

EXHIBIT B

ASSET PURCHASE AGREEMENT

BY AND AMONG

[•]

as Purchaser,

and

ELECTROGLAS, INC.

and

ELECTROGLAS INTERNATIONAL, INC.

as Sellers

Dated as of [•], 2009

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (this “**Agreement**”), dated as of [•], 2009 (the “**Execution Date**”), by and between ELECTROGLAS, INC., a Delaware corporation (“**Electroglas**”), ELECTROGLAS INTERNATIONAL, INC., a Delaware corporation (“**International**”, and together with Electroglas, “**Sellers**” and each a “**Seller**”) and [•], a [•] corporation (“**Purchaser**”). Certain capitalized terms used herein are defined in Article 10.

RECITALS

WHEREAS, Sellers currently conduct the Business (as defined herein) and Purchaser desires to purchase the Business;

WHEREAS, each Seller is a debtor and debtor in possession in certain bankruptcy cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the “**Bankruptcy Code**”) filed on July 9, 2009 in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”), Case Nos. 09-12416 (PJW) and 09-12417 (as Jointly Administered, together, the “**Chapter 11 Case**”); and

WHEREAS, in connection with the Chapter 11 Case and subject to the terms and conditions contained herein and following the entry of the Sale Order (as defined herein) finding Purchaser as the winning bidder and subject to the terms and conditions thereof, Sellers shall sell, transfer and assign to Purchaser, and Purchaser shall purchase and acquire from Sellers, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, the Purchased Assets, and assume from Sellers the Assumed Liabilities (as defined herein), all as more specifically provided herein and in the Sale Order.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Purchaser and Sellers hereby agree as follows:

ARTICLE 1.

PURCHASE AND SALE OF ASSETS; ASSUMPTION OF LIABILITIES

1.1 Purchase and Sale of Assets. Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and on the terms and subject to the conditions set forth in this Agreement and the Sale Order, Purchaser shall purchase, acquire and accept from each Seller, and each Seller shall sell, transfer, assign, convey and deliver to Purchaser, on the Closing Date all of each Sellers’ right, title and interest in, to and under, free and clear of all Encumbrances (other than Encumbrances included in the Assumed Liabilities and Permitted Encumbrances), all of the assets, properties and rights of any nature, tangible and intangible, real or personal, wherever located, of Sellers related to or used, or held for use, in connection with the operation of the

Business, now existing or hereafter acquired prior to the Closing Date, whether or not reflected on the books or financial statements of Sellers as the same shall exist on the Closing Date including, the following such assets, properties and rights, but in all cases excluding the Excluded Assets (collectively, the “**Purchased Assets**”):

(a) (i) all Contracts with customers of Sellers (the “**Acquired Customers**”), and all rights pursuant thereto, entered into by any Seller, including the Material Contracts set forth on part (i) to Section 4.8(a) of the Seller Disclosure Schedule and any other such Contract added to the list of Assumed Customer Contracts in accordance with Section 1.5, (ii) any other such Contract with customers of Sellers entered into in the Ordinary Course of Business between the Execution Date and the Closing Date that, if entered into by any Seller on or prior to the Execution Date, would not be a Material Contract and (iii) any other contract with customers of Sellers entered into between the Execution Date and the Closing Date that, if entered into by Sellers on or prior to the Execution Date, would be a Material Contract provided that the execution thereof has been approved by Purchaser in writing pursuant to Section 8.1 (collectively, the “**Assumed Customer Contracts**”);

(b) all Accounts Receivable;

(c) Except as carved out for use by Sellers in the applicable cash collateral orders issued by the Bankruptcy Court, all Cash and Cash Equivalents, whether on hand, in transit or in banks or other financial institutions, security entitlements, securities accounts, commodity contracts and commodity accounts, including any cash collateral that is collateralizing any letter of credit or obligation with respect thereto (subject to the rights of Comerica in the case of the “Banks Cash Collateral” described in the Consent and Release under Intercreditor Agreement, dated as of [•], 2009 among Comerica, the Indenture Trustee and Sellers), assumed by Purchaser, but excluding any cash tendered as part of the Purchase Price;

(d) all Documents used in or relating to the Business or in respect of the Purchased Assets or Assumed Liabilities, including the Acquired Customers, products, services, marketing, advertising and promotional activities, trade shows and all files, supplier lists, vendor lists, records, literature and correspondence with sufficient detail as reasonably available;

(e) (i) all Contracts with suppliers and vendors, and all rights pursuant thereto, entered into by any Seller, including the Material Contracts set forth on parts (iii) and (v) to Section 4.8(a) of the Seller Disclosure Schedule and any other such Contract added to the list of Assumed Vendor Contracts in accordance with Section 1.5 to the extent such Contracts may be assumed and assigned under Section 365 of the Bankruptcy Code, (ii) any other such Contract with suppliers or vendors of Sellers entered into in the Ordinary Course of Business between the Execution Date and the Closing Date that, if entered into by Sellers on or prior to the Execution Date, would not be a Material Contract and (iii) any other contract with suppliers or vendors of Sellers entered into between the Execution Date and the Closing Date that, if entered into by Sellers on or prior to the Execution Date, would be a Material Contract provided that the

execution thereof has been approved by Purchaser in writing pursuant to Section 8.1 (collectively, the “**Assumed Vendor Contracts**”);

(f) all deposits and prepaid expenses of Sellers, including (i) security deposits with third party suppliers, vendors or service providers, ad valorem taxes and lease and rental payments (other than in connection with any Excluded Assets), (ii) rebates, (iii) tenant reimbursements, (iv) pre-payments and (v) all deposits and pre-paid expenses;

(g) all Equipment, including the Equipment leased pursuant to the Personal Property Leases set forth on Section 4.12(a) of the Seller Disclosure Schedule (the “**Assumed Equipment**”);

(h) all leases and subleases for personal property to which any Seller is a party and used or held for use in the operation of the Business and all of the rights of Sellers to such personal property, including those items leased pursuant to the Personal Property Leases set forth on Section 4.12(a) of the Seller Disclosure Schedule (the “**Assumed Personal Property Leases**”)

(i) the name Electroglass, Inc. and the names of all of Sellers’ subsidiaries, and, in all cases, any derivations thereof (the “**Purchased Names**”);

(j) all leases and subleases for the Leased Real Property set forth on Section 4.13(b) of the Seller Disclosure Schedule and all of Sellers’ right, title and interest in and thereto and any other such leases and subleases added to the list of Assumed Real Property Leases in accordance with Section 1.5 (such leases and subleases, the “**Assumed Real Property Leases**” and the underlying Leased Real Property, the “**Assumed Leased Real Property**”);

(k) all Contracts between any Seller and any independent contractors who are not employees of Sellers but who have been retained to and who render services on behalf of any Seller or on behalf of third parties where any Seller acts as intermediary or broker, including, in each case, Contracts with independent sales agents (collectively, the “**Assumed Independent Contractor Contracts**”);

(l) all Permits and all pending applications therefor (the “**Assumed Permits**”);

(m) all rights under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with Employees and agents or with third parties, including the Acquired Customers;

(n) all rights, claims, credits, causes of action or rights of setoff against third parties relating to the Purchased Assets (including, for the avoidance of doubt, those arising under, or otherwise relating, to the Assigned Contracts) or Assumed Liabilities, including rights under vendors’ and manufacturers’ warranties, indemnities, guaranties, and all Specified Preference Claims;

(o) any counterclaims, setoffs or defenses that any Seller may have with respect to any Assumed Liabilities;

(p) except as contemplated by Section 1.2(d), to the extent assignable or transferable in accordance with the terms and conditions of the applicable insurance policies, applicable Law or the Sale Order, (i) all of Sellers' insurance policies and rights and benefits thereunder (including (A) all rights pursuant to and proceeds from such insurance policies and (B) all claims, demands, proceedings and causes of action asserted by any Seller under such insurance policies relating directly to any Purchased Asset or Assumed Liability) and (ii) any letters of credit related thereto;

(q) all Tax Returns of Seller;

(r) any claim, right or interest of any Seller in or to any refund, rebate, abatement or other recovery for Taxes with respect to the Business or the Purchased Assets, together with any interest due thereon or penalty rebate arising therefrom;

(s) (i) all of Sellers' right, title and interest in and to the Seller Intellectual Property, including the items listed on Schedule 1.1(s) (collectively, the "**Assumed Intellectual Property**") and (ii) all Contracts pursuant to which any Seller is granted a license to, or any rights under, any Intellectual Property of any third Person and all Contracts pursuant to which any Seller grants to a third Person a license to, or any rights under, any Seller Intellectual Property, including the Contracts listed on Schedule 1.1(s) (the "**Assumed Intellectual Property Licenses**") and, together with the Assumed Customer Contracts, the Assumed Vendor Contracts, the Assumed Personal Property Leases, the Assumed Real Property Leases and the Assumed Independent Contractor Contracts, the "**Assigned Contracts**");

(t) all goodwill and other intangible assets associated with the Business or the Purchased Assets;

(u) all of the shares of capital stock or other equity interests of any entity owned by any Seller (other than capital stock or equity interests of any subsidiary of any Seller);

(v) all of the Seller Plans set forth in Section 4.17 of the Seller Disclosure Schedule covering Employees residing in the United States, and any associated funding media, assets, reserves, credits and service agreements, and all Documents created, filed or maintained in connection with the Seller Plans (to the extent transferable in accordance with the existing terms and conditions of the applicable Seller Plan) and any applicable insurance policies (excluding equity based plans and arrangements, collectively, the "**Excluded Plans**");

(w) all personnel files for Employees, except to the extent that any transfer or assignment is prohibited by applicable Law;

(x) all Documents (whether copies or originals) relating to formation, qualifications to conduct business as a foreign corporation or other legal entity, arrangements

with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, stock ledgers, stock certificates, by-laws and other documents relating to the organization and existence of any Seller as a corporation or other legal entity, as applicable (together with analogous documentation);

- (y) all Inventory used or held for use in the operation of the Business; and
- (z) all loans and other indebtedness payable to any Seller.

1.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, in no event shall any Seller be deemed to sell, transfer, assign or convey, and each Seller shall retain all right, title and interest to, in and under the following assets, properties, interests and rights of each Seller (collectively, the “**Excluded Assets**”):

- (a) all Non-Assumed Contracts;
- (b) all Documents (whether copies or originals) (i) to the extent they relate solely to any of the Excluded Assets or Excluded Liabilities, (ii) that Sellers are required by Law to retain and are prohibited by Law from providing a copy of to Purchaser or (iii) prepared primarily in connection with the transactions contemplated by this Agreement, including bids received from other parties;
- (c) all shares of capital stock or other equity interests of any Seller or securities convertible into, exchangeable or exercisable for any such shares of capital stock or other equity interests;
- (d) (i) any of Sellers’ director and officer insurance policies, fiduciary policies or employment practices policies (in each case of the foregoing, including any tail policies or coverage thereon) and (ii) the insurance policies set forth on Schedule 1.2(d)(ii) (the “**Specified Policies**”), any of Sellers’ rights, claims, demands, proceedings, credits, causes of action or rights of set off thereunder and any letters of credit related to the Specified Policies;
- (e) any avoidance claims or causes of action under the Bankruptcy Code or applicable state Law (other than Specified Preference Claims);
- (f) all claims that Sellers may have against any Person solely with respect to any other Excluded Assets;
- (g) each Seller’s rights under this Agreement;
- (h) the Excluded Plans;
- (i) any cash funded into the Wind Down Budget;
- (j) all of the shares of capital stock or other equity interests of any subsidiary of any Seller; and

- (k) the properties and assets set forth on Schedule 1.2(j).

1.3 Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement and the Sale Order, Purchaser shall assume only the following Liabilities of Sellers (collectively, but in all cases excluding the Excluded Liabilities, the “**Assumed Liabilities**”):

(a) any and all Liabilities of Sellers under each Assigned Contract including any Cure Costs, whether arising prior to, on or after the Closing Date;

(b) the obligation to pay the amounts owed (and no other Liabilities) for goods or services received by Sellers in the Ordinary Course of Business in respect of any trade and vendor accounts payable (other than under any Assumed Vendor Contracts), whether arising prior to, on or after the Closing Date;

(c) any and all Liabilities arising under or otherwise in respect of any Seller Plan set forth in Section 4.17 of the Seller Disclosure Schedule (to the extent transferable in accordance with the existing terms and conditions of the applicable Seller Plan), but, for the avoidance of doubt, excluding the Excluded Plans;

(d) all Liabilities arising out of the conduct of the Business or ownership of the Purchased Assets on or after the Closing Date;

(e) all Liabilities of any Seller under the DIP Loan Documents, whether arising prior to, on or after the Closing Date;

(f) any additional Liabilities set forth on Schedule 1.3(f); and

(g) any and all Liabilities for transfer taxes arising in connection with the transactions contemplated by this Agreement.

1.4 Excluded Liabilities. Except for the Assumed Liabilities, Purchaser shall not assume, or become liable for the payment or performance of, any Liabilities of any nature whatsoever, whether accrued or unaccrued, including the following Liabilities (collectively, the “**Excluded Liabilities**”) which shall remain Liabilities of Sellers

(a) all Liabilities of Sellers relating to or otherwise arising, whether before, on or after the Closing, out of, or in connection with, any of the Excluded Assets;

(b) Intentionally Omitted;

(c) all Liabilities of Sellers in respect of Non-Assumed Contracts;

(d) except to the extent that Liabilities are assumed pursuant to Section 1.3(a) (which shall be Assumed Liabilities), litigation and related claims and Liabilities arising out of or in connection with events occurring on or prior to the Closing Date, no matter when raised;

(e) any and all Liabilities relating to any environmental, health or safety matter (including any Liability or obligation under any Environmental Law), arising out of or relating to any Sellers' operation of their respective Business or their leasing, ownership or operation of real property on or prior to the Closing Date no matter when raised;

(f) all Liabilities of Sellers in respect of Indebtedness, whether or not relating to the Business;

(g) except to the extent that Liabilities are assumed pursuant to Section 1.3(a) (which shall be Assumed Liabilities), any claims, demands, proceedings or causes of action subject to or covered by the Insurance Policies;

(h) any and all Liabilities under the Excluded Plans and any Seller Plan not set forth in Section 4.17 of the Seller Disclosure Schedule;

(i) any and all Liabilities for Taxes arising in connection with the transactions contemplated by this Agreement other than any and all transfer taxes arising in connection with the transactions contemplated by this Agreement;

(j) any and all Liabilities of Sellers for Taxes;

(k) any Liability of Sellers for the unpaid Taxes of any Persons under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise;

(l) any payments due to any equityholders of Sellers in respect of management or other fees other than compensation owed to equityholders who are employees of Sellers in the Ordinary Course of Business; and

(m) all Liabilities set forth on Schedule 1.4(m).

For the avoidance of doubt, except as expressly noted above, none of the Excluded Liabilities shall be included as Assumed Liabilities.

1.5 Cure Costs; Disclosure Schedule Updates. Notwithstanding anything in this Agreement to the contrary, Purchaser may revise any Disclosure Schedule setting forth the Purchased Assets and the Excluded Assets to (i) include in the definition of Purchased Assets (pursuant to the applicable Schedule) and to exclude from the definition of Excluded Assets, any Contract of any Seller not previously included in the Purchased Assets, at any time on or prior to the tenth (10th) Business Day prior to the Sale Hearing and require Sellers to give notice to the parties to any such Contract and (ii) to exclude from the definition of Purchased Assets (pursuant to the applicable Schedule) and to include in the definition of Excluded Assets, any Assigned Contract or other asset of any Seller previously included in the Purchased Assets and not otherwise included in the definition of Excluded Assets, at any time on or prior to the fifth (5th) Business Day prior to the Sale Hearing; provided that no such change of the Disclosure

Schedule, the definition of the Purchased Assets or the definition of the Excluded Assets shall reduce the amount of the Purchase Price. If any Contract is added to (or excluded from) the Purchased Assets as permitted by this Section 1.5, Sellers shall promptly take such steps as are reasonably necessary to cause such Contracts to be assumed by Sellers, and assigned to Purchaser, on the Closing Date (or excluded under the Sale Order and this Agreement); provided however, Purchaser shall, if applicable, pay any Cure Costs.

