

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	Asset Purchase Agreement		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
U.S. Electrofused Minerals, Inc.		10/30/2008	CORPORATION: MARYLAND
RECEIVING PARTY DATA			
Name:	Electro Abrasives Corporation		
Street Address:	701 Willet Road		
City:	Buffalo		
State/Country:	NEW YORK		
Postal Code:	14218		
Entity Type:	CORPORATION: NEW YORK		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Registration Number:	0528327	ELECTROCARB	
CORRESPONDENCE DATA			
Fax Number:	(716)852-6100		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	(716) 847-8400		
Email:	spiatkowski@phillipslytle.com		
Correspondent Name:	Phillips Lytle LLP		
Address Line 1:	Intellectual Property Group		
Address Line 2:	3400 HSBC Center		
Address Line 4:	Buffalo, NEW YORK 14203		
ATTORNEY DOCKET NUMBER:	20410.0		
NAME OF SUBMITTER:	Sharon A. Piatkowski		
Signature:	/Sharon A. Piatkowski/		
Date:	07/22/2010		

OP \$40.00 0528327

Total Attachments: 42

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") dated as of the 30th day of October, 2008, by and between U.S. ELECTROFUSED MINERALS, INC., a _____ corporation with an office at 600 Steel Street, Aliquippa, Pennsylvania 15001 ("Buyer"), ELECTRO ABRASIVES CORPORATION, a New York corporation with its principal office at 701 Willet Road, Buffalo, New York 14218 ("Seller").

WITNESSETH:

WHEREAS, Seller is engaged in the business of manufacturing abrasive grains and powders (the "Business");

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Seller desires to sell all of the Business and substantially all of its assets held, owned by or used to conduct the Business, and to assign certain liabilities associated with the Business, to Buyer, and Buyer desires to purchase such assets and assume such liabilities; and

WHEREAS, in connection with the sale of the Business and the assets related to the Business to Buyer, Seller and Buyer desire to enter into certain agreements and arrangements ancillary to such sale.

NOW, THEREFORE, in consideration of the premises and mutual representations, warranties and covenants contained herein, the parties agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1 Sale of Assets. Upon the terms and subject to the conditions set forth in this Agreement, the parties hereto agree that at the Closing (as defined in Section 2.1 hereof), among other things, Seller shall sell, assign, transfer and convey to Buyer good and marketable title, free and clear of all liens, liabilities, encumbrances, security interests, claims and any other

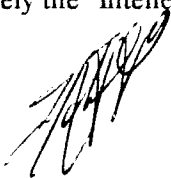


restrictions, in and to all Subject Assets (as hereinafter defined), and Buyer will assume all Assumed Liabilities (as defined in Section 1.6 hereof), in accordance with this Agreement. "Subject Assets" means, other than "Excluded Assets" as defined in Section 1.2 hereof, all of the assets, properties, rights, certifications and licenses (to the extent transferable), permits (to the extent transferable), Contracts (as hereinafter defined in Section 1.1(d) hereof) and business of every kind and description as the same now exist (except to the extent transferred in the ordinary course consistent with past practices of Seller prior to the Closing Date, as defined in Section 2.1 hereof) or exists on the Closing Date, wherever located, personal or real, tangible or intangible, owned by, leased or in the possession of Seller, and held or used in the conduct of the Business as the same now exists and including, without limitation, except as otherwise specified herein, all direct or indirect right, title and interest of Seller in, to and under:

(a) all machinery and equipment, vehicles, furniture, fixtures, computer equipment, software and other tangible personal property used primarily in the Business including, without limitation, all such personal property identified on Schedule 1.1(a) (collectively the "Tangible Personal Property");

(b) all cash and cash equivalents in the Business in excess of Two Million Three Hundred Thousand Dollars (\$2,300,000).

(c) all trade names and trademarks, whether registered or not, the name Electro Abrasives and all licenses, processes, products, apparatus, formulas, trade secrets, know-how, manufacturing techniques, discoveries, inventions, computer programs, internet domain names, software, and manufacturing, engineering and other technical information used in the Business including, without limitation, such intellectual property identified on Schedule 1.1(c) (collectively the "Intellectual Property");



(d) all rights of Seller pursuant to sales and/or purchase orders and other contracts of the Business, including those identified on Schedule 1.1(d) (the "Contracts");

(e) all customer and vendor lists of the Business;

(f) all rights of Seller pursuant to any express or implied warranties, representations or guarantees made by suppliers furnishing goods or services to the Business;

(g) copies of all books, records and other data of Seller relating to the Business and the Subject Assets as Seller and Buyer shall agree;

(h) all goodwill associated with the Business;

(i) all outstanding accounts receivables on the books and records of Seller on the Closing Date (as hereinafter defined) (the "Accounts Receivable");

(j) the real property commonly known as 701 Willer Road, Buffalo, New York (the "Real Property"), including all buildings and leasehold improvements thereon, a copy of the legal description is attached as Schedule 1.1(j); and

(k) all inventories of the Business wherever located, including raw materials, work-in process, finished goods and packaging inventory (collectively the "Inventory").

1.2 Excluded Assets. Notwithstanding anything else contained in this Agreement, the Subject Assets shall not include (i) cash and cash equivalents of Two Million Three Hundred Thousand Dollars (\$2,300,000), (ii) Seller's corporate minute books, stock books and tax returns, or (iii) the personal property set forth in Schedule 1.2 (the "Excluded Assets").

1.3 Payment of the Purchase Price. In consideration of the sale by Seller to Buyer of the Subject Assets and Seller's performance of this Agreement, Buyer shall pay to Seller the sum of Five Million One Hundred Thousand Dollars (\$5,100,000) (such amount is

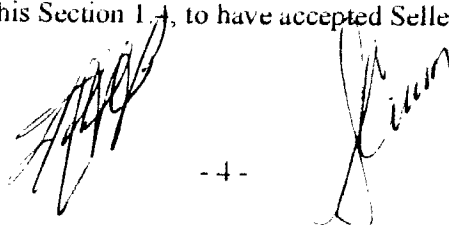


hereinafter referred to as the "Purchase Price") and shall assume the Assumed Liabilities set forth in Section 1.6 hereof. The Purchase Price is subject to adjustment after the Closing as provided in Section 1.4 hereof. At the Closing, Buyer shall pay the Purchase Price as follows:

- (a) The sum of Two Million One Hundred Thousand Dollars (\$2,100,000) in immediately available funds;
- (b) The sum of Three Million Dollars (\$3,000,000) as evidenced by a promissory note (the "Note") in substantially the same form as Exhibit 1.3(b)(1) hereto. The Note shall be payable in six (6) successive semi-annual principal payments of \$500,000 each plus accrued interest to the date of payment of each installment at the rate of five percent (5%) per annum, the first payment to be due six (6) months after Closing. The Note shall be prepayable without penalty. The Note shall be guaranteed by Sintex Minerals & Service, Inc. and shall be substantially in the same form as Exhibit 1.3(b)(2).

