Plan because the funds in such account do not constitute property of the Debtors' estates. Rather, this account is funded with the $500,000.00 that was paid by FFI directly to WCSR in connection with the sale of the Debtors' MCAT Assets. The Unsecured Creditor Carveout Account will be administered by WCSR and / or the Unsecured Creditor Carveout Trustee. The Unsecured Creditor Carveout Account is described herein to create a more accurate picture of what Allowed EG General Unsecured Claims can expect to receive under the Plan.

Secondly, holders of Allowed EG General Unsecured Claims that vote in favor of the Plan or that do not vote on the Plan are entitled to a Pro Rata Share of the EG Available Cash (which Debtors estimate equals 97% of the total Available Cash For General Unsecured Claims).

5. EII General Unsecured Claims (Class 4B)

Class 4B is Impaired and consists of all General Unsecured Claims allowed against the Estate of Electroglas International, Inc. Each holder of an Allowed EII General Unsecured Claim that votes to accept the Plan or does not vote with respect to the Plan shall receive a Distribution as set forth herein. **Notwithstanding anything to the contrary in the Plan,**

Disclosure Statement, or any related documents, each holder of an Allowed EII General Unsecured Claim that votes against the Plan shall receive no Distribution of any kind or nature on account of its Allowed EII General Unsecured Claim. Except to the extent that a holder of an Allowed EII General Unsecured Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed EII General Unsecured Claim shall receive, in full and complete settlement and satisfaction of its Allowed EII General Unsecured Claim, on the later of the First Distribution Date and the date such EII General Unsecured Claim becomes an Allowed EII General Unsecured Claim, or as soon thereafter as is practicable, payment from two sources.

First and foremost, holders of Allowed EII General Unsecured Claims that vote in favor of the Plan or that do not vote on the Plan are entitled to a share of the Unsecured Creditor Carveout Account. Specifically, these claimants will receive a Pro Rata Share of that portion of the $500,000.00 in the Unsecured Creditor Carveout Account, that is attributable to the Allowed EII General Unsecured Claims, after deducting (x) the costs and expenses of liquidating the General Unsecured Claims. Debtors estimate that the portion of the Unsecured Creditor Carveout Account attributable to Allowed EII General Unsecured Claims equals 3% of the entire Unsecured Creditor Carveout Account remaining after payment of costs and expenses. This percentage is calculated by dividing the total amount of all scheduled and filed EII General Unsecured Claims that Debtors anticipate will ultimately be Allowed by the total amount of all General Unsecured Claims that Debtors anticipate will ultimately be Allowed. Payments from the Unsecured Creditor Carveout Account are not dealt with in the Plan because the funds in such account do not constitute property of the Debtors' estates. Rather, this account is funded with the $500,000.00 that was paid by FFI directly to WCSR in connection with the sale of the Debtors' MCAT Assets. The Unsecured Creditor Carveout Account will be administered by WCSR and / or the Unsecured Creditor Carveout Trustee. The Unsecured Creditor Carveout Account is described herein to create a more accurate picture of what Allowed EII General Unsecured Claims can expect to receive under the Plan.

Secondly, holders of Allowed EII General Unsecured Claims that vote in favor of the Plan or that do not vote on the Plan are entitled to a Pro Rata Share of the EII Available Cash (which Debtors estimate equals 3% of the total Available Cash For General Unsecured Claims).

6. Convenience Claims (Class 5)

Class 5 is Impaired and consists of all General Unsecured Claims equal to or less than $2,500.00 Each holder of an Allowed Convenience Claim shall receive, in full and complete settlement and satisfaction of such Allowed Convenience Claim, on the later of the First Distribution Date and the date such Convenience Claim becomes an Allowed Convenience Claim, Cash in an amount equal to 50% of such Allowed Convenience Claim, without interest. The Debtors estimate that 60% of the General Unsecured Claims fall within Class 5 and that the cost of distributions to holders of Allowed Convenience Claims will total approximately $53,000.00.

7. EG Equity Interests (Class 6)

Class 6 is Impaired and consists of all Equity Interests in Electroglas, Inc. The holders of Allowed EG Equity Interests shall not receive any distributions on account of such Equity Interests, except to the extent that EG Available Cash remains after full and complete satisfaction (including payment of post-petition interest) of all Allowed Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Priority Tax Claims, Other Priority Claims, Secured Noteholder Claims, Convenience Claims, Deficiency Claims and EG General Unsecured Claims. Notwithstanding the foregoing, because the value of the EG Available Cash is believed to be less than the total value of EG's debts and liabilities, it is not anticipated that the holders of Allowed EG Equity Interests will receive any distributions on account of such Equity Interests.