1.6 “As Is” Transaction. PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ARTICLE 4 OF THIS AGREEMENT, SELLER MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE PURCHASED ASSETS. WITHOUT IN ANY WAY LIMITING THE FOREGOING, SELLER HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. PURCHASER FURTHER ACKNOWLEDGES THAT PURCHASER HAS CONDUCTED AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL CONDITION OF THE PURCHASED ASSETS AND ALL SUCH OTHER MATTERS RELATING TO OR AFFECTING THE PURCHASED ASSETS AS PURCHASER DEEMED NECESSARY OR APPROPRIATE AND THAT IN PROCEEDING WITH ITS ACQUISITION OF THE PURCHASED ASSETS, EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN ARTICLE 4 HEREOF, PURCHASER IS DOING SO BASED SOLELY UPON SUCH INDEPENDENT INSPECTIONS AND INVESTIGATIONS. ACCORDINGLY, PURCHASER WILL ACCEPT THE PROPERTY AT THE CLOSING “AS IS”, “WHERE IS”, AND “WITH ALL FAULTS”.

ARTICLE 2.

CONSIDERATION

2.1 Consideration.

(a) The aggregate consideration (the “**Purchase Price**”) to be paid for the purchase of the Purchased Assets shall be (the “**Purchase Price**”).

(b) Purchaser shall be responsible for the payment of all Cure Costs, which Purchaser may satisfy out of Cash and Cash Equivalents included in the Purchased Assets;

(c) In addition to the foregoing consideration, as consideration for the grant, sale, assignment, transfer and delivery of the Purchased Assets, Purchaser shall assume and discharge the Assumed Liabilities.

ARTICLE 3.

CLOSING AND TERMINATION

3.1 Closing. Subject to the satisfaction of the conditions set forth in Sections 9.1, 9.2 and 9.3 hereof or the waiver thereof by the party entitled to waive the applicable condition, the closing of the purchase and sale of the Purchased Assets, the delivery of the Purchase Price, the assumption of the Assumed Liabilities and the consummation of the other transactions contemplated by this Agreement (the “**Closing**”) shall take place at the offices of Lovells LLP (or at such other place as the parties may designate in writing) on the date that is no later than the tenth (10th) Business Day following the entry of the Sale Order; provided that, and subject to Section 3.4, to the extent the conditions set forth in Section 9.1, Section 9.2 and Section 9.3 are not so satisfied (other than conditions that by their nature are to be satisfied at the Closing) or so waived on or prior to such date, the period of time within which the Closing shall occur shall be automatically extended until, and the Closing shall occur promptly (but no later than three (3) Business Days) following, such date as all of the conditions set forth in Section 9.1, Section 9.2 and Section 9.3 have been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived by the party entitled to waive the applicable condition, unless another time or date, or both, are agreed to in writing by the parties hereto. The date on which the Closing shall be held is referred to in this Agreement as the “**Closing Date**”. Unless otherwise agreed by the parties in writing, the Closing shall be deemed effective and all right, title and interest of Sellers in the Purchased Assets to be acquired by Purchaser hereunder shall be considered to have passed to Purchaser and the assumption of all of the Assumed Liabilities shall be considered to have occurred as of 12:01 a.m. Eastern Time on the Closing Date.

3.2 Closing Deliveries by Sellers. At the Closing, Sellers shall deliver to Purchaser:

- (a) a duly executed bill of sale with respect to the Purchased Assets, substantially in the form attached hereto as Exhibit A;
- (b) a duly executed assignment and assumption agreement with respect to the Assumed Liabilities, substantially in the form attached hereto as Exhibit B;
- (c) a true and correct copy of the Sale Order;
- (d) the officer’s certificates required to be delivered pursuant to Sections 9.3(b) and 9.3(c);
- (e) a list of the Accounts Receivable as of the last day of the month immediately preceding the month in which the Closing occurs; and

(f) all other previously undelivered certificates, agreements and other documents required by this Agreement to be delivered by Sellers at or prior to the Closing in connection with the transactions contemplated by this Agreement.

3.3 Closing Deliveries by Purchaser. At the Closing, Purchaser shall deliver to (or at the direction of) Seller:

(a) the Purchase Price plus satisfactory evidence of the payment of the Cure Costs (or establishment of appropriate reserves therefor);

(b) a duly executed assignment and assumption agreement substantially in the form attached hereto as Exhibit B;

(c) the officer's certificates required to be delivered pursuant to Sections 9.2(a) and 9.2(b); and

(d) all other previously undelivered certificates, agreements and other documents required by this Agreement to be delivered by Purchaser at or prior to the Closing in connection with the transactions contemplated by this Agreement.

3.4 Termination of Agreement.

This Agreement may be terminated as follows:

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

(b) by either Purchaser or Sellers, if the Closing shall not have been consummated prior to [•], 2009 (the “**Outside Date**”) provided, however, that in the event that the only condition set forth in Section 9.1, Section 9.2 and Section 9.3 that has not been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived on or prior to the Outside Date is Section 9.3(f), then Purchaser, in its sole discretion, shall have the right to extend the Outside Date by up to thirty (30) days; provided further that the right to terminate this Agreement under this Section 3.4(b) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(c) by either Purchaser or Sellers, if there shall be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited, or there shall be in effect a final non-appealable order of a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; it being agreed that the parties hereto shall promptly appeal any adverse determination which is appealable (and pursue such appeal with reasonable diligence);

(d) by Purchaser, if the Chapter 11 Case is dismissed or converted to a case under Chapter 7 of the Bankruptcy Code, or if a trustee or examiner with expanded powers to operate or manage the financial affairs, the business or the reorganization of Sellers is appointed in the Chapter 11 Case;

(e) by either Purchaser or Sellers, if (A) the Sale Order shall not have been approved by the Bankruptcy Court by the close of business on [•], 2009 or (B) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any respect without the prior written consent of Purchaser and Seller; provided that the right to terminate this Agreement under this Section 3.4(e) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Sale Order to meet these requirements on or before such date;

(f) Intentionally Omitted;

(g) by either Purchaser or Sellers, if Sellers have entered into an Alternative Transaction; provided that the Outside Back-up Date has passed;

(h) automatically upon consummation of an Alternative Transaction;

(i) Intentionally Omitted;

(j) by Sellers, if Purchaser has breached any representation, warranty, covenant or agreement contained in this Agreement and as a result of such breach the conditions set forth in Section 9.2(a) and Section 9.2(b) hereof, as the case may be, would not then be satisfied at the time of such breach; provided, however, that if such breach is curable by Purchaser within twenty (20) days through the exercise of its reasonable best efforts, then for so long as Purchaser continues to exercise such reasonable best efforts Sellers may not terminate this Agreement under this Section 3.4(j) unless such breach is not cured within twenty (20) days from written notice to Purchaser of such breach; provided further, that Sellers are not then in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured;

(k) by Purchaser, if Sellers have breached any representation, warranty, covenant or agreement contained in this Agreement and as a result of such breach the conditions set forth in Section 9.3(a) and Section 9.3(b) hereof, as the case may be, would not then be satisfied at the time of such breach; provided, however, that if such breach is curable by Sellers within twenty (20) days through the exercise of its reasonable best efforts, then for so long as Sellers continue to exercise such reasonable best efforts Purchaser may not terminate this Agreement under this Section 3.4(k) unless such breach is not cured within twenty (20) days from written notice to Sellers of such breach; provided further, that Purchaser is not then in material breach of the terms of this Agreement, and provided further, that no cure period shall be required for a breach which by its nature cannot be cured; or

(l) by Sellers, if all of the conditions set forth in Sections 9.1 and 9.3 have been satisfied (other than conditions that by their nature are to be satisfied at the Closing) or waived and Purchaser fails to deliver the Purchase Price at the Closing.

3.5 Procedure Upon Termination. In the event of a termination of this Agreement by Purchaser or Sellers, or both, pursuant to Section 3.4, (a) written notice thereof shall be given promptly by the terminating party to the other parties hereto, specifying the provision hereof pursuant to which such termination is made, (b) except as contemplated by Section 3.6 and Section 7.1 with respect to the obligations of Purchaser to serve as a Back-up Bidder hereunder, this Agreement shall thereupon terminate and become void and of no further force and effect and (c) the consummation of the transactions contemplated by this Agreement shall be abandoned without further action of the parties hereto.

3.6 Effect of Termination. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of its duties and obligations arising under this Agreement effective as of the date of such termination and such termination shall be without Liability to Purchaser or Seller; provided, however, that Section 3.4, Section 3.5, this Section 3.6, Article 12, the Sale Order (if entered) and, if applicable pursuant to Section 7.1, Purchaser's obligation to serve as a Back-up Bidder hereunder shall survive any such termination and shall be enforceable hereunder. In no event shall any termination of this Agreement relieve any party hereto of any Liability for any willful breach of this Agreement by such party.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES OF SELLERS

Electroglas hereby makes the representations and warranties in this Article 4 to Purchaser as of the Execution Date (except with respect to representations and warranties made as of a particular date, which shall be deemed to be made only as of such date), except as qualified or supplemented by Sections in the Seller Disclosure Schedule attached hereto, as the same may be amended or modified in accordance with Section 1.5(b) hereof. Each such Section of the Seller Disclosure Schedule is numbered by reference to representations and warranties in a specific Section of this Article 4. The information disclosed in any numbered part of the Seller Disclosure Schedule shall be deemed to be disclosed with respect to every other representation and warranty in this Article 4 if such disclosure is reasonably apparent on its face.

4.1 Corporate Organization and Qualification. Except as set forth on Section 4.1 of the Seller Disclosure Schedule, Electroglas is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Electroglas is qualified and in good standing as a foreign corporation in each jurisdiction where the properties owned, leased or operated or the conduct of its Business require such qualification, except as would not have or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Electroglas has all requisite power and authority to own, lease and operate its properties and to carry on the Business as it is now being conducted, subject to the provisions of the

Bankruptcy Code. Electroglas has previously made available to Purchaser complete and correct copies of its Certificate of Incorporation, as is in effect on the Execution Date (the “**Electroglas Certificate**”) and its Bylaws, as is in effect on the Execution Date (the “**Electroglas Bylaws**”).

4.2 Sellers.

(a) Section 4.2(a) of the Seller Disclosure Schedule sets forth a true and complete list of the names, jurisdictions of organization, and jurisdictions of qualification as a foreign entity of each Seller.

(b) Section 4.2(b) of the Seller Disclosure Schedule sets forth each corporation, association or other entity in which each Seller owns, of record or beneficially, any direct or indirect equity or other interest or any right (contingent or otherwise) to acquire the same.

4.3 Authority Relative to This Agreement. Except for such authorization as is required by the Bankruptcy Court and receipt of any Regulatory Approvals, each Seller has all requisite power, authority and legal capacity to (a) execute and deliver this Agreement, (b) execute and deliver each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by Seller in connection with the consummation of the transactions contemplated by this Agreement (the “**Sellers’ Documents**”), and (c) perform each of their obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Sellers’ Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite action on the part of Sellers, including by any action or required approval of the equityholder or equityholders of each Seller. This Agreement has been, and at or prior to the Closing, Sellers’ Documents will be, duly and validly executed and delivered by each Seller and (assuming the due authorization, execution and delivery by the other parties hereto and thereto, and the entry of the Sale Order) this Agreement constitutes, and each of the Sellers’ Documents when so executed and delivered will constitute, legal, valid and binding obligations of each Seller, enforceable against each Seller in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) (the “**Exceptions**”).

4.4 Conflicts; Consents of Third Parties.

(a) Except as set forth on Section 4.4(a) of the Seller Disclosure Schedule or as permitted by the Sale Order, none of the execution and delivery by Sellers of this Agreement or Sellers’ Document, the consummation of the transactions contemplated hereby or thereby, or compliance by Sellers with any of the provisions hereof or thereof will result in the loss or material impairment of the rights of Sellers in Seller Intellectual Property.

(b) Except as set forth on Section 4.4(b) of the Seller Disclosure Schedule, no order, Permit or declaration or filing with, or notification to, any Governmental Body or other Person is required on the part of Sellers in connection with the execution and delivery of this Agreement or Sellers' Documents, the compliance by Sellers with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby or the taking by Sellers of any other action contemplated hereby or thereby, except for (i) the entry of the Sale Order, and (ii) such other orders, Permits, declarations, filings and notifications, the failure of which to obtain or make would not have, individually or in the aggregate, a Material Adverse Effect.

4.5 Absence of Certain Developments. Except for actions taken in connection with the Chapter 11 Case or the liquidation of foreign subsidiaries and operations, as contemplated or expressly required or permitted by this Agreement, or as set forth in Section 4.5 of the Seller Disclosure Schedule, since the Most Recent Balance Sheet Date (as defined herein), the Business has been conducted in the Ordinary Course of Business, and Sellers have not:

(a) acquired any material assets, other than acquisitions of Equipment or Inventory in the Ordinary Course of Business;

(b) sold, leased, transferred or assigned any material assets, tangible or intangible, other than (i) sales of Inventory in the Ordinary Course of Business, or (ii) the disposition of obsolete or immaterial assets not necessary for the conduct of the Business by Seller;

(c) accelerated, terminated, modified, amended, or cancelled any Material Contract, or waived, released or assigned any material rights or claims thereunder, in each case, in a manner adverse to Seller (and, to the Knowledge of Sellers, no other party to any such Material Contract has accelerated, terminated, modified, amended, or cancelled such Material Contract, or waived, released or assigned any rights or claims thereunder);

(d) imposed or created any Encumbrance (other than Permitted Encumbrances) upon any of the Purchased Assets, tangible or intangible, that would be binding on Purchaser;

(e) incurred or made any capital expenditures in an aggregate amount in excess of \$20,000;

(f) created, incurred, assumed, or guaranteed any Indebtedness that would be binding upon Purchaser;

(g) transferred, assigned, abandoned or granted any license or sublicense of any rights under or with respect to any Assumed Intellectual Property, other than pursuant to license agreements entered into in the Ordinary Course of Business;

(h) experienced any damage, destruction or other casualty loss (whether or not covered by insurance) affecting the tangible Purchased Assets and resulting in an aggregate loss in excess of \$100,000;

(i) granted any bonus opportunity or any increase in any type of compensation or benefits, including severance or termination pay, to any of its current or former directors, Employees or consultants, except for increases in base compensation in the Ordinary Course of Business;

(j) paid any bonus, except for bonuses paid or accrued in the Ordinary Course of Business;

(k) Intentionally Omitted;

(l) adopted, made or agreed to (i) any welfare, pension, retirement, profit sharing, incentive compensation or similar plan, program, payment or arrangement for any Employee except pursuant to the existing Seller Plans or (ii) any new employment or change of control agreement;

(m) made any material addition to or modification of the Seller Plans, other than (i) contribution to such plans made in the Ordinary Course of Business or (ii) the extension of coverage to Employees of Seller who became eligible after the Most Recent Balance Sheet Date;

(n) changed any finance or Tax accounting methods, principles or practices, except insofar as may have been required by a change in GAAP or applicable Law;

(o) made any Tax election or any settlement or compromise of any material Tax Liability; and

(p) received any written notice of any cancellation or termination of any Assigned Contract that is a Material Contract, including Assigned Contracts with Acquired Customers, except for such notices that relate to Material Contracts, the cancellation or termination of which would not have a Material Adverse Effect.

4.6 Litigation. Except as set forth in Section 4.6 of the Seller Disclosure Schedule, there is no material litigation, action, claim, suit, proceeding, investigation, examination, hearing, arbitration, inquiry or subpoena (collectively, “**Actions**”), pending or, to the Knowledge of Sellers, threatened against Sellers or any property or asset of Sellers or which could give rise to or increase an Assumed Liability. Except as set forth in Section 4.6 of the Seller Disclosure Schedule, none of Sellers is subject to any judgment, decree, injunction, or order of any court, arbitration panel or other Governmental Body that relates to the Business or the Purchased Assets and for which Sellers have continuing obligations or Liabilities.