1.4 Post Closing Adjustment of the Purchase Price.

- (a) Promptly following the Closing Date, but in no event more than ten (10) days following the Closing, Seller shall, at its expense, prepare and submit to Buyer a statement setting forth, in reasonable detail, Seller's calculation of the dollar value of the Net Asset Value (as defined in Section 1.4(b) hereof) as of the Closing Date made on a basis consistent with Seller's prior practices and the terms of this Agreement. If Buyer disputes the correctness of the calculation or categorization of the Net Asset Value in accordance with such basis, Buyer shall notify Seller of its objections within ten (10) days after receipt of Seller's calculation and shall set forth, in writing and reasonable detail, the reasons for Buyer's objections. If Buyer fails to deliver such notice of its objections within such time, Buyer shall be deemed, for purposes of this Section 1.4, to have accepted Seller's calculation of such Net



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Asset Value and Buyer shall be deemed to have accepted Seller's calculation and no amount of the Net Asset Value as of the Closing shall be in dispute. Seller and Buyer shall endeavor in good faith to resolve any matters disputed under this Section 1.4(a) within ten (10) days after Seller's receipt of Buyer's notice of objections, if any. If Seller and Buyer are unable to do so, Seller and Buyer shall select an independent accounting firm to resolve the matters in dispute and only those matters (in a manner consistent with this Section 1.4 with any matters not in dispute), and the determination of such firm in respect of the correctness of each matter remaining in dispute shall be conclusive and binding on Seller and Buyer. With respect to each disputed matter, the determination of such accounting firm as to the appropriate amount shall not exceed the higher amount or be less than the lower amount asserted by Buyer or Seller as the Net Asset Value as of the Closing.

(b) The Net Asset Value shall mean the sum of all of the asset accounts of Seller as of the Closing Date as listed on Schedule 1.4(c) less the sum of all of the liability accounts of Seller as of the Closing Date as listed on Schedule 1.4(b).

(c) If the Net Asset Value as of the Closing is greater than \$3,837,896, the Purchase Price shall be increased by the difference between the Net Asset Value as of the Closing and the sum of \$3,837,896 and such difference shall be paid to Seller in immediately available funds by Buyer within ten days after the final determination of the Net Asset Value. If the Net Asset Value as of the Closing is less than \$3,837,896, the Purchase Price shall be decreased by the difference between such two amounts, and Seller shall refund to Buyer an amount equal to such difference in immediately available funds within ten days after the final determination of the Net Asset Value.



(d) The fees and expenses, if any, of the accounting firm selected to resolve any disputes between Seller and Buyers in accordance with Sections 1.4(a) and (b) hereof shall be paid one-half by Seller and one-half by Buyer.

1.5 Allocation of Purchase Price. The Purchase Price shall be allocated among the Subject Assets in accordance with Schedule 1.5 hereto. Seller and Buyer agree that the allocation of the Purchase Price contemplated by Schedule 1.5 hereto is consistent with the value of the Subject Assets and the principles of Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. Seller and Buyer shall jointly complete and separately file Form 8594 with their respective federal income tax returns for the tax year in which the Closing Date occurs in accordance with such allocations and neither Seller nor Buyer shall, without the written consent of the other, take a position on any tax return before any governmental agency charged with the collection of any such tax, or in any judicial proceeding, that is in any manner inconsistent with the terms of such allocation.

1.6 Assumption of Liabilities. At the Closing, Buyer shall assume all known liabilities of Seller on the Closing Date represented by the categories set forth in Schedule 1.6 hereto which were incurred in the ordinary course of business and are validly owing. The liabilities contemplated to be assumed by Buyer are hereinafter referred to as the "Assumed Liabilities." Buyer will not assume, be liable for, or become responsible for any other liability of Seller of any nature, whether accrued, absolute, contingent or otherwise unless Buyer specifically agrees to do so in writing.

1.7 Sales Taxes. At the Closing, Buyer shall pay all sales and use taxes payable with respect to Buyer's purchase of the Subject Assets.



1.8 Assignment of Contracts. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, contract, instrument, order or any claim or right, or any benefit arising thereunder or resulting therefrom (collectively, "Restricted Contracts"), if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights of Seller thereunder. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would affect the rights of Seller thereunder so that Buyer would not in fact receive all such rights, Seller will cooperate with Buyer in any arrangement designed to provide for Buyer the benefits under any such Restricted Contract, including, without limitation, enforcement for the benefit of Buyer of any and all rights of Seller against a third party thereto arising out of the breach or cancellation by such third party. Any transfer or assignment to Buyer or any property or property rights or any contract or agreement which shall require the consent or approval of any third party shall be made subject to such consent or approval being obtained.

ARTICLE II

CLOSING

2.1 Closing. Buyer's acquisition of the Subject Assets and the other transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") to be held on November 21, 2008 at the offices of Phillips Lytle LLP, One HSBC Center, Suite 3400, Buffalo, New York 14203-2887, and at such time as the parties hereto shall mutually agree (the "Closing Date"). The parties may mutually agree to change the Closing Date. The effective date of transactions contemplated by this Agreement shall be as of the opening of business on the Closing Date.

2.2 Closing Documentation. At the Closing,

(a) Seller will deliver to Buyer

(i) a duly executed Bill of Sale and Assignment Agreement in the form of Exhibit 2.2(a)(i) and such other instruments as Buyer shall reasonably request in order to effectively transfer to and vest in Buyer good and marketable title to all of the Subject Assets contemplated by Section 1.1 hereof free and clear of all liabilities and all liens, encumbrances, security interests, claims and other restrictions;

(ii) the duly executed certificate required pursuant to Section 8.1(d) hereof;

(iii) the duly executed Kristine Employment Agreement required pursuant to Section 8.1(e) hereof;

(iv) the duly executed James Employment Agreement required pursuant to Section 8.1(f) hereof;

(v) a bargain and sale deed with covenant against grantor's acts transferring to Buyer good and marketable title to the Real Property as dictated by the Erie County Bar Association title standards; and

(vi) such other documents as Buyer may reasonably request.