8. EII Equity Interests (Class 7)

Class 7 is Impaired and consists of all Equity Interests in Electroglas International, Inc. The holders of Allowed EII Equity Interests shall not receive any distributions on account of such Equity Interests, except to the extent that EII Available Cash remains after full and complete satisfaction (including payment of post-petition interest) of all Allowed Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Priority Tax Claims, Other Priority Claims, Convenience Claims, Secured Noteholder Claims, Deficiency claims and EII General Unsecured Claims. Notwithstanding the foregoing, because the value of the EII Available Cash is believed to be less than the total value of EII's debts and liabilities, it is not anticipated that the holders of Allowed EII Equity Interests will receive any distributions on account of such Equity Interests.

D. Acceptance or Rejection of The Plan

1. Classes of Impaired Claims Entitled to Vote

The following Classes are Impaired and shall be entitled to vote to accept or reject the Plan:

Class	Description
Class 2	Secured Noteholder Claims
Class 3	Deficiency Claims
Class 4A	EG General Unsecured Claims
Class 4B	EII General Unsecured Claims
Class 5	Convenience Claims

2. Classes Deemed to Accept the Plan

The following Classes are not Impaired and shall be deemed to accept the Plan:

Class	Description
Class 1	Other Priority Claims

Pursuant to sections 1126(f) of the Bankruptcy Code, Class 1 is conclusively presumed to accept the Plan, and the Debtors will not solicit votes of Holders of Claims in Class 1. If and to the extent any Class identified as not being Impaired is actually Impaired (whether as a result of the terms of the Plan or any modification or amendment thereto) that Class shall be entitled to vote to accept or reject the Plan.

3. Classes Deemed to Reject the Plan

Holders of Claims and Interests in the following Classes are not entitled to receive or retain any property under the Plan on account of such Claims and Interests:

Class	Description
Class 6	EG Equity Interests
Class 7	EII Equity Interests

Pursuant to section 1126(g) of the Bankruptcy Code, Classes 6 and 7 are Impaired and are conclusively presumed to reject the Plan, and the Debtors will not solicit votes of Holders of Claims and Interests in these Classes.

4. Nonconsensual Confirmation

As set forth in Section 5.3 of the Plan, if one or more Classes of Impaired Claims does not accept the Plan, the Debtors intend to ask the Bankruptcy Court to confirm the Plan as a cramdown plan pursuant to section 1129(b) of the Bankruptcy Code with respect to each such Class.

5. Removal of Debtors

If the Bankruptcy Court will not confirm the Plan with respect to one or more Debtors, the Debtors may elect to remove those Debtor(s) from the Plan. If that happens, the Classes pertaining to such Debtor(s) will be removed from the Plan, and the Plan will omit any treatment of the Assets and Liabilities of such Debtor(s). The removal of any Debtor from the Plan will not affect the Plan with respect to any other Debtor.

E. Means of Implementing the Plan

1. Debtors' Continued Existence

From and after the Effective Date, the Debtors shall continue in existence for the purpose of (through the Plan Administrator) (i) winding up their affairs, (ii) liquidating, by conversion to Cash or other methods, any remaining assets of their bankruptcy estates, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtors and their bankruptcy estates, including, without limitation, Causes of Action, (iv) resolving Disputed Claims, (v) administering the Plan and taking such actions as are necessary to effectuate the Plan, and (vi) filing appropriate tax returns.

Upon the distribution of all remaining assets of the Debtors and Debtors in Possession pursuant to the Plan and the filing by or on behalf of the Debtors of a certification to that effect with the Bankruptcy Court, the Debtors and their affiliates shall thereupon be dissolved without further action or filings, including without filing any certificates of dissolution or similar documents with state agencies.

2. Funding of the Plan

The Plan shall be funded by (i) Available Cash on the Effective Date and (ii) funds available after the Effective Date from, among other things, the liquidation of the Debtors' remaining assets, the prosecution and resolution of Causes of Action, and any release of Cash from the Disputed General Unsecured Claims Reserve and/or the Plan Administrator Reserve after the Effective Date.