4.7 Intellectual Property.

(a) Section 4.7(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of (i) all Owned Intellectual Property consisting of patents, registered trademarks, registered copyrights and Internet domain names (collectively, the “**Registered IP**”), (ii) all other material Owned Intellectual Property and (iii) all Licensed Intellectual Property (except for Intellectual Property licensed pursuant to off-the-shelf software and licenses implied in the sale of such software).

(b) Section 4.7(b) of the Seller Disclosure Schedule sets forth a true, complete and correct list of all material software, databases, licenses, and contracts that are included in, comprise or are related to the Owned Intellectual Property set forth in Section 4.7(b) of the Seller Disclosure Schedule, except for off-the-shelf software and licenses implied in the sale of such software.

(c) Except as set forth on Section 4.7(c) of the Seller Disclosure Schedule, (i) Sellers own the Owned Intellectual Property, free from any Encumbrances, other than Permitted Encumbrances, and free from any requirement of any present or future royalty payments, license fees, charges or other payments, or conditions or restrictions whatsoever; and (ii) no action is pending, or to the Knowledge of Sellers threatened, challenging the validity, enforceability, registration, ownership or use of any Registered IP.

(d) To the Knowledge of Sellers, neither Seller nor any of their products or services is infringing upon, misappropriating, diluting or otherwise violating, the Intellectual Property rights of any third party and no Person is infringing upon, misappropriating, diluting or otherwise violating, Seller Intellectual Property. Except as set forth on Section 4.7 of the Seller Disclosure Schedule, there is no pending claim, action or proceeding alleging that any Seller is infringing, misappropriating, diluting or otherwise violating the Intellectual Property rights of any Person, and to the Knowledge of Sellers, no such claims are threatened.

(e) Sellers own or have the right to use the Seller Intellectual Property as used in the conduct of the Business as currently conducted, free and clear from any Encumbrances (other than Permitted Encumbrances and subject to the terms and conditions of any agreement pursuant to which Seller Intellectual Property was obtained).

4.8 Agreements, Contracts and Commitments; Certain Other Agreements.

(a) Section 4.8(a) of the Seller Disclosure Schedule sets forth the following types of material executory Contracts that are unexpired as of the Execution Date relating to the Business to which Electroglas is a party or by which Electroglas is bound or any of the Purchased Assets are bound (such Contracts set forth below are collectively referred to as the “**Material Contracts**”):

(i) Contracts to which any Acquired Customer is a party requiring payments by or to Electroglas in excess of \$75,000 during the eleven (11) month period ended [•], 2009;

(ii) Contracts that are material to the Business to which any Significant Customer is a party;

(iii) Contracts that are material to the Business to which any Significant Vendor/Supplier is a party;

(iv) all Assigned Contracts requiring payments by or to Electroglas in excess of \$75,000 during the eleven (11) month period ended [•], 2009;

(v) Contracts pursuant to which Electroglas would be required to make payments in excess of \$75,000 from and after the Execution Date and prior to the end of the earlier of (A) the term of the applicable Contract and (B) the first anniversary of the Execution Date;

(vi) employment agreements, severance agreements and collective bargaining agreements with any labor unions;

(vii) Contracts to which any officer or director of Electroglas or any Affiliate of any such officer or director is a party;

(viii) leases for any real property or any material Equipment used or held for use in the Business;

(ix) Contracts that (A) limit or restrict Electroglas or any of its subsidiaries or Affiliates from engaging in any business or other activity in any jurisdiction; or (B) create or purport to create any exclusive relationship or arrangement;

(x) Contracts granting to any Person an option or a right of first refusal, first-offer or similar preferential right to purchase or acquire any of the Purchased Assets;

(xi) Contracts for the granting or receiving of a license, sublicense or franchise or under which any Person is obligated to pay or has the right to receive a

royalty, license fee, franchise fee or similar payment in excess of \$75,000 or is material to the Business;

(xii) Contracts (A) with respect to Seller Intellectual Property licensed or transferred to any third party or (B) pursuant to which a third party has licensed or transferred any Intellectual Property to Electroglas (in the case of both (A) and (B), except for off-the-shelf software and licenses implied in the sale of such software);

(xiii) joint venture or partnership Contracts or Contracts entitling any Person to any profits, revenues or cash flows of Electroglas or requiring payments or other distributions based on such profits, revenues or cash flows; and

(xiv) Contracts with any Governmental Body.

(b) Except as set forth on Section 4.8(b) of the Seller Disclosure Schedule, Electroglas has not received any written notice, or to the Knowledge of Sellers, oral notice, of any default or event that with notice or lapse of time or both would constitute such a default by Electroglas under any Material Contract, except for such defaults that would not have a Material Adverse Effect.

(c) Except as set forth on Section 4.8(c) of the Seller Disclosure Schedule, Electroglas has heretofore delivered or made available to Purchaser true and complete copies of all Material Contracts that are in writing, including all amendments, modifications, Schedules and supplements thereto and all waivers (including descriptions of oral waivers) with respect thereto. Assuming (i) the entry of the Sale Order and (ii) due execution by the other party or parties thereto as of the Closing Date, each Material Contract will be in full force and effect and, subject to the Exceptions, enforceable in accordance with its terms against each of the parties to such Material Contracts.

4.9 Regulatory Matters; Permits.

(a) Except as set forth on Section 4.5 of the Seller Disclosure Schedule, all of the Permits that are necessary for the operation of the Business as currently conducted and the ownership of the Purchased Assets are held by Electroglas in full force and effect (collectively, the “**Material Permits**”). Section 4.9(a) of the Seller Disclosure Schedule sets forth a true, complete and correct list of all Material Permits held by Electroglas as of the Execution Date.

(b) Electroglas is in compliance with its obligations under each of the Material Permits and the rules and regulations of the Governmental Body issuing such Material Permits, and no condition exists that without notice or lapse of time or both would constitute a default under, or a violation of, any Material Permit except for such failures to be in compliance or defaults that would not have, individually or in the aggregate, a material adverse effect on Electroglas’s ability to operate the Business in the Ordinary Course of Business.

(c) Each Material Permit is valid and in full force and effect and there is no proceeding, notice of violation, order of forfeiture or complaint or investigation against Electroglas relating to any of the Material Permits pending or to the Knowledge of Sellers, threatened, before any Governmental Body.

4.10 Brokers and Finders. Except as set forth in Section 4.10 of the Seller Disclosure Schedule, Sellers have not employed, and to the Knowledge of Sellers, no other Person has made any arrangement by or on behalf of Sellers with any investment banker, broker, finder, consultant or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby.

4.11 Title to Assets; Sufficiency and Condition of Assets. At Closing, Sellers will have (and shall convey to Purchaser at the time of the transfer of the Purchased Assets to Purchaser) good and marketable title or a valid leasehold interest in and to each of the Purchased Assets free and clear of all Encumbrances except Permitted Encumbrances. At Closing, Sellers will have (and shall convey to Purchaser at the time of the transfer of the Purchased Assets to Purchaser) valid leasehold interests in the Assumed Personal Property Leases and the Assumed Real Property Leases, free and clear of all Encumbrances except Permitted Encumbrances. The Purchased Assets constitute all of the properties, assets and rights used by any Seller or necessary for Purchaser to conduct and operate the Business as currently conducted and operated by any Seller. All of the Purchased Assets are in good order and repair for assets of comparable age and past use and are capable of being used in the Ordinary Course of Business in the manner necessary to operate the Business, except where the failure to be in such condition would not have, individually or in the aggregate, a material adverse effect on Sellers' or Purchasers' ability to operate the Business in the Ordinary Course of Business.

4.12 Tangible Personal Property; Equipment. Section 4.12(a) of the Seller Disclosure Schedule sets forth all Personal Property Leases involving annual payments in excess of \$75,000 relating to personal property, including Equipment, used by Electroglas in the Business or to which Electroglas is a party or by which the personal property, including Equipment, of Electroglas is bound. Except as set forth in Section 4.12(b) of the Seller Disclosure Schedule, Electroglas has not received any written notice, or to the Knowledge of Sellers, oral notice, of any default or event that with notice or lapse of time or both would constitute such a default by Electroglas under any of the Personal Property Leases.

4.13 Real Property.

(a) Electroglas does not own any real property.

(b) Section 4.13(b)(i) of the Seller Disclosure Schedule sets forth a complete and correct list of all Leased Real Property specifying the address or other information sufficient to identify all such Leased Real Property. Each Assumed Real Property Lease grants Electroglas the right to use and occupy the applicable Assumed Leased Real Property, in accordance with the

terms thereof, subject to Permitted Encumbrances. Except as set forth on Section 4.13(b)(ii) of the Seller Disclosure Schedule, Electroglas has not leased or granted to any Person the right to access, enter upon, use, occupy, lease, manage, operate, maintain, broker or purchase any portion of Electroglas's interest in the Leased Real Property, that is not otherwise a Permitted Encumbrance or that will not otherwise be terminated on or prior to the Closing Date.

(c) Electroglas has not received any written notice of, or to the Knowledge of Sellers, oral notice of, condemnation or eminent domain proceedings pending or threatened that affect the Assumed Leased Real Property. Electroglas has not received any written notice of, or, to the Knowledge of Sellers, any oral notice of, any zoning, ordinance, building, fire or health code or other legal violation affecting any such Assumed Leased Real Property, except where any such violations would not have, individually or in the aggregate, a material adverse effect on the ability of Electroglas to operate the Business in the Ordinary Course of Business.

(d) There are no encroachments or other facts or conditions affecting any of the Assumed Leased Real Property that would be revealed by an accurate survey or inspection thereof, which encroachments, facts or conditions would have, individually or in the aggregate, a material adverse effect on the ability of Electroglas to operate the Business in the Ordinary Course of Business. To the Knowledge of Sellers, none of the buildings and structures on such Assumed Leased Real Property encroaches, in any material respect, upon real property of another Person or upon the area of any easement affecting the Assumed Leased Real Property.

4.14 Compliance with Law; Permits. Sellers are in compliance in all respects with all applicable material Laws. As of the Execution Date, no Seller has received any notice of any alleged violation of any material Law applicable to it. No Seller is in default in any material respect of any order of any Governmental Body applicable to the Purchased Assets or the transactions contemplated under this Agreement. No investigations, inquiries or reviews by any Governmental Body with respect to the Business have been commenced, nor to the Knowledge of Sellers, are any contemplated that would impose any material Liability on Purchaser or, from and after the Closing Date, the Purchased Assets or the Business.

4.15 Tax Returns; Taxes. Except as set forth in Section 4.15 of the Seller Disclosure Schedule:

(a) All Tax Returns required to have been filed by Sellers and their respective subsidiaries have been timely filed and are true, correct and complete in all respects. No extension of time in which to file any such Tax Returns is in effect.

(b) All Taxes due and payable by Sellers or any of their respective subsidiaries (whether or not shown or required to be shown on any Tax Return) have been paid in full. The accruals and reserves with respect to Taxes (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the Most Recent Balance Sheet are adequate to cover all Taxes of any Seller accruing or payable with respect to Tax periods (or portions thereof) ending on or before the date of the Most Recent

Balance Sheet. All Taxes of any Seller attributable to Tax periods (or portions thereof) commencing after the date of the Most Recent Balance Sheet have arisen in the ordinary course of business.

(c) No claims have been asserted, no Taxes have been assessed and no proposals or deficiencies for any amount of Taxes of any Seller or its subsidiaries is being asserted, proposed or, to the Knowledge of Sellers, threatened, and no audit or investigation of any Tax Return of any Seller or its subsidiaries has occurred in the last five (5) years or is currently underway, pending or, to the Knowledge of Sellers, threatened.

(d) No claim has ever been made against Sellers or any of their subsidiaries by any Governmental Body in a jurisdiction where Sellers and their subsidiaries do not file Tax Returns that it is or may be subject to taxation in such jurisdiction.

(e) Sellers have withheld and paid all Taxes required to have been withheld and paid by them to the appropriate Governmental Body in connection with any amounts paid or owing to any Employee, independent contractor, creditor or shareholder thereof or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(f) There are no Encumbrances for Taxes with respect to Sellers or their respective assets, nor is there any such Encumbrance that is pending or, to the Knowledge of Sellers, threatened other than Permitted Encumbrances.

(g) Sellers have not executed or filed with any Governmental Body any agreement or waiver extending the period for assessment, reassessment or collection of any Taxes. Sellers have not made an election, nor are Sellers required, to treat any Purchased Asset as owned by another Person or as tax-exempt bond financed property or tax-exempt use property within the meaning of Section 168 of the Code or under any comparable provision of state or local Tax law.

(h) Sellers have no liability for Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law) as a transferee or successor, by law or by contract.

4.16 Employees.

(a) Section 4.16(a) of the Seller Disclosure Schedule contains a true and correct list of the Employees as of the Execution Date, specifying their position, annual salary, and date of hire. Electroglas is in compliance in all material respects with all material Laws relating to the employment and termination of employment of current and former Employees, and Electroglas has no direct or indirect material Liability with respect to any misclassification of any Person as an independent contractor rather than as an Employee, or with respect to any Employee leased from another employer.

(b) Section 4.16(b) of the Seller Disclosure Schedule lists the name, job title, job site and unit, date of Employment Loss, and type of Employment Loss (e.g., termination, layoff or reduction in work hours) of each Employee or former Employee who has experienced an Employment Loss in the 90 days immediately preceding the date of this Agreement (excluding Employees who are employed for an average of fewer than 20 hours per week or who have been employed for fewer than six of the 12 months preceding the date of this Agreement). Except as set forth in Section 4.16(b) of the Seller Disclosure Schedule, Electroglas does not presently intend to take any action that would result in a “**mass layoff**” or “**plant closing**” as defined in the WARN Act between the date of this Agreement and the Closing Date. At the Closing, Electroglas shall provide an update of Section 4.16(b) of the Seller Disclosure Schedule that discloses all Employees (including former Employees) who have experienced an Employment Loss in the 90 days immediately preceding the Closing Date. With respect to any Employment Loss that occurred within the one year preceding the date of this Agreement, Electroglas has complied with all of the requirements of the WARN Act.

(c) There are no material claims or proceedings pending or, to the Knowledge of Sellers, threatened, between Electroglas and any Employee, except for such claims or proceedings that would not survive the sale pursuant to the Sale Order. There are no strikes, slowdowns, work stoppages, lockouts, or, to the Knowledge of Sellers, threats thereof, by or with respect to any Employees of Electroglas.

4.17 Company Benefit Plans.

Except as provided in Section 4.17 of the Seller Disclosure Schedule:

(a) Sellers are neither a party to nor bound by, either directly or by operation of Law, any collective bargaining agreement, labor contract, letter of understanding, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labor union, trade union or employee organization or group which may qualify as a trade union in respect of or affecting Employees nor are Sellers subject to any union organization effort, nor are Sellers engaged in any labor negotiation. There are no, and within the prior three years there have not been any, (i) strikes, work stoppages, work slowdowns or lockouts pending or, to the Knowledge of Sellers, threatened against or involving Sellers, or (ii) unfair labor practice charges, grievances or complaints pending or, to the Knowledge of Sellers, threatened by or on behalf of any Employee or group of Employees. Sellers have no obligation to make any severance or termination payment to any Employee in excess of any amount payable under common law principles or applicable Law.

(b) Each Seller Plan is listed in Section 4.17 of the Seller Disclosure Schedule (collectively, the “**Employee Plans**”). Sellers have delivered or made available to Purchaser true and complete copies of (i) all Employee Plans and related trust agreements, annuity contracts or other funding instruments, (ii) the latest Internal Revenue Service determination or opinion letter obtained with respect to any such Employee Plan qualified or exempt under Section 401 or 501 of the Code, as applicable, and the results of discrimination testing for the most recently

completed three (3) fiscal years for each such Employee Plan, (iii) Forms 5500 and certified financial statements for the most recently completed three (3) fiscal years for each Employee Plan required to file such form, together with the most recent actuarial report, if any, prepared by the Employee Plan's enrolled actuary, (iv) the current summary plan descriptions for each Employee Plan required to prepare, file and distribute summary plan descriptions, (v) all summaries furnished to Employees, officers or directors of Sellers of all incentive compensation, other plans and fringe benefits for which a summary plan description is not required and (vi) the form notifications to Employees of their rights under Section 4980B of the Code.