(b) Buyer will deliver to Seller:

(i) the immediately available funds contemplated by Section 1.2 hereto;

(ii) a duly executed Assumption Agreement in the form of Exhibit 2.2(b)(ii) to cause Buyer to effectively assume the Assumed Liabilities contemplated by Section 1.6 hereof;

(iii) the duly executed Note;

(iv) the duly executed Guaranty;



(v) the duly executed certificate required pursuant to Section 9.1(b) hereof;

(vi) the duly executed Kristine Employment Agreement required pursuant to Section 8.1(e) hereof;

(vii) the duly executed James Employment Agreement required pursuant to Section 8.1(f) hereof; and

(viii) such other documents as Seller may reasonably request.

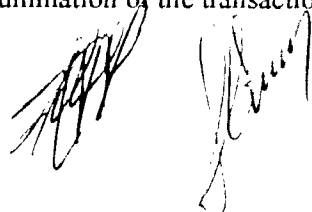
ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

3.1 Seller represents and warrants to Buyer as follows, and confirm that Buyer is relying upon the accuracy of each such representation and warranty in connection with the purchase of the Subject Assets as a going concern and completion of the transactions contemplated hereby:

(a) Corporate Status. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has full power and authority to own, operate and lease its properties as presently and heretofore owned, operated and leased and to carry on its business as now and heretofore conducted. Seller is qualified to do business, is in good standing and has all required and appropriate licenses in each jurisdiction in which it is required to obtain or maintain such qualification, good standing or licensing.

(b) Authority. Seller has the requisite capacity, power and authority, corporate and other, to execute and deliver this Agreement and all other agreements, instruments and certificates contemplated hereby (the "Related Agreements") and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Related Agreements and the consummation of the transactions contemplated



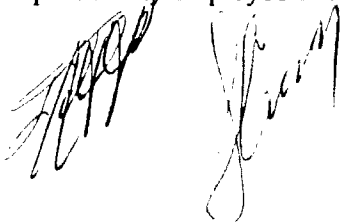
hereby and thereby have been duly and effectively authorized by all necessary action, corporate and other, on the part of Seller and no other acts or proceedings on the part of Seller are necessary to authorize this Agreement or the Related Agreements or to consummate the transactions contemplated hereby and thereby. This Agreement and the Related Agreements have been duly executed and delivered by Seller and constitute legal, valid and binding obligations of Seller, enforceable against it in accordance with their respective terms.

(c) Effect of Agreement. Except as set forth in Schedule 3.1(c) hereto, the execution, delivery and performance of this Agreement and the Related Agreements by Seller and the consummation by it of the transactions contemplated hereby and thereby (i) do not require the filing with, or the consent, waiver, approval, license or authorization of any person, government agency or public or regulatory authority; (ii) do not violate, with or without the giving of notice or the passage of time, any material provision of law applicable to Seller that is applicable to the Business; (iii) do not conflict with or result in a breach of Seller's Certificate of Incorporation, as amended, or Seller's by-laws, as amended, or any mortgage, deed of trust, license, indenture or other material agreement or other material instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or character that is applicable to the Business, to which Seller is a party or by which Seller or any of its assets may be bound or give to others any right to terminate, or result in termination of any provision of such instruments; and (iv) do not result in the creation of any liability, lien, encumbrance, claim or other restriction upon any of the Subject Assets, or in the acceleration or maturity of any debt of Seller to which the Business is subject.

(d) Subsidiaries. Seller does not have, and the Subject Assets do not include, any subsidiary or any ownership interest in any other business organization or entity.

(e) Financial Statements. The balance sheet of Seller as of June 30, 2008, the related statements of income and retained earnings, and cash flows for the fiscal years then ended (including the notes thereto) are accurate in all material respects and complete and present fairly the financial position of Seller as of such date and the results of its operations and changes in its financial position for such period, and have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of similar periods for preceding years. Copies of all such financial statements are attached to Schedule 3.1(e) hereto. The Balance Sheet of Seller as of June 30, 2008 is referred to herein as the "Balance Sheet", and June 30, 2008 is referred to herein as the "Balance Sheet Date".

(f) Absence of Certain Changes or Events. Except for matters that would be permitted in accordance with Section 5.1 hereof if they occurred after the date of this Agreement or as set forth in Schedule 3.1(f) hereto, since the Balance Sheet Date, Seller has not (i) with respect to the Business, undergone any change in its condition (financial or other), properties, assets, liabilities, business, except changes in the ordinary and usual course of its businesses and consistent with its past practices and which have not been, either in any case or in the aggregate, materially adverse to it; (ii) mortgaged, pledged or subjected to any lien, lease, security interest, encumbrance, claim or other restriction any of its properties or assets relating to the Business; (iii) with respect to the Business, acquired or disposed of any interest in any asset or property except the purchase of materials and supplies and the sale of inventory in the ordinary and usual course of its businesses and consistent with its past practice; (iv) with respect to the Business, except in the ordinary and usual course of its businesses and consistent with its past practice, forgiven or canceled any debt or claim, waived any right, or incurred or paid any liability or obligation; (v) changed the compensation to be paid to any employee of the Business;

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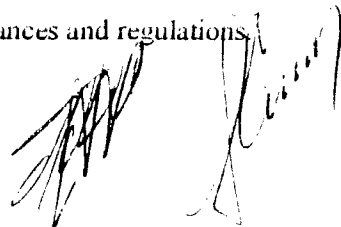
(vi) suffered any damage, destruction or loss (whether or not covered by insurance) which materially adversely affects the Business, operations or prospects; (vii) amended or terminated any material contract, agreement, or lease relating to the Business; or (viii) experienced any labor difficulty or loss of employees or customers that adversely affects the Business.

(g) Liabilities. To the best of Seller's knowledge, Seller has no liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise, relating to the Business, except (i) as set forth in the Balance Sheet or (ii) those trade payables incurred by Seller in the ordinary and usual course of its business and consistent with its past practice since the Balance Sheet Date.

(h) Sufficiency of and Title to the Subject Assets.

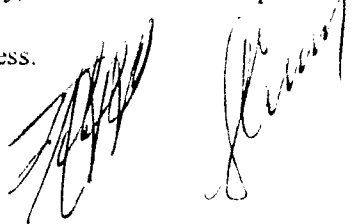
(i) The Subject Assets constitute, and on the Closing Date will constitute, all of the assets that are necessary or appropriate to permit the operation of the Business in substantially the same manner as such operations have heretofore been conducted since June 30, 2008.