The Liquidation Analysis attached hereto as **Exhibit B** sets forth a summary of the sources of estimated proceeds and an estimate of proceeds that may be available for distribution on account of Allowed Claims. THE AMOUNTS CONTAINED IN THE LIQUIDATION ANALYSIS REPRESENT ESTIMATES BY THE DEBTORS, BASED ON CURRENT INFORMATION ONLY AT THE TIME THIS DISCLOSURE STATEMENT WAS PREPARED. The value of assets available to carry out the Plan and for distribution to holders of Allowed Claims is subject to significant estimation assumptions. The cash on hand as of the Effective Date depends on factors that may include, but are not limited to, the actual costs of administering the Debtors' estates during the period up to the Effective Date. THE DEBTORS MAKE NO REPRESENTATION AS TO THE AMOUNT OF CASH THAT WILL ULTIMATELY BE AVAILABLE FOR DISTRIBUTION TO CREDITORS.

3. The Plan Administrator

The Plan Administrator shall be Howard Bailey of Bailey, Elizondo & Brinkman, LLC, 2500 Camino Diablo, Suite 110, Walnut Creek, CA 94597. On the Effective Date, the Plan Administrator shall assume control over, and responsibility for, the wind down of the Debtors and consummation of the Plan. The Plan Administrator shall act for the post-Effective Date Debtors in the same fiduciary capacity as applicable to a board of directors and officers, subject to the provisions hereof (and all bylaws, articles of incorporation and related corporate documents are deemed amended by this Plan to permit and authorize the same). Those officers and directors who served in such capacity immediately prior to the Effective Date shall be

replaced by the Plan Administrator on the Effective Date. From and after the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Debtors. All distributions to be made under the Plan shall be made by the Plan Administrator, except that the Committee, through WCSR or the Unsecured Creditor Carveout trustee, shall administer the Unsecured Creditor Carveout Account and distributions to Holders of Allowed General Unsecured Claims therefrom. The duties and powers of the Plan Administrator shall include, but not be limited to, the following:

- To exercise all power and authority that may be necessary to implement the Plan, commence and prosecute all proceedings that may be commenced and take all actions that may be taken by any officer, director or shareholder of the Debtors with like effect as if authorized, exercised and taken by unanimous action of such officers, directors and shareholders, including consummating the Plan;

- To maintain all bank accounts, make distributions and take other actions consistent with the Plan, including the maintenance of appropriate reserves, in the name of the Debtors;

- To take all steps reasonably necessary and practicable to terminate the corporate existence of the Debtors;

- To make decisions regarding the retention or engagement of professionals or other Persons by the post-Effective Date Debtors, and to pay, without court approval, all reasonable fees and expenses of the Debtors and their estates accruing from and after the Effective Date;

- To prosecute and/or settle Causes of Action where a net recovery is probable;

- To file, prosecute and/or settle objections to proofs of claim in the Chapter 11 Cases;

- To administer and direct the wind down of the Debtors' foreign operations;

- To take all other actions not inconsistent with the provisions of the Plan which the Plan Administrator deems reasonably necessary or desirable in connection with the administration and consummation of the Plan; and

- To exercise such other powers as may be vested in the Plan Administrator by order of the Bankruptcy Court.

F. Plan Administrator Reserve

The Plan Administrator shall be entitled, but shall not be obligated, to establish adequate reserves of Cash, and withhold such Cash from distributions, in the exercise of the Plan Administrator's sole discretion, to account for contingent expenses and other costs attendant to administering the post-confirmation Debtors' Estates that may not be covered by the Liquidation Expenses Carveout. The Plan Administrator shall determine in the exercise of his reasonable discretion which expenses and in what amounts shall be satisfied from the Plan Administrator

Reserve. Once the Plan Administrator determines, in his reasonable discretion, that such costs of administration have been satisfied, the Plan Administrator shall distribute any Cash remaining in the Plan Administrator Reserve that the Plan Administrator determines in his sole discretion are not necessary to pay future costs of administration to holders of Allowed Claims in accordance with the respective priorities set forth in this Plan.

G. Effect of Confirmation of Plan

1. Term of Bankruptcy Injunction or Stays

Unless otherwise provided in the Plan, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the dissolution of the Debtors.

2. Preservation of Causes of Action

From and after the Effective Date, any and all claims and Causes of Action accruing to the Debtors and Debtors in Possession shall be preserved and retained by the Debtors, who shall have the exclusive right (including through the Plan Administrator) to enforce any such Causes of Action. The Debtors may pursue, abandon, settle or release any or all such Causes of Action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court.