(c) None of the Employee Plans is a “**multiemployer plan**” (as defined in Section 3(37) of ERISA), is or has been subject to Sections 4063 or 4064 of ERISA, or is or has been subject to subject to Title IV of ERISA or Code Section 412 or 430. Neither Sellers nor any of their ERISA Affiliates have any Liability under Title IV of ERISA or Code Section 412 or 430. None of the Employee Plans is subject to any Laws outside of the United States.

(d) Each Employee Plan has been established, administered and invested in accordance with its terms and in material compliance with all applicable Laws. Sellers have performed and complied in all material respects with all of their obligations under or with respect to the Employee Plans. Each Employee Plan that is intended to be a “qualified plan” within the meaning of Section 401(a) of the Code (“**Qualified Plan**”) and each trust that is intended to be exempt under Section 501 of the Code (“**Exempt Trust**”) has received a determination or opinion letter from the Internal Revenue Service to the effect that such Qualified Plan is so qualified and such Exempt Trust is so exempt, and, to the Knowledge of Sellers, nothing has occurred since the date of the most recent Internal Revenue Service determination or opinion letter, as applicable, that would materially and adversely affect the tax-qualified status of any Qualified Plan or Exempt Trust.

(e) There is no action, order, writ, injunction, judgment or decree outstanding or proceeding, arbitral action, governmental audit, or investigation relating to, or seeking benefits under, any Employee Plan that is pending or, to the Knowledge of Sellers, threatened against any Seller (other than any claims for benefits under the Employee Plans in the Ordinary Course of Business). No Seller or, to the Knowledge of Sellers, any fiduciary of any Employee Plan, has any material liability with respect to any transaction in violation of Sections 404 or 406 of ERISA or any “**prohibited transaction**,” as defined in Section 4975(c)(1) of the Code, for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the Code.

(f) No Employee Plan provides post-retirement or post-termination employee benefits (including death, medical or health benefits) to or in respect of any Employees or former Employees or their beneficiaries, and no Seller has any obligation to provide such benefits other than COBRA Continuation Coverage. No Employee Plan provides health benefits that are not fully insured through an insurance Contract. All contributions or premiums required to be made by Sellers to or under each Employee Plan have been made in a timely fashion in accordance with applicable Law, the terms of the applicable Employee Plan and any applicable collective

bargaining agreement, and Sellers do not, and as of the Closing Date will not, have any actual or potential unfunded Liabilities with respect to any Employee Plans.

(g) Each Employee Plan may be amended or terminated in accordance with its terms without liability to Purchaser (other than administrative expenses associated with amending or terminating such Employee Plan). Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will result, separately or in the aggregate, in the payment of any “**excess parachute payment**” within the meaning of Code §280G (or any corresponding provision of state, local, or foreign Tax law) or in the imposition of an excise tax under Code Section 4999, (or any corresponding provisions of state, local or foreign Tax law).

(h) Each Employee Plan that is a “**nonqualified deferred compensation plan**” (as defined under Section 409A(d)(1) of the Code) has, since July 1, 1996, been operated and administered in good faith compliance with Section 409A of the Code and IRS Notice 2005-1 and other authoritative and binding guidance thereunder.

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (whether alone or in conjunction with any other event) will result in forgiveness of Indebtedness or the acceleration or creation of any rights of any person to benefits under any Employee Plan assumed by Purchaser in accordance with Section 1.3(b) (including the acceleration of the accrual or vesting of any benefits under any such Employee Plan or the acceleration or creation of any rights under any employment, severance, retention, parachute or change in control agreement or the right to receive any transaction bonus or other similar payment) or the obligation to take action to secure any benefits payable under any Employee Plan assumed by Purchaser in accordance with Section 1.3(b).

4.18 Intentionally Omitted.

4.19 Affiliate Matters. Except as set forth in Section 4.19 of the Seller Disclosure Schedule, no (a) shareholder, officer or director of Electroglas, (b) entity in which any such shareholder, officer or director owns any beneficial interest (other than a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market and less than two percent (2%) of the stock of which is beneficially owned by such shareholders, officers or directors in the aggregate), or (c) Affiliate of any of the foregoing is a party to: (i) any Contract with, or relating to, Electroglas, its business, the Purchased Assets or the Assumed Liabilities; or (ii) any property (real, personal or mixed, tangible or intangible) used by Electroglas in the operation of the Business. Section 4.19 of the Seller Disclosure Schedule also sets forth a true, correct and complete list of all accounts receivable, notes receivable and other receivables and accounts payable owed to or due from any such Person described above by or to Electroglas but solely with respect to the Business, except for any compensation payable to such officers in their capacity as Employees of the Company in the Ordinary Course of Business.

4.20 Insurance Policies. Section 4.20(a) of the Seller Disclosure Schedule lists all insurance policies owned or held by Electroglas or otherwise applicable to the Business (the “**Insurance Policies**”). All such policies (or substitute policies with substantially similar terms and underwritten by insurance carriers with substantially similar or higher ratings) are in full force and effect, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid, and no written notice of cancellation or termination (or any other threatened termination) has been received with respect to any such policy. Except as set forth on Schedule 4.20(b), as of [•], 2009, there are no pending or, to the Knowledge of Sellers, threatened claims under any Insurance Policy (other than ordinary course health insurance claims). Electroglas maintains sufficient insurance with reputable insurers for the Business, properties and assets of Electroglas against all risks normally insured against, and in amounts normally carried, by Electroglas in the Ordinary Course of Business.

4.21 Environmental Matters. To the Knowledge of Sellers (a) Electroglas is in compliance with all Environmental Laws, (b) there is no material investigation, suit, claim, action or judicial or administrative proceeding relating to or arising under Environmental Laws that is pending or, to the Knowledge of Sellers, threatened against Electroglas or any real property owned, operated or leased by Electroglas, or any of the Purchased Assets, (c) none of the Leased Real Property has been listed on the federal Comprehensive Environmental Response, Compensation Liability Information System (CERCLIS) database or any other similar federal, provincial or state list of known or suspected contaminated sites, (d) no Hazardous Materials have been treated, stored or Released by Electroglas at any location or by any other Person at, on or under the Leased Real Property in any manner or concentration that requires investigation, removal or remediation under Environmental Laws or would otherwise cause Electroglas or any future owner or operator of any Leased Real Property to incur material liability under Environmental Laws, and (e) Electroglas has not received any notice of or entered into any order, settlement, judgment, injunction or decree involving uncompleted, outstanding or unresolved material obligations, liabilities or requirements relating to or arising under Environmental Laws.

4.22 Customers, Vendors and Suppliers. Section 4.22 of the Seller Disclosure Schedule sets forth a complete and accurate list of all Significant Customers and Significant Vendors/Suppliers. “**Significant Customers**” are: the five (5) customers that have purchased the most, in terms of dollar value, products or services sold by the Business during the eleven month period ended [•], 2009. “**Significant Vendors/Suppliers**” are: the four (4) vendors and/or suppliers that have sold the most, in terms of dollar value, products or services to the Business during the eleven month period ended [•], 2009. Except as set forth on Section 4.22 of the Seller Disclosure Schedule, true, correct and complete copies of all written Contracts (other than purchase orders) with Significant Customers and Significant Vendors/Suppliers have been provided to Purchaser. Except as set forth on Section 4.5 of the Seller Disclosure Schedule, no Significant Customer or Significant Vendor/Supplier has given Electroglas notice terminating, canceling or materially reducing, or threatening to terminate, cancel or materially reduce, any Contract or relationship with Electroglas, except where such notice would not have, or would not

reasonably be expected to have, a Material Adverse Effect. As of the Execution Date, except as set forth on Section 4.5 of the Seller Disclosure Schedule, no Significant Customer (i) has notified Electroglas that the same no longer meets such Significant Customer's quality specifications or any certification requirements imposed upon companies in the Business, except where such notification would not have, or would not reasonably be expected to have, a Material Adverse Effect or (ii) to the Knowledge of Sellers, has threatened to terminate such Significant Customer's Contract or relationship with Electroglas, except where such termination would not have, or would not reasonably be expected to have, a Material Adverse Effect. During the three-month period immediately preceding the Execution Date, there has been no material increase in the dollar amount of customer claims relating to the quality of Electroglas's products or services as compared with the comparable period of the preceding calendar year. Except as set forth on Section 4.22 of the Seller Disclosure Schedule, no Acquired Customer, Significant Customer or Significant Vendor/Supplier has proposed in writing, or given Electroglas written notice of its intention to propose, any material price structure changes or any other material changes to any Contract with Electroglas, nor, to the Knowledge of Sellers, does any Acquired Customer, Significant Customer or Significant Vendor/Supplier intend to propose a material change to the price structure of any such Contract or any other material change to any such Contract.

4.23 Accounts Receivable. Electroglas has made available to Purchaser a complete and accurate list, as of [•], 2009, of the Accounts Receivable of Electroglas, including an aging of all Accounts Receivable showing amounts due in 30-day aging categories. Electroglas has provided reserves for Accounts Receivable (the "**Seller Reserves**") in accordance with GAAP and Electroglas' accounting policies as consistently applied in the Ordinary Course of Business by Electroglas. On the Closing Date, Electroglas will deliver to Purchaser a complete and accurate list, as of a date within five (5) Business Days of the Closing Date, of the Accounts Receivable (the "**Accounts Receivable List**"). All Accounts Receivable represent valid obligations arising from *bona fide* business transactions in the Ordinary Course of Business. Subject to the Seller Reserves, there is no pending or, to Knowledge of Sellers, threatened contest, claim, counterclaim, defense or right of setoff under any Contract or otherwise with any obligor of any Account Receivable relating to the amount or validity of such Account Receivable.

4.24 Inventory. All Inventory is in good and merchantable quality and is useable and saleable in the Ordinary Course of Business and none of it is obsolete, materially damaged or materially defective, except for those items the value of which has been reduced in accordance with GAAP and Electroglas's inventory policies consistently applied by Electroglas.

4.25 Financial Statements. Electroglas delivered or made available to Purchaser the following financial statements (collectively the "**Financial Statements**"): (i) audited consolidated balance sheets of Electroglas and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and statements of cash flows as of and for the fiscal year ended May 31, 2008 (the "**Audited Financial Statements**"), (ii) an unaudited condensed consolidated balance sheets of Electroglas and the related consolidated statements of operations,

cash flows as of February 28, 2009 (the “**Unaudited Financial Statements**”) and (iii) an unaudited condensed consolidated balance sheets of Electroglas as of [•], 2009 as set forth in Section 4.25 of the Seller Disclosure Schedule (the “**Most Recent Balance Sheet**”). The Audited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, present fairly, in all material respects, the financial condition of Electroglas and its subsidiaries as of such dates and the results of operations and cash flows of Electroglas and its subsidiaries for such periods, and are consistent, in all material respects, with the books and records of Electroglas (which books and records are correct and complete in all material respects). The Unaudited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, present fairly, in all material respects, the financial condition of Electroglas and its subsidiaries as of such dates and the results of operations and cash flows of Electroglas and its subsidiaries for such periods, and are consistent, in all material respects, with the books and records of Electroglas (which books and records are correct and complete in all material respects). The Most Recent Balance Sheet includes all of the assets and Liabilities of Electroglas and its subsidiaries as of [•], 2009, in each case that are required by GAAP to be set forth on a balance sheet, presents fairly, in all material respects, the financial condition of Electroglas and its subsidiaries as of [•], 2009, and is consistent, in all material respects, with the books and records of Electroglas.

4.26 Capital Expenditures. As of the Execution Date, Seller has made available to Purchaser the most recent capital spending plans of Electroglas and its subsidiaries relating to the Business or the Purchased Assets.

4.27 Absence of Undisclosed Liabilities. Except as set forth in Section 4.27 of the Seller Disclosure Schedule, Electroglas does not have any Liabilities, except (i) Liabilities reflected on the liabilities side of the Most Recent Balance Sheet, (ii) Liabilities that have arisen after the date of the Most Recent Balance Sheet in the Ordinary Course of Business or otherwise in accordance with the terms and conditions of this Agreement (none of which is a material Liability for breach of warranty, tort or infringement or a claim or lawsuit or breach of an Environmental Law) and (iii) Liabilities that are or will be Excluded Liabilities.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the representations and warranties in this Article 5 to Sellers as of the Execution Date (except with respect to representations and warranties made as of a particular date, which shall be deemed to be made only as of such date), except as qualified or supplemented by Sections in Purchaser Disclosure Schedule attached hereto:

5.1 Corporate Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of formation. Purchaser is qualified and in good standing as a foreign entity in each jurisdiction where the

properties owned, leased or operated, or the business conducted by it require such qualification except as would not have or reasonably be expected to have a Material Adverse Effect on Purchaser's ability to consummate the transactions contemplated by this Agreement. Purchaser has all requisite power and authority (corporate or otherwise) to own its properties and to carry on its business as it is now being conducted except as would not have or reasonably be expected to have a Material Adverse Effect on Purchaser's ability to consummate the transactions contemplated by this Agreement. Purchaser has previously made available to Sellers complete and correct copies of Purchaser's certificate of incorporation and by-laws, as amended and in effect on the Execution Date.

5.2 Authority Relative to This Agreement. Purchaser has the requisite corporate power and authority to (a) execute and deliver this Agreement, (b) execute and deliver each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by Purchaser in connection with the consummation of the transactions contemplated hereby and thereby, which are set forth on Section 5.2 of Purchaser Disclosure Schedule attached hereto (the "**Purchaser's Documents**"), and (c) perform its obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Purchaser of this Agreement and each Purchaser's Document have been duly authorized by all necessary corporate action on behalf of Purchaser. This Agreement has been, and at or prior to the Closing each Purchaser's Document will be, duly and validly executed and delivered by Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each Purchaser's Document when so executed and delivered will constitute, legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, subject to the Exceptions.

5.3 Consents and Approvals; No Violation.

(a) Except as set forth on Section 5.3(a) of Purchaser Disclosure Schedule, none of the execution and delivery by Purchaser of this Agreement or Purchaser's Documents, the consummation of the transactions contemplated hereby or thereby, or the compliance by Purchaser with any of the provisions hereof or thereof will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of acceleration, payment, amendment, termination or cancellation under any provision of (i) the certificate of formation and the limited liability agreement (or similar organizational documents) of Purchaser, (ii) any Contract (including but not limited to any Contracts related to financing) or Permit to which Purchaser is a party or by which Purchaser or its properties or assets are bound, (iii) any order of any Governmental Body applicable to Purchaser or by which any of the properties or assets of Purchaser are bound, or (iv) any applicable Law, other than, in the case of clauses (ii), (iii), and (iv), except as would not have or reasonably be expected to have a Material Adverse Effect on Purchaser's ability to consummate the transactions contemplated by this Agreement.

(b) Except as set forth on Section 5.3(b) of Purchaser Disclosure Schedule, no consent, waiver, approval, order, Permit or authorization of, or declaration or filing with, or notification to, any Governmental Body or other Person nor any other Regulatory Approval is required on the part of Purchaser in connection with the execution and delivery of this Agreement or Purchaser's Documents, the compliance by Purchaser with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, or the taking by Purchaser of any other action contemplated hereby or thereby, or for Purchaser to operate the Purchased Assets.

5.4 Brokers and Finders. Purchaser has not employed, and to the knowledge of Purchaser, no other Person has made any arrangement by or on behalf of Purchaser with, any investment banker, broker, finder, consultant or intermediary in connection with the transactions contemplated by this Agreement which would be entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby.

5.5 Adequate Assurances Regarding Assigned Contracts. As of the Closing, Purchaser will be capable of satisfying the conditions contained in Sections 365(b)(1)(C) and 365(f) of the Bankruptcy Code with respect to the Assigned Contracts.

5.6 Sufficiency of Financing. Purchaser will have, on the Closing Date, access to the financing necessary to consummate the transactions contemplated by this Agreement.