(ii) Except as set forth in Schedule 3.1(h) hereto, or as otherwise contemplated by this Agreement, subject to the receipt of any consents or approvals of any third party, upon consummation of the transactions contemplated by this Agreement, Buyer will have acquired good and marketable title in and to, or a valid leasehold interest in, each of the Subject Assets free and clear of all liens, security interests, claims, encumbrances or other material restrictions. All Tangible Personal Property is in good condition and repair, reasonable wear and tear excepted and, with respect to its present use in its current location, to the best of knowledge of Seller, conforms to all applicable laws, ordinances and regulations.

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(i) Contracts; No Defaults. Except as described in Schedule 3.1(i) hereto, and except for contracts that do not constitute Subject Assets (as described in Schedule 3.1(i) hereto), Seller is not a party to or subject to any agreement, contract or commitment (whether oral or written) that has not been entered into by the Business consistent with its past practices with respect to the Business. Except as described in Schedule 3.1(i) hereto, all Contracts are valid and binding obligations of Seller enforceable against Seller in accordance with their terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and subject to the limitations imposed by general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity), and Seller is not in material default or, to the best of Seller's knowledge, alleged to be in material default thereunder and Seller has no knowledge that any other party thereto is in default. Nothing has occurred which, with or without the passage of time or giving of notice or both, would constitute a default by Seller or, to Seller's best knowledge, any other party under any Contract. Except as set forth on Schedule 3.1(i) hereto, each Contract may be assigned to Buyer without the consent of any other person and without giving notice to any person regarding this Agreement or the sale and transfer of the Subject Assets or other transactions contemplated hereby. Except as set forth on Schedule 3.1(i) hereto, all contracts are terminable by either party at will.

(j) Inventories. Except as set forth on Schedule 3.1(j) hereto, the Inventory consists of items of good and merchantable quality, saleable at normal prices or useable in the ordinary and useable course of Seller's business.



(k) Intellectual Property. The Intellectual Property is not subject to any outstanding licenses, liens, encumbrances, claims or other restrictions or rights of others, and there are no pending or, to the best of Seller's knowledge, threatened challenges to any of the Intellectual Property. To the best of Seller's knowledge, the use of the Intellectual Property in connection with the Business as heretofore conducted does not infringe or constitute, and has not infringed or constituted, an unlawful invasion of any rights of any person and no notice of any such infringement or invasion has been received by Seller. Seller has the right to use, free and clear of the claims or rights of others, all Intellectual Property. The Intellectual Property constitutes all such intellectual property necessary to conduct the Business as heretofore conducted.

(l) Litigation and Claims. Except as set forth on Schedule 3.1(l) hereto, there is no pending or, to the best of Seller's knowledge, threatened action, suit, proceeding, claim, investigation or notice affecting the Business (whether or not covered by insurance), and there is no outstanding order, notice, writ, injunction or decree of any court, government or governmental agency against or affecting the Business. To the best of Seller's knowledge, there are no incidents or occurrences of any kind which may give rise to material claims against Seller, whether or not covered by insurance.

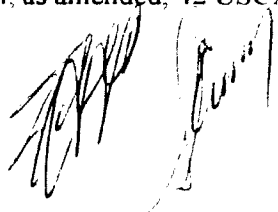
(m) Compliance with Law. Except as set forth in Schedule 3.1(m), to the best of Seller's knowledge, the operation of the Business has not violated or infringed, and does not violate or infringe, any laws, ordinances, regulations, orders, licenses, franchises and permits applicable thereto.

(n) Books and Records. To the best of Seller's knowledge, the books and records of Seller are complete and correct in all material respects and, except as specifically

set forth and labeled as such in Schedule 3.1(e) hereto, accurately reflect in all respects the basis for the financial condition and results of operations of the Business as set forth in the financial statements referred to in Section 3.1(e) hereof.

(o) Environmental Compliance.

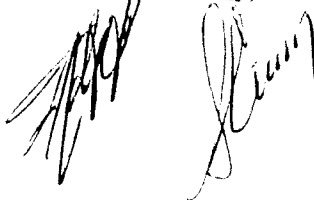
(A) Definition of "Environmental Laws": As used in this Agreement, the term "Environmental Laws" shall mean any and all laws, statutes, codes, rules, regulations, ordinances, permits, policy statements, guidance documents and judicial decisions applicable to, affecting or relating to the protection, preservation or remediation of the environment or public health enacted, issued, promulgated, published, decided or required by any federal, state, county or municipal legislative, executive, judicial or regulatory authority, as the case may be, including without limitation to: (1) Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USCA 9601 et seq., (2) Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 USCA 6901 et seq., (3) Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, as amended, 33 USCA 1251 et seq., (4) Toxic Substances Control Act of 1976, as amended, 15 USCA 2601 et seq., (5) Emergency Planning and Community Right-To-Know Act of 1986, 42 USCA 11001 et seq., (6) Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 USCA 7401 et seq., (7) National Environmental Policy Act of 1970, as amended, 42 USCA 4321 et seq., (8) Rivers and Harbors Act of 1899, as amended, 33 USCA 401 et seq., (9) Endangered Species Act of 1973, as amended, 16 USCA 1531 et seq., (10) Occupational Safety and Health Act of 1970, as amended, 29 USCA 651 et seq., (11) Safe Drinking Water Act of 1974, as amended, 42 USCA 300(f) et

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seq., (12) Pollution Prevention Act of 1990, 42 USCA 13101 et seq., (13) Oil Pollution Act of 1990, 33 USCA 2701 et seq., and any rules, regulations, ordinances, permits, policy statements, guidance documents and judicial decisions enacted, issued, promulgated, published, decided or required by or under the laws referred to in Section 3.1(o)(A)1-13 above, as well as any similar state, county or municipal statutes, codes, rules, regulations, ordinances, permits, policy statements, guidance documents, and judicial decisions, as the case may be.

(B) Definition of "Environmental Permits": As used in this Agreement, the terms "Environmental Permits" shall mean any and all permits, licenses, approvals, authorizations, consents or registrations required by any Environmental Laws in connection with the ownership, construction, equipping, use and/or operation of the Business, for the storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances, or the sale, transfer or conveyance of the Real Property.

(C) Definition of "Hazardous Substance": As used in this Agreement, the term "Hazardous Substance" shall mean, without limitation, any flammable, explosive or radioactive materials, radon, asbestos, urea formaldehyde foam insulation polychlorinated biphenyls, petroleum, petroleum constituents, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, pollutants, and toxic pollutants, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USCA Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 USCA 1801, et seq.), the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act, (42 USCA Section 6901, et seq.), the Toxic Substances Control Act, as amended (15 USCA Sections 2601, et seq.), the Federal Waters Pollution Control Act, as amended, (33 USCA Sections 1251 et seq.) and similar state

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laws in the jurisdictions in which the Real Property is located, as well as any rules, regulations, ordinances, permits, policy statements, guidance documents and judicial decisions issued, promulgated, published, decided or required thereunder by any federal, state, county or municipal executive, judicial or regulatory authority.