3. Injunction

Except as otherwise expressly provided in the Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all Entities who have held, hold or may hold Claims against the Debtors and/or their estates, are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors on account of any such Claim, (c) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Debtors or against the property of the Debtors, (d) asserting any right of setoff or subrogation of any kind against any obligation due from the Debtors or against the property or interests in property of the Debtors, and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are extinguished, dismissed or released pursuant to the Plan. Such injunction shall extend to successors of the Debtors and their property and interests in property.

4. Limited Exculpation

Neither the Debtors, the Committee, nor any of their respective members, officers, directors, employees, advisors, professionals or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the negotiations regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for a breach of fiduciary duty, willful misconduct or gross negligence, and, in all respects, the Debtors, the Committee, and each of

their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. For the avoidance of doubt, nothing herein shall limit or affect any liability that the foregoing Persons may have with respect to acts or omissions arising or occurring prior to the Commencement Date.

5. Preservation of Rights Inculding Setoff Rights

Notwithstanding anything to the contrary in the Plan, Disclosure Statement, any Order confirming this Plan, or in any other filings or documents related to the solicitation, confirmation, consummation or administration of the Plan, any and all rights of Debtors, the Debtors' Estates and the Plan Administrator, including without limitation rights to setoff and recoupment, are expressly preserved, including without limitation that Debtors and the Plan Administrator, as the case may be, shall be entitled to setoff or recoup amounts owed to Debtors or Debtors' Estates by the Holder of an Allowed Claim as against any distribution to be made to such Holder of such Allowed Claim hereunder, without further notice or authorization.

6. General Releases In Favor Of Debtors, Bankruptcy Estates, And Committee

Subject to the preservation of setoff and recoupment rights as set forth in section 10.5 of the Plan, upon the Effective Date, any and all claims and causes of action against (i) the Debtors and their successors, assigns, agents, employees, officers, directors, partners, affiliates, subsidiaries, parents, holding companies, and attorneys and other professionals; (ii) the Noteholders and Indenture Trustee and their successors, assigns, agents, employees, officers, directors, partners, affiliates, subsidiaries, parents, holding companies, and attorneys and other professionals and (iii) the bankruptcy estates shall be deemed to have been released, with the exception of claims for breach of fiduciary duty, willful misconduct or gross negligence. Notwithstanding the foregoing, nothing herein shall operate to release obligations under the Plan and the contracts, instruments, and / or any other agreements or documents assumed, passed through or delivered in connection with such Plan. The releases contemplated herein shall not operate as a waiver or release of any causes of action arising out of willful misconduct, gross negligence, intentional fraud or criminal conduct. This provision and the releases provided herein shall not apply to former EG board member Peter Schleider.

7. Post-Confirmation Jurisdiction of the Bankruptcy Court

After confirmation of the Plan, the Bankruptcy Court retains jurisdiction to oversee various aspects of the administration of the Debtors' estates and the Plan Administrator, as enumerated in the Plan.

SECTION V -- CONFIRMATION OF THE PLAN.

A. Introduction

The Bankruptcy Code requires the Bankruptcy Court to determine whether a Chapter 11 plan complies with the technical requirements of chapter 11 of the Bankruptcy Code. It requires further that a plan proponent's disclosures concerning such plan have been adequate and have included information concerning all payments made or promised by the debtor in connection with the plan.

To confirm the Plan, the Bankruptcy Court must find that all of these, and certain other requirements, have been met. Thus, even if the requisite vote is achieved for each Class of impaired Claims, the Bankruptcy Court must make independent findings respecting the Plan's conformity with the requirements of the Bankruptcy Code before it may confirm the Plan. Some of these statutory requirements are discussed below.

B. Conditions to Confirmation and Effective Date

The Plan may not be confirmed unless the Disclosure Statement has been approved by the Bankruptcy Court and all other requirements for confirmation under the Bankruptcy Code have been met.

The Effective Date may not occur, and thus the Plan will not become effective, unless: (a) the Bankruptcy Court shall have entered the Confirmation Order, which shall be in form and substance reasonably satisfactory to the Debtors; (b) no stay of the Confirmation Order shall then be in effect; and (c) there shall exist sufficient Available Cash to satisfy Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Priority Tax Claims and Other Priority Claims which are Allowed.