5.7 Investigation. Purchaser has conducted its own independent review and analysis of the Business, the Purchased Assets and the Assumed Liabilities, of the value of such Purchased Assets and of the business, operations, technology, assets, Liabilities, financial condition and prospects of the Business, and Purchaser acknowledges that Sellers have provided Purchaser with access to the personnel, properties, premises and records of the Business for this purpose. Purchaser has conducted its own independent review of all orders of, and all motions, pleadings, and other, submissions to, the Bankruptcy Court in connection with the Chapter 11 Case. Purchaser acknowledges that the price being paid under this Agreement for the Purchased Assets is the fair value for acquiring the Purchased Assets under the circumstances and that such value, rather than replacement cost, is the appropriate measure of damages if and to the extent Purchaser may have any recourse for any failure of Sellers to deliver the Purchased Assets in accordance with the terms of this Agreement. In entering into this Agreement, Purchaser has relied upon its own investigation and analysis as well as the representations and warranties made by Electroglas in Article 4, and Purchaser acknowledges that neither Electroglas nor any of its Affiliates makes or has made any representation or warranty, either express or implied, as to the accuracy or completeness of any of the information provided or made available to Purchaser or any of its Affiliates, except as and only to the extent expressly set forth in Article 4.

ARTICLE 6.

EMPLOYEES

6.1 Employee Offers. On or prior to the Closing Date, Purchaser shall offer employment to each of the Employees resident in the United States (but only to the extent such Employees are employed by Sellers as of the date of such offer) with a base salary and annual cash incentive compensation opportunity that are no less favorable, in the aggregate, to such Employee as such Employee's base salary and annual cash incentive compensation opportunity (except for changes in the Ordinary Course of Business to performance targets or goals related to annual cash incentive compensation) immediately prior to the Closing Date. Sellers shall provide to Purchaser the annual cash incentive compensation opportunity for each Employee resident in the United States no later than twenty (20) days prior to the Closing Date. Each Employee resident in the United States to whom Purchaser has made an offer of employment pursuant to this Section 6.1 and that has accepted such offer and commences employment with Purchaser or its Affiliates on or following the Closing Date is hereinafter referred to as a **"Transferred Employee"**; provided, however, that each Employee to whom Purchaser has made an offer of employment pursuant to this Section 6.1 who is on a leave of absence as of the Closing Date shall not become a Transferred Employee unless such Employee returns to active service within six (6) months following the Closing Date and, except pursuant to any Seller Plans assumed by Purchaser in accordance with Section 1.3(b), Purchaser shall have no liability with respect to any such Employee prior to the date he or she becomes a Transferred Employee.

6.2 Continuation of Seller Plans. For the three (3) month period immediately following the Closing Date, Purchaser agrees to use reasonable efforts to continue to maintain, for the benefit of the Transferred Employees who remain actively employed by Purchaser and its Affiliates, the Seller Plans assumed by Purchaser in accordance with Section 1.3(b), without modification or amendment, except as may be required to comply with applicable Law. Thereafter, to the extent that Purchaser elects to terminate any Seller Plan, Purchaser shall offer replacement coverage to the Transferred Employees participating in such Seller Plan on the same basis as provided to similarly situated employees of Purchaser (or if no similar coverage is offered to similarly situated employees of Purchaser, no replacement coverage shall be required to be offered). For such purpose, a Transferred Employee shall be given credit for all service with a Seller to the same extent as such service was credited for such purpose by any Seller under the Seller Plans, under each applicable Purchaser employee benefit plan, policy program or arrangement for purposes of eligibility, vesting and solely with respect to paid time off and severance benefits, benefits accrual (other than which would result in the duplication of benefits accrual for the same period of service).

6.3 COBRA Coverage. Purchaser shall be responsible for providing, and shall assume all Liabilities in respect of, the provision of continued medical coverage pursuant to its group health plans for employees under Part 6, Title I of ERISA and Section 4980B of the Code (**"COBRA Continuation Coverage"**), for all current and former Employees of Sellers resident

in the United States with respect to any “qualifying event” (within the meaning of COBRA) incurred on or prior to the Closing Date or otherwise arising as a result to the transactions described herein. Immediately prior to the Closing, Sellers will provide to Purchaser a list of all Employees (i) terminated by Sellers within the ninety (90) days immediately preceding the Closing, and (ii) receiving COBRA Continuation Coverage on the Closing Date.

6.4 WARN Act Liability.

Sellers shall be responsible for any obligations under the WARN Act, or under any similar provision of any federal, state, provincial, regional, foreign or local Law, rule or regulation that might arise on or prior to the Closing Date, or as a consequence of the transactions contemplated by this Agreement, including providing any notice of layoff or plant closing, or maintaining the Employees on Sellers’ payroll for any period of notice required by the WARN Act. Except to the extent included in Assumed Liabilities, Sellers shall retain all Liabilities, if any, for any severance or termination costs relating to Employees who, on or at the Closing Date, experience a termination of employment by Sellers as a result of the transactions contemplated by this Agreement.

6.5 No Third-Party Beneficiaries.

(a) Notwithstanding anything set forth in this Article 6, nothing contained herein, whether express or implied, (i) shall be treated as an amendment or other modification of any Seller Plan or (ii) shall limit the right of Purchaser or any of its Affiliates to amend, terminate or otherwise modify any Seller Plan following the Closing Date, provided that Purchaser complies with its obligations under Section 6.2.

(b) Sellers and Purchaser acknowledge and agree that all provisions contained in this Article 6 with respect to current or former Employees are included for the sole benefit of Sellers and Purchaser, and that nothing herein, whether express or implied, shall create any third party beneficiary or other rights (i) in any other Person, including any current or former employees, directors, officers or consultants of Sellers, any participant in Seller Plan, or any dependent or beneficiary thereof, or (ii) to continued employment with Purchaser or any of its Affiliates.

ARTICLE 7.

BANKRUPTCY COURT MATTERS

7.1 Competing Bids and Other Matters.

(a) This Agreement and the transactions contemplated hereby are subject to Sellers’ right and ability to consider higher or better competing bids with respect to the Business and all or a portion of the Purchased Assets pursuant to the Bidding Procedures Order (each a “**Competing Bid**”). From the date of entry of the Bidding Procedures Order until the conclusion

of the Sale Hearing, Sellers are permitted to, and may cause their representatives and Affiliates to, initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person (in addition to Purchaser and its Affiliates, agents and representatives) in connection with any sale or other disposition of the Business or a material portion of the Purchased Assets or the continuation of the Business as a reorganized, going-concern.

(b) From the date of entry of the Bidding Procedures Order until the conclusion of the Sale Hearing, Sellers shall have the responsibility and obligation to respond to any inquiries or offers to purchase all or any part of the Business, and perform any and all other acts related thereto which are required under the Bankruptcy Code or other applicable Law, including supplying information relating to the Business and the assets of Sellers to prospective purchasers, subject only to the provisions of the Bidding Procedures Order.

(c) If an Auction is conducted, and Purchaser is not the prevailing party at the conclusion of such Auction (such prevailing party, the “**Prevailing Bidder**”), Purchaser shall be required to serve as a back-up bidder (the “**Back-up Bidder**”) and keep Purchaser’s bid to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be improved upon in the Auction) open and irrevocable until the earlier of (i) 5:00 p.m. (prevailing Eastern time) on [•], 2009 (the “**Outside Back-up Date**”); or (ii) the date of closing of an Alternative Transaction with the Prevailing Bidder. Following the Sale Hearing and prior to the Outside Back-up Date, if the Prevailing Bidder fails to consummate the applicable Alternative Transaction as a result of a breach or failure to perform on the part of such Prevailing Bidder, then the Back-up Bidder (if the Back-up Bidder is the next highest bidder at the Auction) will be deemed to have the new prevailing bid, and Sellers will be authorized, without further order of the Bankruptcy Court, to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be improved upon in the Auction) with the Back-up Bidder.

(d) Sellers shall promptly serve true and correct copies of the Sale Motion and all related pleadings in accordance with the Bidding Procedures Order, the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules for the United States Bankruptcy Court for the District of Delaware and any other applicable order of the Bankruptcy Court.

7.2 Sale Order. The Sale Order shall be entered by the Bankruptcy Court substantially in the form attached hereto as Exhibit C, with such nonmaterial changes as the Court may require, and otherwise in form and substance reasonably acceptable to Sellers and Purchaser. The Sale Order shall, among other things, (i) approve, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, (A) the execution, delivery and performance by Sellers of this Agreement, (B) the sale of the Purchased Assets to Purchaser on the terms set forth herein and free and clear of all Encumbrances (other than Encumbrances included in the Assumed Liabilities and Permitted Encumbrances), and (C) the performance by Sellers of their obligations under this Agreement; (ii) authorize and empower Sellers to assume and assign to Purchaser the

Assigned Contracts; and (iii) find that Purchaser is a “good faith” buyer within the meaning of Section 363(m) of the Bankruptcy Code, not a successor to any Seller and grant Purchaser the protections of Section 363(m) of the Bankruptcy Code. Purchaser agrees that it will promptly take such actions as are reasonably requested by Sellers to assist in obtaining Bankruptcy Court approval of the Sale Order, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for purposes, among others, of demonstrating that Purchaser is a “good faith” purchaser under Section 363(m) of the Bankruptcy Code and establishing adequate assurance of future performance within the meaning of Section 365 of the Bankruptcy Code. In the event that the Bankruptcy Court’s approval of the Sale Order shall be appealed, Sellers shall use reasonable efforts to defend such appeal.

ARTICLE 8.

COVENANTS AND AGREEMENTS

8.1 Conduct of Business of Sellers.

(a) During the period from the Execution Date and continuing until the earlier of the termination of this Agreement in accordance with Section 3.4 or the Closing, except (1) for any limitations on operations imposed by the Bankruptcy Court or the Bankruptcy Code, (2) as required by applicable Law, (3) as otherwise expressly contemplated by this Agreement or as set forth on Schedule 8.1 or (4) with the prior written consent of Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), each Seller shall:

(i) conduct the Business and operate and maintain the Purchased Assets in the Ordinary Course of Business; and

(ii) use its commercially reasonable best efforts to (A) preserve the goodwill of and relationships with Governmental Bodies, customers, suppliers, vendors, lessors, licensors, licensees, contractors, distributors, agents, Employees and others having business dealings with the Business; and (B) comply with all applicable Laws and, to the extent consistent therewith, preserve their assets (tangible and intangible), including the IT Assets.

(b) During the period from the Execution Date and continuing until the earlier of the termination of this Agreement in accordance with Section 3.4 or the Closing, except (1) for any limitations on operations imposed by, or actions required by, the Bankruptcy Court or the Bankruptcy Code, (2) as required by applicable Law, (3) as otherwise expressly contemplated by this Agreement or as set forth on Schedule 8.1, or (4) with the prior written consent of Purchaser (such consent not to be unreasonably withheld or conditioned and, in the event that Sellers request Purchaser’s consent in writing and Purchaser does not provide a response within four (4) Business Days after such request, Purchaser shall be deemed to have provided its prior written consent to such request), Sellers shall not:

(i) mortgage, pledge or subject to any Encumbrance (other than a Permitted Encumbrance) the Business or any of the Purchased Assets;

(ii) sell, assign, license, transfer, convey, lease, surrender, relinquish or otherwise dispose of any of the Purchased Assets;

(iii) cancel or compromise any debt or material claim or waive or release any material right of any Seller that constitutes a Purchased Asset or otherwise relates to the Business;

(iv) (A) enter into any new Contract or renew any existing Contract requiring payments by or to Sellers in excess of \$25,000 over the twelve month period immediately following the execution thereof and (B) cancel, terminate, amend, modify, supplement or rescind any Material Contract or any terms of any Material Contract, except for the purpose of effecting any changes in applicable Law or implementing regulatory requirements or in response to a breach or default by the other party thereto;

(v) abandon any rights under any Material Contract or breach any Material Contract;

(vi) incur any long term expenditure associated with the Purchased Assets that would be an Assumed Liability;

(vii) incur or permit to be incurred any Liability (other than in connection with the performance of any Non-Assumed Contracts or execution of any Contracts that are not Material Contracts in the Ordinary Course of Business) that would be an Assumed Liability, or would increase the amount of an Assumed Liability;

(viii) fail to replenish the Inventory of the Business in the Ordinary Course of Business in any material respect;

(ix) terminate any Employee set forth on Schedule 8.1(b)(ix) or hire any Person to replace any such Employee;

(x) (A) with respect to any Employee set forth on Schedule 8.1(b)(ix), increase the salary, bonus or severance arrangements of such Employee or amend, modify, terminate or enter into any employment or severance Contract with such Employee and (B) with respect to all other Employees, take any of the foregoing actions other than in the Ordinary Course of Business;

(xi) (A) enter into, amend or terminate any Seller Plan, (B) exercise any discretion to accelerate the vesting or payment of any compensation or benefit under any Seller Plan to any current or former employee, officer or director, or other service provider of Sellers, (C) grant any new awards under any Seller Plan or (D) take any action to fund the payment of compensation or benefits under any Seller Plan to any

current or former employee, officer or director, or other service provider of Sellers, except (X) in the case of Clauses (A) or (D), in the Ordinary Course of Business with respect to employees of Sellers who are not currently, and have never been, officers or directors of any Seller and (Y) in the case of all Clauses, to conform to applicable Law or as may be required under any Seller Plan that is in effect as of the date hereof ;

(xii) make or rescind any material Tax election or take any material Tax position (unless required by Law) or file any amended Tax Return or change its fiscal year or financial or Tax accounting methods, policies or practices, or settle any Tax Liability, except in each case as would not reasonably be expected to result in Liability to Purchaser or the Business;

(xiii) fail to file any Tax Return or fail to pay any Taxes of any Seller or any such Tax Returns or Taxes that otherwise relate to the Business or the Purchased Assets;

(xiv) institute, settle or agree to settle or modify in any manner that is adverse to the Business or the Purchased Assets, any litigation, action or proceeding before any court or Governmental Body relating to the Purchased Assets and that is or will be an Assumed Liability except any such litigation, action or proceeding involving payment by or to Sellers that is less than \$50,000 individually and \$75,000 in the aggregate;

(xv) (A) take any action that reasonably jeopardizes the validity of or results in the revocation, surrender or forfeiture of, any of the Material Permits necessary or desirable for the continued operation of the Business, (B) fail to use commercially reasonable efforts to prosecute with due diligence any material pending applications with respect to the Material Permits, including any renewals thereof, (C) with respect to the Material Permits, fail to make all filings and reports and pay all material fees necessary or reasonably appropriate for the continued operation of the Business of Sellers, as and when such approvals, consents, permits, licenses, filings, or reports or other authorizations are necessary or appropriate or (D) fail to initiate appropriate steps to renew any Material Permits held by Sellers that are scheduled to terminate prior to or within sixty (60) days after the Closing or to prosecute any pending applications for any Material Permit;

(xvi) transfer, assign or abandon or grant any rights or modify any existing rights under any Seller Intellectual Property other than in the Ordinary Course of Business, or enter into any settlement regarding the breach or infringement, misappropriation, dilution or other violation of any Intellectual Property right;

(xvii) make, commit to make or incur any Liability for capital expenditures; or

(xviii) enter into any Contract to do any of the foregoing or agree to do anything prohibited by this Section 8.1(b).

(c) Promptly after the Closing Date, Sellers will (i) revoke any filing, that they may have made heretofore with any Governmental Body relating to their use of the Purchased Names and of any like names or combinations of words or derivations thereof; (ii) at their expense, prepare and file with the appropriate Governmental Body appropriate documents, including articles of amendment, changing their name so as to effectuate the same and promptly deliver evidence of such name change to Purchaser; and (iii) cease using the Purchased Names, and any derivations thereof.