(D) Definition of "Release": As used in this Agreement, the term "Release" shall have the same meaning as given to that term in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USCA Section 9601, et seq.), and the regulations promulgated thereunder.

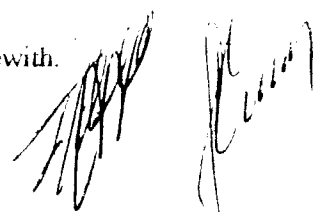
(E) Representations and Warranties of Seller:

(i) Except as disclosed in Schedule 3.1(o), and to the best of Seller's knowledge, the Real Property is not being or has not been used in material violation of any Environmental Laws for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance or as a landfill or other waste management or disposal site or for military purposes.

(ii) To the best of Seller's knowledge, underground storage tanks are not and have not been located on the Real Property.

(iii) Seller has not received any form of notice or inquiry from any federal, state or local governmental entity or authority, any prior owner, operator, tenant, subtenant, licensee or occupant of the Real Property with regard to a Release or the threat of a Release of any Hazardous Substance on, at or from the Real Property.

(iv) Except as set forth in Schedule 3.1(o), all material Environmental Permits necessary for the use or operation of the Business have been obtained and are in full force and effect and Seller is in compliance therewith.

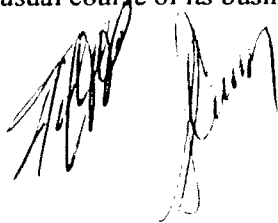
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(v) To the best of Seller's knowledge, no event has occurred with respect to the Business or the Real Property which with the passage of time or the giving of notice, or the failure to give notice, would constitute a material violation of or non-compliance with, any applicable Environmental Laws or Environmental Permits.

(vi) There are no agreements, consents orders, decrees, judgments, licenses or permit conditions or other orders or directives of any federal, state or local court, or governmental entity relating to the equipping, ownership, use, operation, sale, transfer or conveyance of the Business which require any change in the present condition of the Business or containment, clean up, investigations, studies, removal or remedial action, or except as set forth on Schedule 3.1(o), capital expenditures in order for the Business or the Real Property to be in material compliance with any Environmental Laws or Environmental Permits.

(vii) There are no actions, suits, claims or proceedings, pending or to the best of Seller's knowledge threatened, which could cause the incurrence of expense or costs or which seek money damages, injunctive relief, remedial action or remedy that arise out of, relate to or result from (1) environmental conditions at, on, or under the Real Property, (2) a violation or alleged violation of any Environmental Laws or non-compliance or alleged non-compliance with any Environmental Permits, or (3) the presence of any Hazardous Substance or a Release or the threat of a release of any Hazardous Substance on, at or from the Real Property or property adjacent to or within the immediate vicinity of the Real Property.

(p) Accounts Receivable. All Accounts Receivable have arisen only through sales in the ordinary course of business consistent with past practice for goods sold or services performed. Except for a bad debt reserve in the amount of \$20,000, the Accounts Receivable are good and collectible in the ordinary and usual course of its business (within six

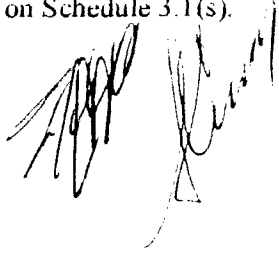


months of the Closing Date), without resort to a collection agency or litigation and are not subject to any claims or offsets, and Seller has no reason to believe that such accounts receivable will not be collected.

(q) Labor Matters. There are no strikes, arbitrations, material grievances, other labor disputes or union organizational drives pending or threatened between Seller and any of its employees. Seller is not a party to any union, collective bargaining or other similar agreements with employees. Except as set forth in Schedule 3.1(q), or as set forth in the Balance Sheet, Seller has paid or accrued in full all wages, salaries, commissions, bonuses and other compensation (including severance pay and vacation benefits) for all services performed by its employees. Seller is not liable for any arrears of wages or payroll taxes or any penalties or other damages for failure to comply with any applicable foreign, federal, state and local laws relating to the employment of labor. The employment relationship with all employees of Seller is terminable at will.

(r) Finders' Fees. No person who is authorized to act on behalf of Seller has claims to, or is entitled to, under any contract or otherwise, any payment as a broker, finder or intermediary in connection with the origin, negotiation, execution or consummation of the transactions provided for in this Agreement or the Related Agreements.

(s) Transactions with Certain Persons. No current or former director, officer, employee or shareholder of Seller, or family member or trusts for the benefit of any such person or persons has any interest in any of the Subject Assets, except as the sole shareholder of Seller, and there are no current transactions between Seller and any current or former director, officer, employee or shareholder of Seller except employment arrangements for certain shareholders of Seller as disclosed to Buyer by Seller as set forth on Schedule 3.1(s).

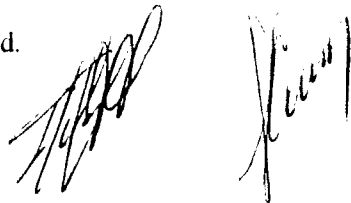


(t) Employee Benefit Plans.

(i) Employee Welfare Benefit Plans. Except as disclosed in Schedule 3.1(t) hereto, Seller does not maintain or contribute to any employee welfare benefit plan, fund, arrangement or practice, including, without limitation, health, accident, disability, cafeteria, dependant care, employee assistance, unemployment, or life insurance other than death benefit plans, funds, arrangements or practices, or other "employee welfare benefit plans" as defined in Section 3(1) of ERISA. To the best of Seller's knowledge such plans are in compliance with applicable rules and laws.

(ii) Employee Pension Benefit Plans. Except as disclosed in Schedule 3.1(t) hereto, Seller does not maintain or contribute to any plan, arrangement or practice that is or may be an "employee pension plan," as defined in Section 3(2) of ERISA. To the best of Seller's knowledge, such plans are in compliance with applicable laws.

(u) Title to and Condition of the Real Estate. Seller has good and marketable title to Real Property as dictated by the Erie County Bar title standards. To Seller's best knowledge, (i) the Real Property, all improvements located thereon, and the use thereof, comply in all material respects with all applicable zoning, land use, environmental, building, health, safety and fire laws, codes, permits, licenses and certificates, rules, orders, ordinances, regulations and all restrictions and conditions. The improvements located on the Real Property are in good condition and are free from all latent and patent structural defects; and (ii) all mechanical systems serving the Real Property, including, without limitation to the heating, ventilation, air conditioning, plumbing and electrical systems, are in good working order ordinary wear and tear excepted.