C. Voting Procedures and Standards

Holders of Claims that are "impaired" under the Plan but not deemed to reject the Plan by virtue of receiving no distributions thereunder will receive a Ballot with this Disclosure Statement for the acceptance or rejection of the Plan. Only holders of Class (Secured Noteholder Claims), Class 3 (Deficiency Claims), Class 4A (EG General Unsecured Claims), Class 4B (EII General Unsecured Claims) and Class 5 (Convenience Claims) are entitled to vote. Holders of Claims or Equity Interests whose legal, contractual or equitable rights are altered, modified or changed by the proposed treatment under the Plan or whose treatment under the Plan is not provided for in section 1124 of the Bankruptcy Code are considered "impaired."

Instructions on how to complete a Ballot and the deadline for voting on the Plan are contained in the solicitation materials accompanying this Disclosure Statement and the Plan.

IF A BALLOT IS DAMAGED OR LOST OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, PLEASE CONTACT:

Electroglas, Inc.
c/o Omni Management Group, LLC
16161 Ventura Blvd., Ste C
PMB 466
Encino, CA 91436
Attn: Brian Osborne
Telephone: (818) 906-8300
E-mail: bosborne@omnimgt.com

A VOTE MAY BE DISREGARDED IF THE BANKRUPTCY COURT DETERMINES, AFTER NOTICE AND A HEARING, THAT SUCH ACCEPTANCE OR REJECTION WAS

NOT MADE OR SOLICITED OR PROCURED IN GOOD FAITH OR IN ACCORDANCE WITH THE PROVISIONS OF THE BANKRUPTCY CODE.

Any impaired Class of Claims that fails to achieve the requisite "accepted" vote will be deemed to have rejected the Plan.

D. Acceptance

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of claims of that class that actually vote. Acceptance of the Plan need only be solicited from holders of Claims whose Claims are "impaired" and not deemed to have rejected the Plan. Except in the context of a "cram down" (i.e., confirmation of a plan that has not been accepted by all impaired classes), as a condition to confirmation of the Plan, the Bankruptcy Code requires that, with certain exceptions, each Class of impaired Claims accepts the Plan.

The Plan is predicated on Class 2 (Secured Noteholder Claims), Class 3 (Deficiency Claims), Class 4A (EG General Unsecured Claims), Class 4B (EII General Unsecured Claims) and Class 5 (Convenience Claims) voting to accept the Plan. In the event the requisite votes are not obtained, the Debtors have the right, assuming that at least one class of impaired Claims has accepted the Plan, to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan notwithstanding rejection by one or more classes of impaired claims or impaired interests if the court finds that the plan does not discriminate unfairly and is "fair and equitable" with respect to the rejecting class or classes. This procedure is commonly referred to in bankruptcy parlance as "cramdown."

If either Class 2 (Secured Noteholder Claims), Class 3 (Deficiency Claims), Class 4A (EG General Unsecured Claims), Class 4B (EII General Unsecured Claims) or Class 5 (Convenience Claims) votes to reject the Plan, the Debtors may seek a cramdown of such Classes at the Confirmation Hearing. The Debtors will, in any event, seek a cram down of the Plan on Classes deemed to reject the Plan by virtue of receiving no distributions thereunder.

E. Confirmation and Consummation

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied with respect to the Plan. Section 1129(a) of the Bankruptcy Code requires that, among other things, for a plan to be confirmed:

- The plan complies with the applicable provisions of the Bankruptcy Code.
- The proponents of the plan have complied with the applicable provisions of the Bankruptcy Code.
- The plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made by the proponents under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection

with the plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.

- The proponents have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office of such individual, must be consistent with the interests of creditors and equity security holders and with public policy and the proponents must have disclosed the identity of any insider that the reorganized debtors will employ or retain, and the nature of any compensation for such insider.

- With respect to each class of impaired claims or interests, either each holder of a claim or interest of such class has accepted the plan, or will receive or retain under the plan on account of such claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.

- Each class of claims or interests has either accepted the plan or is not impaired under the plan.

- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims (other than tax claims) will be paid in full on the effective date and that priority tax claims will receive on account of such claims, either payment in full on the effective date, or deferred cash payments, over a period not exceeding five (5) years after the date of assessment of such claim, of a value, as of the effective date, equal to the allowed amount of such claim.

- If a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class.

- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan (unless, as here, such liquidation is proposed in the plan).