8.2 Access to Information.

(a) Sellers agree that, between the Execution Date and the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with Section 3.4, Purchaser shall be entitled, through their respective officers, employees, counsel, accountants and other authorized representatives, agents and contractors (“**Representatives**”), to have such reasonable access to and make such reasonable investigation and examination of the books and records, properties, businesses, assets, Employees, accountants, auditors, counsel and operations of Sellers as Purchaser’s Representatives may reasonably request. Any such investigations and examinations shall be conducted during regular business hours upon reasonable advance notice and under reasonable circumstances, including Sellers’ right to have its Representative accompany Purchaser upon the Leased Real Property at the time of any inspection or examination and shall be subject to restrictions under applicable Law. Pursuant to this Section 8.2, Sellers shall furnish to Purchaser and Purchaser’s Representatives such financial, operating and property related data and other information as such Persons reasonably request. Sellers shall use commercially reasonable efforts to cause their Representatives to reasonably cooperate with Purchaser and Purchaser’s Representatives in connection with such investigations and examinations, and Purchaser shall, and use its commercially reasonable efforts to cause its Representatives to, reasonably cooperate with Sellers and the Sellers’ Representatives and shall use their reasonable efforts to minimize any disruption to the Business.

(b) From and after the Closing Date, Sellers shall give Purchaser and Purchaser’s Representatives reasonable access during normal business hours to the offices, facilities, plants, properties, assets, Employees, Documents (including any Documents included in the Excluded Assets), personnel files and books and records of Sellers pertaining to the Business. In connection with the foregoing, Sellers shall use commercially reasonable efforts to cause their Representatives to furnish to Purchaser such financial, technical, operating and other information pertaining to the Business as Purchaser’s Representatives shall from time to time reasonably request and to discuss such information with such Representatives. Without limiting the generality of the foregoing, Sellers shall, and shall use commercially reasonable efforts to cause each of their Affiliates to, cooperate with Purchaser as may reasonably be requested by Purchaser for purposes of (i) undertaking, with the consent of Electroglas, which consent shall

not be unreasonably withheld or delayed, any study of the condition or value of the Purchased Assets; and (ii) undertaking any study relating to Sellers' compliance with Laws; and Sellers acknowledge that information or access may be requested and used for such purpose.

(c) From and after the Closing Date, Purchaser shall give Sellers and Sellers' Representatives reasonable access during normal business hours to the offices, facilities, plants, properties, assets, Employees, Documents (including any Documents included in the Purchased Assets), personnel files and books and records of Purchaser pertaining to (i) the conduct of the Business or ownership of the Purchased Assets prior to the Closing Date or (ii) the Excluded Assets and Liabilities. In connection with the foregoing, Purchaser shall use commercially reasonable efforts to cause its Representatives to furnish to Sellers such financial, technical, operating and other information pertaining to (i) the conduct of the Business or ownership of the Purchased Assets prior to the Closing Date or (ii) the Excluded Assets and Liabilities, in each case, as Sellers' Representatives shall from time to time reasonably request and to discuss such information with such Representatives.

(d) No information received pursuant to an investigation made under this Section 8.2 shall be deemed to (i) qualify, modify, amend or otherwise affect any representations, warranties, covenants or other agreements of Sellers set forth in this Agreement or any certificate or other instrument delivered to Purchaser in connection with the transactions contemplated hereby, (ii) amend or otherwise supplement the information set forth in the Seller Disclosure Schedule, (iii) limit or restrict the remedies available to the parties under applicable Law arising out of a breach of this Agreement or otherwise available at Law or in equity, or (iv) limit or restrict the ability of either party to invoke or rely on the conditions to the obligations of the parties to consummate the transactions contemplated by this Agreement set forth in Article 9.

8.3 Assignability of Certain Contracts, Etc. To the extent that the assignment to Purchaser of any Assigned Contract pursuant to this Agreement is not permitted without the consent of a third party and such restriction cannot be effectively overridden or canceled by the Sale Order or other related order of the Bankruptcy Court, then this Agreement will not be deemed to constitute an assignment of or an undertaking or attempt to assign such Assigned Contract or any right or interest therein unless and until such consent is obtained; provided, however, that the parties hereto will use their commercially reasonable efforts, before the Closing, to obtain all such consents; provided, further, that if any such consents are not obtained prior to the Closing Date, Seller and Purchaser will reasonably cooperate with each other in any lawful and feasible arrangement designed to provide Purchaser with the benefits and obligations of any such Assigned Contract and Purchaser shall be responsible for performing all obligations under such Assigned Contract required to be performed by Sellers on or after the Closing Date to the extent that if such Assigned Contract were assumed by Purchaser as of the Closing Date the obligations thereunder would have constituted an Assumed Liability.

8.4 Rejected Contracts. Sellers shall not reject any Assigned Contract in any bankruptcy proceeding following the date hereof without the prior written consent of Purchaser.

8.5 Further Agreements. Purchaser authorizes and empowers Sellers from and after the Closing Date to receive and to open all mail received by Sellers relating to the Purchased Assets, the Business or the Assumed Liabilities and to deal with the contents of such communications in accordance with the provisions of this Section 8.5. Each of Sellers shall (i) promptly deliver to Purchaser any mail or other communication received by it after the Closing Date and relating to the Purchased Assets, the Business or the Assumed Liabilities, (ii) promptly transfer in immediately available funds to Purchaser any cash, electronic credit or deposit received by such Seller but solely to the extent that such cash, electronic credit or deposit are Purchased Assets and (iii) promptly forward to Purchaser any checks or other instruments of payment that it receives but solely to the extent that such checks or other instruments are Purchased Assets. Purchaser shall (x) promptly deliver to Sellers any mail or other communication received by it after the Closing Date and relating to the Excluded Assets or the Excluded Liabilities, (y) promptly wire transfer in immediately available funds to Sellers, any cash, electronic credit or deposit received by Purchaser but solely to the extent that such cash, electronic credit or deposit are Excluded Assets and (z) promptly forward to any checks or other instruments of payment that it receives but solely to the extent that such checks or other instruments are Excluded Assets. From and after the Closing Date, Sellers shall refer all inquiries with respect to the Business, the Purchased Assets and the Assumed Liabilities to Purchaser, and Purchaser shall refer all inquiries with respect to the Excluded Assets and the Excluded Liabilities to Sellers.

8.6 Further Assurances.

(a) Subject to the terms and conditions of this Agreement (including Section 7.2) and applicable Law, Sellers and Purchaser shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement as soon as practicable, and shall coordinate and cooperate with each other in exchanging information, keeping the other party reasonably informed with respect to the status of the matters contemplated by this Section 8.6 and supplying such reasonable assistance as may be reasonably requested by the other party in connection with the matters contemplated by this Section 8.6. Without limiting the foregoing, following the Execution Date and until the date on which this Agreement is terminated in accordance with Section 3.4, the parties shall use their commercially reasonable efforts to take the following actions but solely to the extent that such actions relate to the transactions contemplated by this Agreement:

(i) obtain any required consents, approvals (including Regulatory Approvals), waivers, Permits, authorizations, registrations, qualifications or other permissions or actions by, and give all necessary notices to, and make all filings with, and applications and submissions to, any Governmental Body or third party and provide all such information concerning such party as may be necessary or reasonably requested in connection with the foregoing;

(ii) avoid the entry of, or have vacated or terminated, any injunction, decree, order, or judgment that would restrain, prevent, or delay the consummation of the transactions contemplated hereby;

(iii) take any and all reasonably necessary steps to avoid or eliminate every impediment under any applicable Law that is asserted by any Governmental Body with respect to the transactions contemplated hereby so as to enable the consummation of such transactions to occur as expeditiously as possible;

(iv) execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquaintances and such other instruments, and cooperate and take such further actions, as may be reasonably necessary or appropriate to transfer and assign fully to Purchaser and its successors and assigns, all of the Purchased Assets, and for Purchaser and its successors and assigns, to assume the Assumed Liabilities, and to otherwise make effective the transactions contemplated hereby and thereby; and

(v) take any and all actions necessary to effect the transfer all of the Permits and include all such Permits in the Purchased Assets.

(b) Subject to the terms and conditions of this Agreement, the parties shall not take any action or refrain from taking any action the effect of which would be to delay or impede the ability of Sellers and Purchaser to consummate the transactions contemplated by this Agreement, unless in such party's reasonable judgment, taking such action or refraining from taking such action is consistent with achieving the ultimate objective or consummating the transactions contemplated hereby or is required by applicable Law.

(c) Following the Execution Date and until the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with Section 3.4, Sellers, on the one hand, and Purchaser, on the other hand, shall keep each other reasonably informed as to the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by Sellers or Purchaser or by any of their respective Affiliates (as the case may be), from any third party and/or any Governmental Body with respect to the transactions contemplated by this Agreement.

(d) The obligations of Sellers pursuant to this Section 8.6 shall be subject to any orders entered, or approvals or authorizations granted or required, by or under the Bankruptcy Court or the Bankruptcy Code (including in connection with the Chapter 11 Case), and each of Sellers' obligations as a debtor in possession to comply with any order of the Bankruptcy Court (including the Bidding Procedures Order and the Sale Order) and Sellers' duty to seek and obtain the highest or otherwise best price for the Business as required by the Bankruptcy Code.

8.7 Preservation of Records. Sellers and Purchaser agree that each of them shall preserve and keep the records held by them or their Affiliates relating to the Business, the Purchased Assets and Assumed Liabilities for a period of five (5) years from the Closing Date, in the case of Purchaser, and until the closing of the Chapter 11 Case or the liquidation and winding up of Sellers' estates, in the case of Sellers, and shall make such records available to the other party as may be reasonably required by such other party in connection with, among other things, any insurance claims by, actions or tax audits against or governmental investigations of Sellers or Purchaser or any of their respective Affiliates or in order to enable Sellers or Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby or thereby.

8.8 Publicity.

Sellers or Purchaser may issue a press release or public announcement concerning this Agreement or the transactions contemplated hereby only with the prior written approval of the other parties hereto, which approval will not be unreasonably withheld, conditioned or delayed, unless, in the sole judgment of the disclosing party, such disclosure is otherwise required by applicable Law or by the Bankruptcy Court with respect to filings to be made with the Bankruptcy Court in connection with this Agreement. Without limiting the generality of the foregoing sentence, the party intending to make such release shall use its commercially reasonable efforts, consistent with such applicable Law or Bankruptcy Court requirement, to consult with the other party with respect to the text thereof.

8.9 Communication with Acquired Customers. Sellers and Purchaser shall send a joint letter to the Acquired Customers, in form and substance reasonably satisfactory to Purchaser, at a mutually satisfactory time after the Bankruptcy Court's entry of the Sale Order, which shall include advising the Acquired Customers about the existence of (but not the terms of) this Agreement and the pending transfer of the Acquired Customer's account and underlying Assigned Contract from Sellers to Purchaser. In addition, Purchaser shall have the right, subject to the prior consent of Electroglas (which consent shall not be unreasonably withheld, conditioned or delayed), to contact and meet with any Seller's joint venturers and other partners, any parties to any Assigned Contract and any lenders with respect to any Purchased Assets or Assumed Liabilities; provided, however, that prior to the entry of the Sale Order, Sellers shall have the right to participate in any such contact or meeting.

8.10 Notification of Certain Matters. Sellers shall give prompt notice to Purchaser, and Purchaser shall give prompt notice to Sellers, of (i) any notice or other communication from any Person alleging that the consent of such Person which is or may be required in connection with the transactions contemplated by this Agreement is not likely to be obtained prior to Closing and (ii) any written objection or proceeding that challenges the transactions contemplated hereby or the entry of the approval of the Bankruptcy Court. To the extent permitted by applicable Law, Sellers shall give prompt notice to Purchaser of (i) any notice of any alleged violation of Law applicable to any Seller, (ii) the commencement of any

investigation, inquiry or review by any Governmental Body with respect to the Business or that any such investigation, inquiry or review, to the Knowledge of Sellers, is contemplated, (iii) the infringement or unauthorized use by any Person of any material Intellectual Property (of which any Seller has Knowledge) and (iv) the execution of any Material Contract entered into other than in the Ordinary Course of Business (and Seller shall deliver or make available a copy thereof to Purchaser).

ARTICLE 9.

CONDITIONS TO CLOSING

9.1 Conditions Precedent to the Obligations of Purchaser and Sellers.

The respective obligations of each party to this Agreement to consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by Sellers and Purchaser in whole or in part to the extent permitted by applicable Law):

(a) there shall not be in effect any statute, rule, regulation, executive order enacted, issued, entered or promulgated by a Governmental Body of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; and

(b) Sellers and Purchaser shall have agreed on the terms and conditions of a wind-down budget, in form and substance acceptable to each party (the “**Wind Down Budget**”), which shall include (i) any administrative and priority claims of the Chapter 11 Case that remain unpaid as of the Closing Date and/or that are anticipated to be incurred, allowed and/or paid after the Closing Date, (ii) without duplication, the amounts necessary to administer the Chapter 11 Case or a conversion to a case under Chapter 7 of the Bankruptcy Code, and (iii) the amount necessary to wind-down the foreign operations of Sellers and their subsidiaries; provided that the aggregate amount contained in the Wind-Down Budget shall not exceed \$25,000.

9.2 Conditions Precedent to the Obligations of Sellers. The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by Sellers in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Purchaser set forth in Article 5 hereof shall be true and correct as of the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made as of a certain date, which shall be true and correct as of such date as though made on and as of such date) except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation or qualification as to “materiality” or “material adverse effect” set forth in such

representations and warranties) has not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Purchaser's ability to consummate the transactions contemplated hereby, and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect;

(b) Purchaser shall have performed and complied in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date, and Sellers shall have received a certificate signed by an authorized officer of Purchaser, dated the Closing Date, to the foregoing effect; and

(c) Purchaser shall have delivered, or caused to be delivered, to Sellers all of the items set forth in Section 3.3; and

(d) Purchaser shall have delivered to Sellers appropriate evidence of all necessary corporate action by Purchaser in connection with the transactions contemplated hereby, including: (i) certified copies of resolutions duly adopted by Purchaser's Board of Directors approving the transactions contemplated by this Agreement and authorizing the execution, delivery, and performance by Purchaser of this Agreement; and (ii) a certificate as to the incumbency of officers of Purchaser executing this Agreement and any instrument or other document delivered in connection with the transactions contemplated by this Agreement.

9.3 Conditions Precedent to the Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by Purchaser in whole or in part to the extent permitted by applicable Law):

(a) Sellers shall have delivered to Purchaser (i) a certified copy of the Sale Order (which shall contain the terms described in Section 7.2) and (ii) copies of all affidavits of service of the Sale Motion or notice of such motion filed by or on behalf of Sellers (which service shall comply with Section 7.2(f));

(b) the representations and warranties of Electroglas set forth in Article 4 hereof shall be true and correct as of the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made as of a certain date, which shall be true and correct as of such date as though made on and as of such date) except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation or qualification as to "materiality" or "Material Adverse Effect" set forth in such representations and warranties) has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and Purchaser shall have received a certificate signed by an authorized officer of Electroglas, dated the Closing Date, to the foregoing effect;

(c) Sellers shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by them on or prior to the Closing Date (including the obligations set forth in Section 8.1), and Purchaser shall have received a certificate signed by an authorized officer of Electroglas, dated such Closing Date, to the forgoing effect;

(d) Except as provided in Section 8.3, all of the Assigned Contracts set forth on Schedule 9.3(d) shall (i) be in full force and effect on the Closing Date, and (ii) be assignable to Purchaser without the consent of the counterparty to such Assigned Contract for such assignment (or such consent shall have been received prior to the Closing Date); and

(e) Sellers shall have delivered, or caused to be delivered, to Purchaser all of the items set forth in Section 3.2.

9.4 Frustration of Closing Conditions. Neither Sellers nor Purchaser may rely on the failure of any condition set forth in Sections 9.1, 9.2 or 9.3, as the case may be, if such failure was caused directly by such party's failure to comply with any provision of this Agreement.

ARTICLE 10.

ADDITIONAL DEFINITIONS

10.1 Certain Definitions. As used herein:

(a) **"Accounts Receivable"** means (i) any and all accounts receivable, trade accounts and other amounts receivables (including overdue accounts receivable) owed to any of Sellers relating to, or arising in connection with the operation and conduct of, the Business and any other rights of Sellers to payment from third parties, including those reflected in the books and records of the Company, and the full benefit of all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of goods shipped, products sold or services rendered, in each case owing to Seller; (ii) all other accounts or notes receivable of Sellers and the full benefit of all security for such accounts or notes receivable arising in the conduct of the Business; and (iii) any and all claims, remedies or other right relating to any of the foregoing, together with any interest or unpaid financing charges accrued thereon, in each case existing on the Execution Date or arising in the Ordinary Course of Business after the Execution Date and in each case that have not been satisfied or discharged prior to the close of business on the Business Day immediately preceding the Closing Date or have not been written off or sent to collection prior to the close of business on the Business Day immediately preceding the Closing Date (it being understood that the receipt of a check prior to the close of business on the Business Day immediately preceding the Closing Date shall constitute satisfaction or discharge of the applicable account or note receivable to the extent of the payment represented thereby).