(v) Tax Matters. Seller has duly filed with the appropriate foreign, federal, state and local governmental agencies all tax returns and reports which are required to be filed, and have paid in full all taxes (including interest and penalties) owed by Seller. Adequate accrual has been made in the Balance Sheet for all the accrued and unpaid foreign, federal, state and local taxes (including interest and penalties) of Seller for the period then ended whether or not yet due and payable and whether or not disputed. Seller is not a party to any pending action or proceeding, nor, to the best of Seller's knowledge, is any action or proceeding threatened, by any governmental authority for assessment or collection of taxes, and no claim for assessment or collection of taxes, has been asserted against Seller.

(w) Permits, etc. To the extent Seller holds any licenses, permits, certifications and other approvals, all such licenses, permits, certifications and other approvals are valid and in full force and effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

4.1 Buyer represents and warrants to Seller as follows:

(a) Organization. Buyer is a corporation, validly existing and in good standing under the laws of the [to be completed] and has full power and authority to own, operate and lease its properties as presently owned, operated and leased and to carry on its business as now and heretofore conducted.

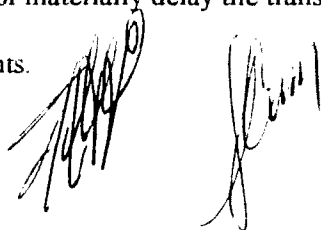
(b) Authority Relative to Agreement. The execution, delivery and performance of this Agreement and the Related Agreements by Buyer and consummation by it of the transactions contemplated hereby and thereby have been duly and effectively authorized by all necessary corporate action, and this Agreement constitutes, and each Related Agreement

when executed will constitute, a legal, valid and binding obligation of Buyer enforceable in accordance with its terms.

(c) Effect of Agreement. The execution, delivery and performance of this Agreement and the Related Agreements by Buyer and the consummation by it of the transactions contemplated hereby and thereby (i) do not require the filing by Buyer with, or the consent, waiver, approval, license or authorization of, any person, government agency or public or regulatory authority; (ii) do not violate, with or without the giving of notice or the passage of time, any provision of law applicable to Buyer; or (iii) do not conflict with or result in a breach of Buyer's **[to be completed]** or any mortgage, deed of trust, license, indenture, or other agreement or instrument or any order, judgment, decree, statute, regulation or any other restriction of any kind or character to which Buyer is a party or by which Buyer or any of its assets may be bound.

(d) Finders' Fees. No person acting on behalf of Buyer has claims to, or is entitled to under any contract or otherwise, any payment as a broker, finder or intermediary in connection with the origin, negotiation, execution or consummation of the transactions provided for in this Agreement.

(e) Litigation. There is no action, suit, investigation or proceeding pending against, or to the knowledge of Buyer, threatened against or affecting, Buyer before any court or arbitrator or any governmental authority that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement and the Related Agreements.

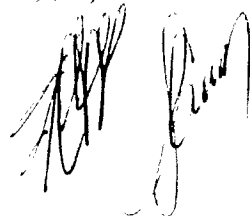


ARTICLE V

CERTAIN COVENANTS OF SELLER

5.1 Conduct of Business Pending Closing. From the date of this Agreement to the Closing Date:

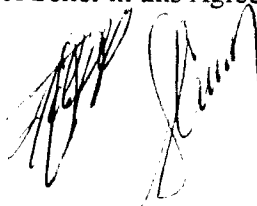
(a) Negative Covenants. Except as otherwise expressly provided by this Agreement, or as Buyer may otherwise consent to in writing, Seller shall not engage in any activity or enter into any transaction with respect to the Business outside of the ordinary and usual course of the Business or which would be inconsistent with their past practices or with the terms of this Agreement or which would render inaccurate as of the Closing Date any of the representations and warranties set forth in Article III. Without limiting the generality of the foregoing, Seller shall not, other than as set forth on Schedule 5.1(a) hereto, (i) with respect to the Business, undergo any change in its condition (financial or other), properties, assets, liabilities, business, operations or prospects except changes in the ordinary and usual course of its business and consistent with their past practices; (ii) mortgage, pledge or subject to any lien, lease, security interest, encumbrance, or other restriction, any of their properties or assets relating to the Business; (iii) with respect to the Business, acquire or dispose of any interest in any asset or property except the purchase of materials and supplies and the sale of inventory in the ordinary and usual course of its business and consistent with its past practices; (iv) with respect to the Business, except in the ordinary and usual course of its business and consistent with its past practices, forgive or cancel any debt or claim, waive any right, or incur or pay any liability or obligation; (v) increase the compensation to be paid to any employee assigned to the Business, if any; (vi) with respect to the Business, suffer any damage, destruction or loss (whether or not covered by insurance) which adversely affects its condition (financial or other), properties, assets, business, operations or prospects of the Business; (vii) amend or terminate any contract,



agreement or lease relating to the Business; (viii) experience any labor difficulty, or loss of employees or customers that materially adversely affects the Business; (ix) sell or grant or transfer to any party or parties any license, to manufacture or sell any of the products of the Business, or to use any Intellectual Property; (x) employ any new employee or extend in writing (or orally for a period of one month) the employment of any present employee without the consent of Buyer or (xi) without limiting the generality of any of the foregoing, enter into any transaction except in the ordinary and usual course of the Business and consistent with its past practices. Notwithstanding anything to the contrary herein, Seller may dividend to its shareholders the sum of Two Million Three Hundred Thousand Dollars (\$2,300,000) proportionately in accordance with the number of shares each shareholder owns.

(b) Conduct of Business. Seller shall preserve intact the Business, use commercially reasonable efforts to retain the employees assigned to the Business and preserve its good will with all suppliers, customers, employees and others having business relations with the Business.

(c) Access to Information. Subject to reasonable restrictions as to access to employees, customers, and vendors, Seller shall afford Buyer and its representatives full access, during normal business hours and upon reasonable notice, to all of the assets, properties, books, records, and agreements of the Business, and shall furnish to Buyer and its representatives such information regarding the Business as Buyer may reasonably request; provided, however, that an authorized representative of Seller shall have the right to be present at all times during such access and investigation by Buyer. The investigation by Buyer and furnishing of information to Buyer shall not affect the right of Buyer to rely on the representations, warranties, covenants and agreements of Seller in this Agreement.

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5.2 Consents of Others. Prior to the Closing, Seller shall obtain, and to the extent necessary shall fully cooperate with Buyer to assist Buyer's efforts to obtain all authorizations, consents, certifications and permits of others required to permit the consummation of the transactions contemplated by this Agreement and the continuation of the Business by Buyer.