Subject to receiving the requisite votes in accordance with § 1129(a)(8) of the Bankruptcy Code and the "cram down" of Classes not receiving any distribution under the Plan, the Debtors believe that (i) the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, (ii) the Debtors have complied, or will have complied, with all of the requirements of Chapter 11, and (iii) the Plan has been proposed in good faith.

Set forth below is a more detailed summary of the relevant statutory confirmation requirements.

1. Best Interests of Holders of Claims and Equity Interests

The "best interests of creditors" test requires that the court find either that all members of each impaired class have accepted the plan or that each holder of an allowed claim or interest of each impaired class of claims or interests will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date. The Liquidation Analysis annexed as **Exhibit B** hereto demonstrates that the Debtors have satisfied the "best interests of creditors" test.

To calculate what holders of Claims would receive if the Debtors were hypothetically liquidated under Chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the dollar amount that would be realized from the liquidation (the "Chapter 7 Liquidation Fund") of the Debtors. The Chapter 7 Liquidation Fund would consist of the net proceeds from the disposition of the Debtors' remaining assets (after satisfaction of all valid liens) augmented by the Available Cash held by the Debtors and recoveries on Causes of Actions against third parties, if any. The Chapter 7 Liquidation Fund would then be reduced by the costs of the liquidation. The costs of liquidation under Chapter 7 would include the fees and expenses of a trustee, as well as those of counsel and other professionals that might be retained by the trustee, selling expenses, any unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as fees for attorneys and financial advisors) which would be allowed in the Chapter 7 proceedings, interest expense on secured debt, and claims incurred by the Debtors during the pendency of the Chapter 11 Cases. These claims would be paid in full out of the Chapter 7 Liquidation Fund before the balance of the Chapter 7 Liquidation Fund, if any, would be made available to holders of Claims. In addition, other claims which would arise upon conversion to a Chapter 7 case would dilute the balance of the Chapter 7 Liquidation Fund available to holders of Claims. Moreover, additional claims against the Debtors' estates might arise as the result of the establishment of a new bar date for the filing of claims in the Chapter 7 cases for the Debtors. The present value of the distributions out of the Chapter 7 Liquidation Fund (after deducting the amounts described above) are then compared with the present value of the property offered to each Class of Claims and holders of Equity Interests under the Plan to determine if the Plan is in the best interests of each holder of a Claim.

The Debtors believe that a Chapter 7 liquidation of the Debtors' remaining assets would result in diminution in the value to be realized under the Plan by holders of Claims. That belief is based upon, among other factors: (a) the additional administrative expenses involved in the appointment of a trustee, attorneys, accountants, and other Chapter 7 professionals; (b) the substantial time which would elapse before creditors would receive any distribution in respect of their Claims due to a trustee's need to become familiar with the Chapter 11 Cases and the Debtors' books and records, and the trustee's duty to conduct independent investigations; (c) the additional Claims that may be asserted against the Debtors; and (d) the uncertainty of a trustee's ability to retain key personnel of the Debtors to assist in identifying the bases for claims objections and Causes of Action.

2. Financial Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the debtors or any successor to the debtors unless such liquidation or reorganization is proposed in the plan. The Plan is a liquidating plan. Accordingly, the Plan satisfies section 1129(a)(11) of the Bankruptcy Code.

3. Acceptance by Impaired Classes

A class is "impaired" under a plan unless, with respect to each claim or interest in such class, the plan: (i) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder of such claim or interest; or (ii) notwithstanding any contractual provision or applicable law which entitles the holder of such claim or interest to demand or receive accelerated payment on account of a default, cures any default, reinstates the original maturity of the obligation, compensates the holder for any damages incurred as a result of reasonable reliance on such provision or law and does not otherwise alter the legal, equitable or contractual rights of such holder based upon such claim or interest. A class that is not impaired under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. See Section IV(D), above, for identification of whether a Class is deemed impaired or unimpaired under the Plan.

4. Cramdown

THE DEBTORS RESERVE THE RIGHT TO CRAM DOWN THE PLAN AGAINST ANY NON-ACCEPTING CLASS(ES) OF HOLDERS OF CLAIMS OR EQUITY INTERESTS.