(b) “**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

(c) “**Alternative Transaction**” means (i) the approval by the Bankruptcy Court of a sale or sales of a material portion of the Purchased Assets to a third party other than Purchaser, or (ii) the filing of a plan of reorganization that does not contemplate the sale of the Purchased Assets to Purchaser in accordance with the terms hereof.

(d) “**Auction**” has that meaning ascribed to such term by the Bidding Procedures Order.

(e) “**Bidding Procedures Order**” means the order entered by the Bankruptcy Court on [•], 2009 [include docket number].

(f) “**Business**” means any and all business activities of any kind that are conducted by any Seller, including among other things, supplying semiconductor manufacturing equipment and software to the global semiconductor industry.

(g) “**Business Day**” means any day other than a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by Law to be closed.

(h) “**Cash and Cash Equivalents**” means all of Sellers’ cash (including petty cash and checks received prior to the close of business on the Closing Date) checking account balances, marketable securities, certificates of deposits, time deposits, bankers’ acceptances, commercial paper and government securities and other cash equivalents (but specifically excluding any cash in the Wind Down Budget and any cash payable by Purchaser to Sellers pursuant to this Agreement).

(i) “**Closing Tax Period**” means any Tax Period or any portion of a Tax Period beginning after the Closing Date.

(j) “**Code**” means the Internal Revenue Code of 1986, as amended.

(k) “**Contract**” means any written or oral contract, purchase order, service order, sales order, indenture, note, bond, lease, license, commitment or instrument or other agreement, arrangement or commitment that is binding upon a Person or its property.

(l) “**Cure Costs**” means the amounts necessary to cure all defaults, if any, and to pay all actual pecuniary losses, if any, that have resulted from such defaults, under the Assigned Contracts, in each case as of the Petition Date and to the extent required by Section 365

of the Bankruptcy Code and any order of the Bankruptcy Court, which amounts (if not already paid or to be paid in the Ordinary Course of Business pursuant to an order of the Bankruptcy Court) shall be identified to Purchaser on Schedule 10.1(m) at least 3 days prior to the Auction.

(m) **“DIP Credit Agreement”** means the Loan, Guarantee and Security Agreement, dated as of [•], 2009, among Electroglass, International and the DIP Lenders, as amended, restated, supplemented or otherwise modified from time to time.

(n) **“DIP Lenders”** means [email list]

(o) **“DIP Loan Documents”** means the DIP Credit Agreement and all other documents, instruments and agreements at any time delivered in connection therewith (including all notes, security agreements, pledge agreements and guaranties).

(p) **“Documents”** means all of Sellers’ written files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, plans, operating records, safety and environmental reports, data, studies and documents, Tax Returns, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, research material, technical documentation (design specifications, engineering information, test results, maintenance schedules, functional requirements, operating instructions, logic manuals, processes, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials, in each case whether or not in electronic form.

(q) **“Employee”** means an individual who, as of the applicable date, is employed by any Seller in connection with the Business.

(r) **“Employment Loss”** means (i) an employment termination, other than a discharge for cause, voluntary departure or retirement, (ii) a layoff exceeding six (6) months, (iii) a reduction in hours of work of more than fifty percent (50%) in each month of any six (6) month period or (iv) or any similar employment action that (when aggregated with any other employment action) could trigger the notice requirements of the WARN Act or any other similar state law.

(s) **“Encumbrance”** means any lien, encumbrance, claim (as defined in Section 101(5) of the Bankruptcy Code), right, demand, charge, mortgage, deed of trust, option, pledge, security interest or similar interests, title defects, hypothecations, easements, rights of way, restrictive covenants, encroachments, rights of first refusal, preemptive rights, judgments, conditional sale or other title retention agreements and other impositions, imperfections or defects of title or restrictions on transfer or use of any nature whatsoever.

(t) **“Environmental Laws”** means all Laws relating to pollution or protection of health, safety, natural resources or the environment, or the generation, use, treatment, storage,

handling, transportation or Release of, or exposure to, Hazardous Materials, including the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.), Safe Drinking Water Act (42 U.S.C. §3000(f) et seq.), Toxic Substances Control Act (15 U.S.C. §2601 et seq.), Clean Air Act (42 U.S.C. §7401 et seq.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §9601 et seq.) and other similar federal, state, provincial and local statutes.

(u) “**Equipment**” means all equipment, machinery, vehicles, storage tanks, furniture, fixtures and other tangible personal property of every kind and description and improvements and tooling used, or held for use, in connection with the operation of the Business and owned by any Seller, wherever located, including but not limited to, communications equipment, the IT Assets, and any attached and associated hardware, routers, devices, panels, cables, manuals, cords, connectors, cards, and vendor documents, and including all warranties of the vendor applicable thereto, to the extent such warranties are transferable, but excluding software and any other intangibles associated therewith except to the extent embedded in such Equipment and required to operate it.

(v) “**ERISA Affiliate**” means any entity which is, or at any relevant time was, a member of (A) a controlled group of corporations (as defined in Section 414(b) of the Code), (B) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), (C) an affiliated service group (as defined under Section 414(m) of the Code) or (D) any group specified in regulations under Section 414(o) of the Code, any of which includes or included any Seller.

(w) “**Final Order**” means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction entered by the Clerk of the Bankruptcy Court or such other court on the docket in Sellers’ Chapter 11 Case or the docket of such other court, which has not been modified, amended, reversed, vacated or stayed and as to which (a) the time to appeal, petition for certiorari, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari or motion for new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ of certiorari new trial, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other court of competent jurisdiction shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for a new trial, reargument or rehearing shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Federal Rules of Bankruptcy Procedure; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause such order not to be a Final Order.

(x) “**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

(y) **“Governmental Body”** means any government, quasi governmental entity, or other governmental or regulatory body, agency or political subdivision thereof of any nature, whether foreign, federal, state or local, or any agency, branch, department, official, entity, instrumentality or authority thereof, or any court or arbitrator (public or private) of applicable jurisdiction.

(z) **“Hazardous Materials”** means petroleum and all derivatives thereof or synthetic substitutes therefor, asbestos and asbestos containing materials, and any and all materials now or hereafter defined, listed, designated or classified as, or otherwise determined to be, “hazardous wastes,” “hazardous substances,” “radioactive,” “solid wastes,” or “toxic” (or words of similar meaning) under or pursuant to or otherwise listed or regulated pursuant to any Environmental Law.

(aa) **“Indebtedness”** of any Person means, without duplication, (i) the interest in respect of, principal of and premium (if any) in respect of (x) indebtedness of such Person for money borrowed and (y) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property (other than for services and good acquired in the Ordinary Course of Business); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Encumbrance (other than Permitted Encumbrances), on any property or asset of such Person (whether or not such obligation is assumed by such Person).

(bb) **“Intellectual Property”** means all intellectual property and proprietary rights of any kind, in any country or jurisdiction, including the following: (i) trademarks, service marks, trade names, slogans, logos, trade dress, internet domain names, uniform resource identifiers, rights in design, brand names, and other similar designations of source or origin, together with all goodwill, registrations and applications related to the foregoing; (ii) patents, utility models and industrial design registrations (and all continuations, divisionals, continuations in part, provisionals, renewals, reissues, re-examinations and applications for any of the foregoing); (iii) copyrights and copyrightable subject matter (including any registration and applications for any of the foregoing); (iv) trade secrets and other confidential or proprietary business information (including manufacturing and production processes and techniques, research and development information, technology, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and information), know how, proprietary processes, formulae, algorithms, models, and methodologies; (v) computer software, computer programs, and databases (whether in source code, object code or other form); and (vi)

all rights to sue for past, present and future infringement, misappropriation, dilution or other violation of any of the foregoing and all remedies at law or equity associated therewith.

(cc) “**Inventory**” means all of Sellers’ now owned or hereafter existing or acquired goods, wherever located, which (i) are leased by any Seller as lessor; (ii) are held by any Seller for sale or lease or to be furnished under a contract of service; (iii) are furnished by any Seller under a contract of service; or (iv) consist of raw materials, office supplies, works in process, furnished goods, spare parts and replacement and component parts that are used, or held for use, in connection with the operation of the Business.

(dd) “**IT Assets**” means all of Sellers’ computers, computer software and databases (including source code, object code and all related documentation), firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, and all other information technology equipment and elements, and all associated documentation that are used, or held for use, in connection with the operation of the Business.

(ee) “**Knowledge of Sellers**” or “**Sellers’ Knowledge**” means the actual knowledge of Warren Kocmond and Thomas Brunton, in each case, including facts of which such individuals should be aware in the reasonably prudent exercise of their duties.

(ff) “**Laws**” means all federal, state, local or foreign laws, statutes, common law, rules, codes, regulations, restrictions, ordinances, orders, decrees, approvals, directives, judgments, rulings, injunctions, writs and awards of, or issued, promulgated, enforced or entered by, any and all Governmental Bodies, or court of competent jurisdiction, or other requirement or rule of law.

(gg) “**Leased Real Property**” means all of the real property leased, subleased, licensed, used or occupied by any Seller, together with all buildings, structures, fixtures and improvements erected thereon, and any and all rights privileges, easements, licenses, hereditaments and other appurtenances relating thereto, and used, or held for use, in connection with the operation of the Business.

(hh) “**Liability**” means, as to any Person, any debt, adverse claim, liability, duty, responsibility, obligation, commitment, assessment, cost, expense, loss, expenditure, charge, fee, penalty, fine, contribution or premium of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute or contingent, direct or indirect, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and regardless of when sustained, incurred or asserted or when the relevant events occurred or circumstances existed, including all costs and expenses relating thereto.

(ii) “**Licensed Intellectual Property**” means any Intellectual Property that is licensed to any Seller, and used, or held for use, in connection with the operation of the Business.

(jj) “**Material Adverse Effect**” means any event, circumstance, change, occurrence or state of facts that has had, or would reasonably be expected to have, a material adverse effect on the (i) assets, Liabilities, Business, operations, properties, condition (financial or otherwise) or results of operations of the Business, taken as a whole, or (ii) the ability of Sellers to consummate the transactions contemplated by this Agreement or perform their obligations under this Agreement except, in each case, for any such effect resulting from any of the following: (A) changes in conditions in the U.S. or global economy or capital or financial markets generally, including changes in interest or exchange rates, except to the extent such changes disproportionately affect Sellers relative to other Persons in the industry in which the Business is engaged, (B) changes after the date hereof in general legal, tax, regulatory, political or business conditions in the geographic regions in which the Business operates, except to the extent such changes disproportionately affect the Business relative to other Persons in the industry in which the Business is engaged, (C) changes after the date hereof in any applicable Law or in GAAP, (D) the announcement or pendency of this Agreement or the transactions contemplated hereby on relationships, contractual or otherwise, with customers, suppliers, vendors or employees, (E) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this Agreement, except to the extent such events disproportionately affect the Business relative to other Persons in the industry in which the Business is engaged, (F) earthquakes, hurricanes, floods, or other natural disasters, except to the extent such events disproportionately affect the Business relative to other Persons in the industry in which the Business engaged, (G) any action taken by Sellers at the request or with the prior written consent of Purchaser or (H) the commencement of the Chapter 11 Case or compliance with the Bankruptcy Code and Rules or applicable court orders.

(kk) “**Non-Assumed Contracts**” means any Contracts to which any Seller is a party but that are not Assigned Contracts including the Contracts set forth on Schedule 10.1(nn).

(ll) “**Ordinary Course of Business**” means the ordinary and usual course of normal day to day operations of the Business consistent with past practice.

(mm) “**Owned Intellectual Property**” means all Intellectual Property owned by any Seller, and used, or held for use, in connection with the operation of the Business.

(nn) “**Permits**” means all notifications, licenses, permits (including environmental, construction and operation permits), franchises, certificates, approvals, consents, waivers, clearances, exemptions, classifications, registrations, variances, orders, tariffs, rate schedules and other similar documents and authorizations issued by any Governmental Body to any Seller and used, or held for use, in connection with the operation of the Business or applicable to ownership of the Purchased Assets or assumption of the Assumed Liabilities.

(oo) “**Permitted Encumbrances**” means (i) Encumbrances for utilities and current Taxes not yet due and payable; (ii) easements, rights of way, restrictive covenants, encroachments and similar non-monetary encumbrances or non-monetary impediments against

any of the Purchased Assets which do not, individually or in the aggregate, adversely affect the operation of the Business and, in the case of the Assumed Leased Real Property, which do not, individually or in the aggregate, adversely affect the use or occupancy of such Assumed Leased Real Property as it relates to the operation of the Business or materially detract from the value of the Assumed Leased Real Property, (iii) applicable zoning Laws, building codes, land use restrictions and other similar restrictions imposed by Law, (iv) materialmans', mechanics', artisans', shippers', warehousemans' or other similar common law or statutory liens incurred in the Ordinary Course of Business and (v) such other Encumbrances or title exceptions as Purchaser may approve in writing in its sole discretion or which do not, individually or in the aggregate, adversely affect the operation of the Business.

(pp) **"Person"** means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, labor union, estate, Governmental Body or other entity or group.

(qq) **"Petition Date"** means the date on which Sellers commence the Chapter 11 Case.

(rr) **"Pre-Closing Tax Period"** means any Tax Period or any portion of a Tax Period ending on or before the Closing Date.

(ss) **"Regulatory Approvals"** means any consents, waivers, approvals, orders Permits or authorizations of any Governmental Body required in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereunder.

(tt) **"Release"** means, with respect to any Hazardous Material, any spilling, leaching, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migrating into or through any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or the ambient air.

(uu) **"Sale Hearing"** means the hearing to approve this Agreement and seeking entry of the Sale Order.

(vv) **"Sale Motion"** means the motion or motions of Sellers, in form and substance reasonably acceptable to Sellers and Purchaser, seeking approval and entry of the Sale Order.

(ww) **"Sale Order"** means an order substantially in the form attached hereto as Exhibit C and otherwise in form and substance reasonably satisfactory to Sellers and Purchaser.

(xx) **"Seller Plan"** means (i) all "employee benefit plans" (as defined in Section 3(3) of ERISA), including all employee benefit plans which are "pension plans" (as defined in Section 3(2) of ERISA) and any other written employee benefit arrangements or payroll practices (including severance pay, vacation pay, company awards, salary continuation

for disability, sick leave, death benefit, hospitalization, welfare benefit, group or individual health, dental, medical, life, insurance, survivor benefit, deferred compensation, profit sharing, retirement, retiree medical, supplemental retirement, bonus or other incentive compensation, stock purchase, stock option, stock appreciation rights, restricted stock and phantom stock arrangements or policies) and (ii) all material written employment, termination, bonus, severance, change in control or other similar contracts or agreements, in each case to which any Seller is a party, with respect to which any Seller has any Liability or obligation or which are maintained by any Seller and to which any Seller contributes or is obligated to contribute with respect to current or former directors, officers, consultants and employees of any Seller.

(yy) “**Seller Intellectual Property**” means any Intellectual Property that is owned by or licensed to any Seller, and used, or held for use, in connection with the operation of the Business.

(zz) “**Specified Preference Claims**” means preference claims under Sections 547 and 550 under Bankruptcy Code to the extent that they exist against parties supplying goods or services to either of the Sellers or its subsidiaries prior to the Petition Date who are not "insiders" of any Seller as defined in section 101(31) of the Bankruptcy Code.

(aaa) “**Tax**” and “**Taxes**” mean any and all taxes, charges, fees, tariffs, duties, impositions, levies, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax or assessment of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

(bbb) “**Tax Period**” means any period prescribed by any Governmental Body for which a Tax Return is required to be filed or a Tax is required to be paid.