5.3 Cooperation. For a reasonable period of time after the Closing, Seller shall assist and cooperate with Buyer in effecting a transition of ownership of the Business to Buyer without a material disruption of the operations of the Business so as to best preserve the good will of its customers and others having business relationships with the Business.

5.4 Name Change. At the Closing, Seller shall initiate the filing with the appropriate state authority the applicable certificate to change its corporate name. Such name change shall not contain the words Electro Abrasives or any variation thereof.

5.5 Knowledge. The terms "to the best knowledge" or "to the knowledge of Seller" shall mean to the best knowledge of Kristine Molek.

ARTICLE VI

CERTAIN COVENANTS OF BUYER

6.1 Confidentiality. Buyer agrees that all information provided or otherwise made available in connection with the transaction contemplated hereunder, to Buyer or any of its representatives shall be treated as if provided under the confidentiality agreement, dated as of **[to be completed]** (the "Confidentiality Agreement"), by and between Seller and Buyer. Nothing in this Section 6.1 hereof, however, shall limit or otherwise restrict the applicability of any other confidentiality or similar provisions included herein and in the Related Documents.

6.2 Conduct of Business Pending Closing. Except as otherwise provided in this Agreement, or as Seller may otherwise consent to in writing, Buyer shall not, pending

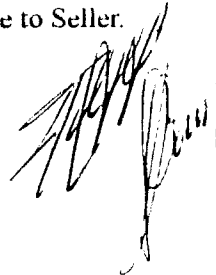
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Closing, engage in any activity or enter into any transaction (i) which would be inconsistent with the terms of this Agreement or the Related Agreements; or (ii) which would render inaccurate as of the Closing Date any of its representations and warranties set forth in this Agreement or the Related Agreements.

6.3 Consents of Others. Prior to the Closing, Buyer shall have obtained all authorizations, certifications, licenses, consents and permits of others and other governmental and official authorizations required of it to permit it to consummate the transactions contemplated by this Agreement, if any.

6.4 Change in Representation and Warranties. Whenever prior to the Closing Buyer learns that any of the representations and warranties of Buyer contained or referred to in this Agreement is or will become materially inaccurate, Buyer shall give written notice thereof to Seller.

6.5 Access by Seller. Until the seventh anniversary of the Closing, Buyer shall permit Seller and its representatives access to the Real Property upon reasonable notice during normal daily business hours and shall make available the books and records of the Business pertaining to any period prior to the Closing Date that Seller left on the Real Property as of the Closing Date. Buyer shall be free to relocate such books and records as long as such books and records remain in Western New York and accessible to Seller.

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ARTICLE VII

EMPLOYEES AND EMPLOYMENT MATTERS

7.1 Employment by Buyer. Upon the Closing, Buyer shall offer employment to all active employees of Seller employed by the Business. This Section is not intended to obligate Buyer to employ Seller's employees for a specific period of time.

ARTICLE VIII

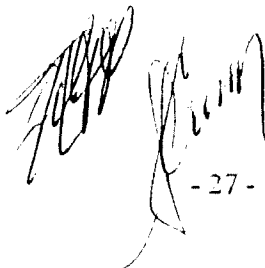
CONDITIONS TO OBLIGATION OF
BUYER TO CONSUMMATE CLOSING

8.1 Conditions. The obligation of Buyer under this Agreement to consummate the Closing is subject to the satisfaction (or waiver by Buyer) of the following conditions:

(a) Covenants, Representations and Warranties. Seller shall have performed all obligations and agreements and complied with all covenants contained in this Agreement to be performed and complied with by them prior to or at the Closing Date. The representations and warranties of Seller set forth in this Agreement shall be accurate in all respects, at and as of the date made and also at and as of the Closing Date, with the same force and effect as though made on and as of the Closing Date.

(b) No Adverse Change. No material adverse change shall have occurred in or with respect to the Business.

(c) Consents. All permits, certifications and licenses and other governmental and official authorizations necessary to Buyer to continue to conduct the Business as heretofore conducted and to consummate the transactions contemplated by this Agreement have been obtained and will be in effect at the time of Closing including any necessary consents under the Contracts, if any.



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(d) Certificate. Buyer shall have received a certificate executed by officers of Seller dated the Closing Date, in the form of Exhibit 8.1(d) hereto.

(e) Employment Agreement. Buyer shall have entered into a written employment agreement with the Kristine Molek in substantially the same form as Exhibit 8.1(e) ("Kristine Employment Agreement").

(f) Employment Agreement. Buyer shall have entered into a written employment agreement with the James Kintzel in substantially the same form as Exhibit 8.1(f) ("James Employment Agreement").

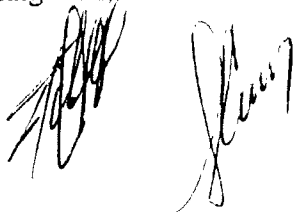
8.2 Effect of Waiver. Any waiver by Buyer of the conditions specified in Section 8.1 hereto, if made knowingly, shall also be deemed a waiver of any claim for damages as the result of any matter waived.

ARTICLE IX

CONDITIONS TO OBLIGATION OF SELLER TO CONSUMMATE CLOSING

9.1 Conditions. The obligations of Seller under this Agreement to consummate the Closing are subject to the satisfaction (or waiver by Seller) of the following conditions:

(a) Covenants, Representations and Warranties. Buyer shall have performed all obligations and agreements and complied with all covenants contained in this Agreement to be performed and complied with by Buyer prior to or at the Closing and the representations and warranties of Buyer set forth in Article IV shall be accurate in all respects, at and as of the Closing Date, with the same force and effect as though made on and as of the Closing Date.



(b) Certificate. Seller shall have received a certificate executed by Buyer, dated the Closing Date, in the form of Exhibit 9.1(b) hereto.

(c) Employment Agreement. Buyer and Kristine Molek shall have entered into the Kristine Employment Agreement.

(d) Employment Agreement. Buyer and James Kintzel shall have entered into the James Employment Agreement.

9.2 Effect of Waiver. Any waiver by Seller of the conditions specified in Section 9.1 hereto, if made knowingly, shall also be deemed a waiver of any claim for damages as the result of any matter waived.