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the Plan. The "cramdown" provisions of the Bankruptcy Code are set forth in section 1129(b) of the Bankruptcy Code. Under the cramdown provisions, upon the request of a plan proponent the bankruptcy court will confirm a plan despite the lack of acceptance by an impaired class or classes if the bankruptcy court finds that (i) the plan does not discriminate unfairly with respect to each non-accepting impaired class, (ii) the plan is fair and equitable with respect to each non-accepting impaired class, and (iii) at least one impaired class has accepted the plan. These standards ensure that holders of junior interests, such as common stockholders, cannot retain any interest in the debtor under a plan that has been rejected by a senior class of impaired claims or interests unless such impaired claims or interests are paid in full.

As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of similar value under a plan. By establishing separate Classes for the holders of each type of Claim and Equity Interest and by treating each holder of a Claim and Equity Interest in each Class identically, the Debtors believe that they have structured

the Plan so as to meet the "unfair discrimination" test of section 1129(b) of the Bankruptcy Code.

The Bankruptcy Code sets forth different standards for establishing that a plan is "fair and equitable" with respect to a dissenting class, depending on whether the class is comprised of secured or unsecured claims or interests. In general, section 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all junior classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting class be paid in full before any junior class may receive anything under the plan. In addition, case law surrounding section 1129(b) requires that no class senior to a non-accepting impaired class receives more than payment in full on its claims.

With respect to a Class of Claims that does not accept the Plan, the Debtors must demonstrate to the Bankruptcy Court that either (i) each holder of a Claim in the dissenting Class receives or retains under the Plan property of a value equal to the allowed amount of its Claim, or (ii) the holders of Claims or Equity Interests that are junior to the Claims of the holders of such Claims or Equity Interest will not receive or retain any property under the Plan. Additionally, the Debtors must demonstrate that the holders of Claims that are senior to the Claims of the dissenting Class of Claims receive no more than payment in full on their Claims under the Plan. The Plan is designed to satisfy these standards. Holders of Equity Interests are not expected to receive any distributions on account thereof, and will only receive a distribution if and to the extent that claimants holding general unsecured claims are paid in full with Postpetition Interest.

If all the applicable requirements for confirmation of the Plan are met as set forth in sections 1129(a)(1) through (13) of the Bankruptcy Code, except that one or more of Classes of impaired Claims or Equity Interests have failed to accept the Plan pursuant to section 1129(a)(8) of the Bankruptcy Code, the Debtors will request that the Bankruptcy Court confirm the Plan over the dissenting votes of such Classes in accordance with section 1129(b) of the Bankruptcy Code. The Debtors believe that the Plan satisfies the cramdown requirements of the Bankruptcy Code. The Debtors may seek confirmation of the Plan over the objection of dissenting Classes, as well as over the objection of individual holders of Claims or Equity Interests who are members of an accepting Class. In addition, the Debtors intend to seek cramdown of the Plan on Classes deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code by virtue of receiving no distributions thereunder. There can be no assurance, however, that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

5. Classification of Claims and Equity Interests

The Debtors believe that the Plan meets the classification requirements of the Bankruptcy Code which require that a plan place each claim or interest into a class with other claims or interests which are "substantially similar."

SECTION VI -- CERTAIN RISK FACTORS TO BE CONSIDERED.

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Risk That Distributions Will Be Less Than Estimated by the Debtors

The projected distributions and recoveries set forth in this Disclosure Statement are based on the Debtors' estimates of Allowed Claims. The Debtors project that the Claims asserted against the Debtors will be resolved in, and reduced to, amounts that approximate their estimates. However, there can be no assurance that the Debtors' estimates will prove accurate. Distributions to creditors also will be affected by the amount of Available Cash the Debtors are able to realize from the liquidation of the Debtors' remaining assets and recoveries, if any, from the Causes of Action, as well as the costs of continuing to administer the Chapter 11 Cases and to pursue Causes of Action.

Moreover, the Debtors' projection of expenses of administering the estates are based upon a somewhat aggressive timetable. Certain of these costs, such as the Plan Administrator's compensation, are incurred on a periodic basis, such that administration costs are directly proportional to the duration of the Chapter 11 Cases. The Debtors do not believe that substantial time will be required to administer these estates, but there is a potential risk that a wind-up of their affairs will take longer than expected and therefore cost more.

The Debtors reserve the right to object to the amount or classification of any Claim. Thus, the estimates set forth in this Disclosure Statement cannot be relied upon by any creditor whose Claim is subject to a successful objection. Any such creditor may not receive the estimated distributions set forth herein.