(ccc) “**Tax Return**” means any return, report, information return, declaration, record, claim for refund or other document (including any schedule or related or supporting information) supplied or required to be supplied to any Governmental Body with respect to Taxes, including amendments thereto.

(ddd) “**WARN Act**” means the United States Worker Adjustment and Retraining Notification Act, and the rules and regulations promulgated thereunder.

10.2 Cross Reference Table.

The following terms defined elsewhere in this Agreement in the Sections set forth below shall have the respective meanings therein defined:

Term	Definition
"Bankruptcy Code"	Recitals
"Bankruptcy Court"	Recitals
"Chapter 11 Case"	Recitals
"International"	Preamble
"Specified Policies"	1.2(d)
"Accounts Receivable List"	4.23
"Acquired Customers"	1.1(a)
"Actions"	4.6
"Agreement"	Preamble
"Allocation"	11.1(b)
"Assigned Contracts"	1.1(s)
"Assumed Customer Contracts"	1.1(a)
"Assumed Equipment"	1.1(g)
"Assumed Independent Contractor"	1.1(k)
"Assumed Intellectual Property Licenses"	1.1(s)
"Assumed Intellectual Property"	1.1(s)
"Assumed Leased Real Property"	1.1(j)
"Assumed Liabilities"	1.3
"Assumed Permits"	1.1(l)
"Assumed Personal Property Leases"	1.1(h)
"Assumed Real Property Leases"	1.1(j)
"Assumed Vendor Contracts"	1.1(e)
"Audited Financial Statements"	4.25
"Backup Bidder"	7.1(e)
"Bankruptcy Code"	Recitals
"Bankruptcy Court"	Recitals
"Chapter 11 Case"	Recitals
"Closing Date"	3.1
"Closing"	3.1
"COBRA Continuation Coverage"	6.3
"Competing Bid"	7.1(c)
Intentionally Omitted	

“Electroglas Bylaws”	4.1
“Electroglas Certificate”	4.1
“Electroglas”	Preamble
“Employee Plans”	4.17(b)
“Exceptions”	4.3
“excess parachute payment”	4.17(g)
“Excluded Assets”	1.2
“Excluded Liabilities”	1.4
“Excluded Plans”	1.1(v)
“Execution Date”	Preamble
“Exempt Trust”	4.17(d)
Intentionally Omitted	
“Financial Statements”	4.25
“herein”	12.14(viii)
“hereinafter”	12.14(viii)
“hereof”	12.14(viii)
“hereunder”	12.14(viii)
“include”	12.14(iv)
“includes”	12.14(iv)
“including”	12.14(iv)
“Insurance Policies”	4.2
“mass layoff”	4.16(b)
“Material Contracts”	4.8(a)
“Material Permits”	4.9(a)
“Most Recent Balance Sheet”	4.25
“multiemployer plan”	4.17(c)
“nonqualified deferred compensation plan”	4.17(g)
“Outside Back-up Date”	7.1(e)
“Outside Date”	3.4(b)
“Permitted Assign”	12.8
“plant closing”	4.16(b)
“Prevailing Bidder”	7.1(e)
“prohibited transaction”	4.17(e)
“Purchase Price”	2.1(a)
“Purchased Assets”	1.1

“Purchased Names”	1.1(i)
Intentionally Omitted	
“Purchaser”	Preamble
“Purchaser's Documents”	5.2
“Qualified Plan”	4.17(d)
“qualifying event”	6.3
“Registered IP”	4.7(a)
“Representatives”	8.2(a)
“Seller Reserves”	4.23
“Seller”	Preamble
“Sellers’ Documents”	4.3
“Significant Customers”	4.22
“Significant Vendors/Suppliers”	4.22
“Transferred Employee”	6.1
“Unaudited Financial Statements”	4.25
“Wind Down Budget”	9.1(c)

ARTICLE 11.

TAXES

11.1 Additional Tax Matters.

(a) Any Taxes of a Seller and any sales, use, purchase, transfer, franchise, deed, fixed asset, stamp, documentary stamp, use or other Taxes and recording charges which may be payable by reason of the sale of the Purchased Assets or the assumption of the Assumed Liabilities under this Agreement or the transactions contemplated herein shall be borne and timely paid by Purchaser , and Purchaser shall indemnify, defend (with counsel reasonably satisfactory to Purchaser), protect, and save and hold Sellers harmless from and against any and all claims, charges, interest or penalties assessed, imposed or asserted in relation to any such Taxes.

(b) Purchaser shall, within the later of (i) 120 days after the Closing Date, or (ii) fifteen days prior to the date by which Electroglas’s federal income Tax Returns must be filed, prepare and deliver to Electroglas a Schedule allocating the Purchase Price (and any other items that are required for federal income tax to be treated as Purchase Price) among the Purchased Assets (such schedule, the **“Allocation”**). Purchaser and Electroglas shall report and file all Tax Returns (including amended Tax Returns and claims for refund) consistent with the Allocation as finally agreed upon, and shall take no position contrary thereto or inconsistent

therewith (including in any audits or examinations by any Governmental Body or any other proceeding); provided, however, that nothing contained herein shall prevent Purchaser or Sellers from settling any proposed deficiency or adjustment by any Governmental Body based upon or arising out of the Allocation, and neither Purchaser nor Sellers shall be required to litigate before any court any proposed deficiency or adjustment by any Governmental Body challenging such Allocation. Purchaser and Sellers shall cooperate in the filing of any forms (including Form 8594 under Section 1060 of the Code) with respect to such Allocation. Sellers shall timely and properly prepare, execute, file and deliver all such Documents, forms and other information as Purchaser may reasonably request to prepare such Allocation. Notwithstanding any other provision of this Agreement, the terms and provisions of this Section 11.1(b) shall survive the Closing without limitation.

ARTICLE 12.

MISCELLANEOUS

12.1 Payment of Expenses. Except as otherwise provided in this Agreement and whether or not the transactions contemplated hereby are consummated, Sellers and Purchaser shall, subject to Section 12.12 below, bear their own expenses incurred or to be incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby.

12.2 Survival of Representations and Warranties; Survival of Confidentiality. The parties hereto agree that the representations and warranties contained in this Agreement shall expire upon the Closing Date. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive in accordance with the terms of the particular covenant or until fully performed.

12.3 Entire Agreement; Amendments and Waivers. This Agreement (including the Schedules and Exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement may be amended, supplemented or changed, and any provision hereof may be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right,

power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by applicable Law.

12.4 Counterparts. For the convenience of the parties hereto, this Agreement may be executed (by facsimile or PDF signature) in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

12.5 Governing Law. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH FEDERAL BANKRUPTCY LAW, TO THE EXTENT APPLICABLE, AND WHERE STATE LAW IS IMPLICATED, THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK, IN RESPECT OF ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

12.6 Jurisdiction, Waiver of Jury Trial. THE BANKRUPTCY COURT WILL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY; PROVIDED, HOWEVER, THAT IF THE BANKRUPTCY COURT IS UNWILLING OR UNABLE TO HEAR ANY SUCH DISPUTE, THE COURTS OF THE STATE OF NEW YORK AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK WILL HAVE SOLE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN OR AMONG THE PARTIES, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED HEREBY.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

12.7 Notices. Unless otherwise set forth herein, any notice, request, instruction or other document to be given hereunder by any party to the other parties shall be in writing and shall be deemed duly given (i) upon delivery, when delivered personally, (ii) one (1) Business Day after being sent by overnight courier or when sent by facsimile transmission (with a confirming copy sent by overnight courier), and (iii) three (3) Business Days after being sent by registered or certified mail, postage prepaid, as follows:

If to Seller:

Electroglas, Inc.
5729 Fontanoso Way
San Jose, California 95138

Attn: Thomas M Rohrs
Facsimile No.: (408) 528-3542

With a copy (which shall not constitute effective notice) to:

Morrison & Foerster LLP
755 Page Mill Road
Palo Alto, California 94304-1018
Attn: Justin Bastian
Facsimile No.: (650) 494-0792

and

Morrison & Foerster LLP
425 Market Street
San Francisco, California 94105-2482
Attn: Larry Engel
Facsimile No.: (415) 268-7522

If to Purchaser:

[NAME]
[ADDRESS]
[CITY, STATE ZIP]
[ATTN: _____]
Facsimile No.: [_____]

With a copy (which shall not constitute effective notice) to:

[FIRM]
[ADDRESS]
[CITY, STATE ZIP]
[ATTN: _____]
Facsimile No.: [_____]

or to such other Persons or addresses as may be designated in writing by the party to receive such notice.

12.8 Binding Effect; Assignment. This Agreement shall be binding upon Purchaser and, subject to entry of the Sale Order, Sellers, and inure to the benefit of the parties and their respective successors and permitted assigns, including any trustee or estate representative appointed in the Chapter 11 Case or any successor Chapter 7 case. Nothing in this Agreement

shall create or be deemed to create any third party beneficiary rights in any Person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by or Purchaser (by operation of law or otherwise) without the prior written consent of the other parties hereto and any attempted assignment without the required consents shall be void; provided, that Purchaser may assign its rights and obligations hereunder in whole or in part to one or more wholly owned subsidiaries of Purchaser (each, an “**Permitted Assign**”) (subject to the next succeeding sentence). No assignment of any obligations hereunder shall relieve the parties hereto of any such obligations. Upon any such permitted assignment, the references in this Agreement to Purchaser shall also apply to any such assignee unless the context otherwise requires.

12.9 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

12.10 Injunctive Relief. The parties agree that damages at Law may be an inadequate remedy for the breach of any of the covenants, promises and agreements contained in this Agreement by any Seller, and, accordingly, Purchaser shall be entitled to injunctive relief with respect to any such breach, including specific performance of such covenants, promises or agreements or an order enjoining Purchaser from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement by Seller. The rights set forth in this Section 12.10 shall be in addition to any other rights which Purchaser may have at Law or in equity pursuant to this Agreement. Non Recourse. Except as expressly contemplated by this Agreement, no past, present or future director, officer, employee, incorporator, member, partner or equityholder of Sellers or Purchaser shall have any liability for any obligations or liabilities of Sellers or Purchaser under this Agreement or Sellers’ Documents or Purchaser’s Documents of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby.

12.12 Intentionally omitted.

12.13 Time of the Essence. Time is of the essence in the performance of each of the obligations of the parties and with respect to all covenants and conditions to be satisfied by the parties in this Agreement and all documents, acknowledgments and instruments delivered in connection herewith.

12.14 Certain Interpretations. Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) All references in this Agreement to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections, Schedules and Exhibits to this Agreement.

(ii) All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

(iii) The Article, Section and paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

(iv) The words “**include**,” “**includes**” and “**including**,” when used herein shall be deemed in each case to be followed by the words “without limitation” (regardless or whether such words or similar words actually appear).

(v) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day.

(vi) Any reference in this Agreement to \$ shall mean U.S. dollars,

(vii) Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(viii) The words such as “**herein**,” “**hereinafter**,” “**hereof**” and “**hereunder**” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(b) The parties hereto agree that they have been represented by legal counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

SELLERS:

ELECTROGLAS, INC.

By: _____
Name:
Title:

ELECTROGLAS INTERNATIONAL, INC.

By: _____
Name:
Title:

PURCHASER:

[•]

By: _____
Name:
Title:

EXHIBIT A

FORM OF BILL OF SALE

THIS BILL OF SALE dated as of [•], 2009 by Electroglas, Inc., a Delaware corporation (“**Electroglas**”) and Electroglas International, Inc., a Delaware corporation (“**International**”, and together with Electroglas, “**Sellers**”), in favor of [•], a [•] corporation (the “**Purchaser**”).

WHEREAS, the parties hereto have entered into an Asset Purchase Agreement dated as of [•], 2009 (the “**Purchase Agreement**”) providing for the purchase by Purchaser of certain assets of Sellers, and the parties now desire to carry out such transaction by Sellers’ execution and delivery to Purchaser of this instrument evidencing the vesting in Purchaser of all of the assets and rights of Sellers hereinafter described. Capitalized terms used but not defined herein have the meanings given them in the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and of other valuable consideration to in hand paid by Purchaser, at or before the execution and delivery hereof, the receipt and sufficiency of which by Sellers is hereby acknowledged, Sellers hereby convey, grant, bargain, sell, transfer, set over, assign, remise, release, deliver and confirm unto Purchaser, its successors and assigns forever, effective as of 12:01 a.m. EDT on the date hereof (the “**Effective Time**”), all of Sellers’ right, title and interest in and to the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances.

Sellers hereby covenant that, from time to time after the delivery of this instrument, at Purchaser’s request and without further consideration, Sellers will do, execute, acknowledge, and deliver, or will cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, conveyances, transfers, assignments, powers of attorney and assurances as reasonably may be required to more effectively convey, transfer to and vest in Purchaser, and to put Purchaser in possession of, any of the Purchased Assets.

Nothing in this instrument, express or implied, is intended or shall be construed to confer upon, or give to, any person, firm or corporation other than Purchaser and its successors and assigns, any remedy or claim under or by reason of this instrument or any terms, covenants or condition hereof and all of the terms, covenants and conditions, promises and agreements in this instrument contained shall be for the sole and exclusive benefit of Purchaser and its successors and assigns.

This instrument is executed by, and shall be binding upon, each Seller and its successors and assigns for the uses and purposes above set forth and referred to, effective as of the Effective Time.

This instrument shall be governed by, interpreted under, and construed and enforceable in accordance with, the internal laws of the State of New York, without regard to its conflict of law

principles that would result in the application of any law other than the law of the State of New York.

To the extent this Bill of Sale is inconsistent with any terms or conditions of the Purchase Agreement, the terms and conditions of the Purchase Agreement shall control.

This instrument may be executed in counterpart signature pages, all of which when so executed and attached hereto shall constitute one and the same original.

IN WITNESS WHEREOF, the parties hereto have caused this Bill of Sale to be executed by their respective duly authorized officers as of [•], 2009.

SELLERS:

ELECTROGLAS, INC.

By: _____
Name:
Title:

ELECTROGLAS INTERNATIONAL, INC.

By: _____
Name:
Title:

EXHIBIT B

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (the “**Agreement**”) is entered into as of [_____, 2009] by and among Electroglas, Inc., a Delaware corporation (“**Electroglas**”), Electroglas International, Inc., a Delaware corporation (“**International**”, and together with Electroglas, “**Assignors**”) and [•], a [•] corporation (the “**Assignee**”).

WITNESSETH:

WHEREAS, Assignors and Assignee entered into that certain Asset Purchase Agreement dated as of June [•], 2009 (the “**Purchase Agreement**” capitalized terms used but not otherwise defined herein have the meanings given them in the Purchase Agreement); and

WHEREAS, pursuant to the Purchase Agreement, Assignors have agreed to assign certain rights and agreements to Assignee, and Assignee has agreed to assume certain obligations of Assignors, as set forth herein and therein.

NOW, THEREFORE, in consideration of the premises, the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually covenant and agree as follows:

1. Effective as of 12:01 a.m. EDT on the date hereof (the “**Effective Time**”), Assignors hereby sell, transfer and assign (collectively the “**Assignment**”) to Assignee, and Assignee hereby assumes and agrees to pay and discharge, the Assumed Liabilities, as defined in and in accordance with Section 1.3 of the Purchase Agreement.

2. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

3. This Agreement shall be governed by, interpreted under, and construed and enforceable in accordance with, the internal laws of the State of New York, without regard to its conflict of law principles that would result in the application of any law other than the law of the State of New York.

4. To the extent this Agreement is inconsistent with any terms or conditions in the Purchase Agreement, the Purchase Agreement shall control.

5. This Agreement may be executed in counterpart signature pages, all of which when so executed and attached hereto shall constitute one and the same original.

[Signatures appear on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the date first set forth above.

ASSIGNORS:

ELECTROGLAS, INC.

By: _____
Name:
Title:

ELECTROGLAS INTERNATIONAL, INC.

By: _____
Name:

ASSIGNEE:

[•]

By: _____
Name:
Title:

EXHIBIT C

FORM OF SALE ORDER

EXHIBIT D

INTENTIONALLY OMITTED