B. Litigation Risks

The Debtors do not believe that there are any risks with respect to pending or threatened litigation against them that would significantly or materially negatively affect creditors' recoveries under the Plan.

C. Bankruptcy Risks

1. Objection to Classifications

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Debtors believe that the classification of Claims and Equity

Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

2. Risk of Non-Confirmation of the Plan

Even if Class 2 (Secured Noteholder Claims), Class 3 (Deficiency Claims), Class 4A (EG General Unsecured Claims), Class 4B (EII General Unsecured Claims) and Class 5 (Convenience Claims) vote to accept the Plan, the Plan might not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization unless, as here, such liquidation is proposed in the plan, and that the value of distributions to dissenting creditors and equity security holders not be less than the value of distributions such creditors and equity security holders would receive if the debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan satisfies all the requirements for confirmation of a liquidating plan under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court would also conclude that the requirements for confirmation of the Plan have been satisfied.

D. STATEMENT CONCERNING INCOME TAX CONSEQUENCES.

Confirmation of a plan of liquidation can have a number of tax implications upon the holders of Claims and Equity Interests against the Debtors, including, but not limited to, discharge/cancellation of indebtedness and capital gains/losses. Given the relative size of the Debtors' estates and the diverse nature of the holders of Claims and Equity Interests, the Debtors have not undertaken an analysis of the tax consequences of the Plan upon holders of Claims and Equity Interests. Accordingly, creditors and parties in interest should consult competent tax counsel and other professionals for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Equity Interest.

THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN MAY BE UNCERTAIN DUE TO, IN SOME CASES, THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE LAW. NO RULING HAS BEEN APPLIED FOR OR OBTAINED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN REQUESTED OR OBTAINED BY THE DEBTORS WITH RESPECT THERETO.

THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE UPHELD. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS

OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, OR OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter that is contained in this document.

Any federal, state, or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from distributions to holders of Allowed Claims. All Persons holding Claims shall be required to provide any information necessary to effect the withholding of such taxes, and the Debtors and Plan Administrator shall be authorized to withhold distribution on account of such Claims until the requisite information is received.

If any Allowed Claim holder's distribution is returned as undeliverable, the Plan Administrator will take reasonable steps to attempt to deliver the distribution to the holder of the Allowed Claim. Any holder of an Allowed Claim that does not advise the Plan Administrator that it has not received its, his or her distribution within ninety (90) days after the date of attempted distribution will have its, his or her Claim for such undeliverable distribution discharged and will be forever barred from asserting any such Claim against the Debtors or their property. Distributions must be negotiated within ninety (90) days of the date of distribution. Any distributions which are undeliverable and unclaimed or have not been cashed within the time periods set forth above shall become available for distribution to the holders of Allowed Claims in accordance with the Plan and the holder of an unclaimed or undeliverable distribution shall not be entitled to any further distribution under the Plan.

E. ALTERNATIVES TO LIQUIDATING PLAN.

The Debtors ceased operations in October, 2009 as a result of the transfer of substantially all of their operating assets pursuant to the respective Sales. Accordingly, there is no viable alternative to the Plan that would envision a continuation of the Debtors as an ongoing business.

Since there is no alternative to liquidation, the Plan embodies what the Debtors consider to be the best and most cost-effective method of completing the orderly liquidation and distribution of the Debtors' remaining assets to creditors. If the Plan is not confirmed, then the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code. In that event, the Debtors would cease their liquidation and distribution efforts and a trustee would be appointed to liquidate and eventually distribute the remaining assets of the estates. The Debtors believe that a liquidation under Chapter 7 would likely result in a lower return to creditors, for the reasons described above, and that the timing of any distributions would be substantially delayed.

F. CONCLUSION.

The Debtors believe that confirmation and implementation of the Plan will provide each creditor with the same or a greater recovery than he, she or it would receive if the Debtors were

to liquidate and distribute their assets under Chapter 7 without the substantial delay that the Debtors believe would be experienced in a Chapter 7 proceeding. Thus, the Debtors recommend confirmation and implementation of the Plan as the best possible outcome for creditors. The Debtors therefore urge holders of impaired Claims that are entitled to vote to cast their Ballots in favor of the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Voting Agent on or before the Voting Deadline.

Dated: March 4, 2010

ELECTROGLAS, INC. and ELECTROGLAS INTERNATIONAL, INC.

By: _____
Name: Thomas Brunton
Title: Chief Financial Officer