ARTICLE X



TERMINATION

10.1 Termination. This Agreement may be terminated at any time prior to the Closing as follows:

(a) Mutual Consent. Upon the mutual written consent of both parties hereto;

(b) Adverse Proceedings. By either Buyer or Seller if any order to restrain, enjoin or otherwise prevent the consummation of this Agreement or transactions contemplated hereby shall have been entered or, on the Closing Date, there is any pending or threatened litigation in any court, or any proceeding by or before any governmental body, with a view to seeking to restrain or prohibit consummation of this Agreement or in which damages are sought in connection with this Agreement, or if any investigation by any governmental body is pending or threatened which might result in any such litigation or other proceeding;

(c) Cause. By Buyer or Seller, upon written notice to the other, if such other party has breached any representation, warranty or covenant to be performed prior to the

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Closing contained in this Agreement in any material respect, if the non-breaching party has notified the breaching party of the breach in writing and the breach has continued without cure for a period of twenty (20) days after notice of the breach or, if the breach is not curable within such ten-day period, all steps that reasonably could be taken have been taken; or

(d) Lapse of Time. By Buyer or Seller upon written notice the other, of the Closing has not occurred by the close of business on December 31, 2008.

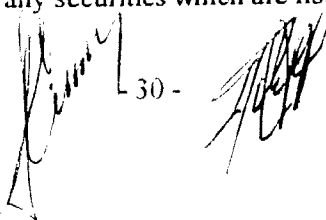
10.2 Effect of Termination. In the event of a termination of this Agreement by either Seller or Buyer as provided in Section 10.01 hereof, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Buyer or Seller, except to the extent that such termination results from the willful breach by a party hereto of any of such party's representations and warranties or a breach of such party's covenants or agreements to be performed prior to the Closing set forth in this Agreement or the Related Agreements. Notwithstanding the foregoing, the provisions of Section 13.5 hereof and this Section 10.2 hereof shall survive any termination hereof pursuant to Section 10.1 hereof.

ARTICLE XI

CERTAIN POST CLOSING COVENANTS

11.1 Non-competition and Non-disclosure. Following the Closing Date and for a period of five (5) years following the Closing, in the case of Seller and Betty Ramming, and in the case of Kristine Molek and James Kintzel, for a period of five (5) years following the termination of their respective employments with Buyer, Seller, Betty Ramming, Kristine Molek and James Kintzel agree not to:

(a) engage or become interested, directly or indirectly, as owner, employee, partner, through stock ownership (except ownership of less than five percent (5%) of the number of shares outstanding of any securities which are listed for trading on any securities

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exchange), investment of capital, lending of money or property, rendering of services, or otherwise, whether alone or in association with others, in the operation of any business or enterprise in any way competitive to the Business as presently or heretofore conducted by Seller anywhere in the United States and Canada ("Territory");

(b) solicit or accept orders for the products of the Business or similar products anywhere in the Territory from any then or previous customer of the Business or otherwise induce or attempt to induce any such customer to reduce such customer's patronage of Buyer;

(c) except as may be required by law, disclose the names of any such customers to any other person, business organization or entity;

(d) solicit any of the employees of Buyer to leave the employ of Buyer;

(e) divulge, communicate, or utilize any confidential business information of or pertaining to the business or affairs of the Business or any of its customers, consultants or collaborators; or

(f) use the name Electro Abrasives or any variation thereof in any organization, enterprise or business.

11.2 Equitable Remedies. Seller, Betty Ramming, Kristine Molek and James Kintzel specifically acknowledge and agree that the remedy at law for any breach of any provision of Section 11.1 hereto will be inadequate and that Buyer, in addition to any other relief available to it, shall be entitled to injunctive relief without the necessity of proving actual damage.



11.3 Severability. If any provision in Section 11.1 and 11.2 hereto shall for any reason be held to be excessively broad as to any activity or subject, it shall be construed, by limiting and reducing it, to be enforceable to the extent compatible with applicable law. If any provision in Section 11.1 hereof shall, notwithstanding the preceding sentence, be held illegal or unenforceable, such illegality or unenforceability shall not affect any other provision of Section 11.1 hereof, but this Agreement shall be construed as if such illegal or unenforceable provision had never been contained herein.

ARTICLE XII

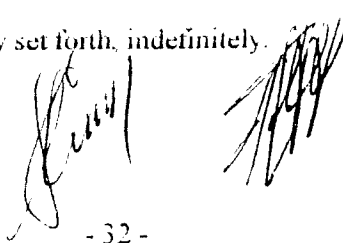
SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS AND INDEMNIFICATION

12.1 Survival. All of the representations and warranties of the parties contained in this Agreement or in any certificate or other writing delivered pursuant to or in connection with this Agreement shall survive the Closing for a period of one year, except for:

(a) the representations and warranties in Sections 3.1(a) and (b), 4.1(a) and (b), and those representations and warranties in Section 3.1(h) and (k) to the extent they relate to title to the Subject Assets, shall survive indefinitely;

(b) the representations and warranties in Sections 3.1(w) shall survive the expiration of the applicable statute of limitations (or extensions or waivers thereof) that applies to the claim to which Buyer has become subject requiring indemnification thereunder;

(c) those covenants and agreements set forth in the Related Agreements and in instruments of conveyance as contemplated herein that, by their terms, are to have effect after the Closing Date shall survive for the period contemplated by the covenants and agreements, or if no period is expressly set forth, indefinitely.



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12.2 Seller Indemnification. Subject to the limitations set forth in Section 12.3 hereto, Seller hereby agrees to defend, indemnify and hold harmless Buyer, from and against any and all damages, claims, liabilities, losses, costs and expenses whatsoever (including reasonable attorneys fees) ("Buyer's Damages") arising out of, attributable to, resulting from, or incurred with respect to (i) any breach of warranty or misrepresentation by or on behalf of Seller under this Agreement or any Related Agreement, or the breach or non-performance of any covenant, agreement, or obligation to be performed by Seller under this Agreement or any Related Agreement; (ii) any misrepresentation in, or omission from, any certificate or instrument executed and delivered or to be executed and delivered by or on behalf of Seller in connection with this Agreement or any Related Agreement; or (iii) any liability or obligation of Seller not expressly assumed by Buyer pursuant to this Agreement to the extent arising out of, or related to, the Business and events occurring or conditions existing prior to the Closing. In no event shall Seller's exposure pursuant to this Section 12.2 exceed the amount of the Purchase Price.

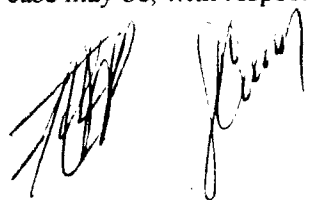
12.3 Buyer Indemnification. Buyer hereby agrees to defend, indemnify and hold harmless Seller, from and against any and all damages, claims, liabilities, losses, costs and expenses whatsoever (including reasonable attorneys fees) ("Seller's Damages") arising out of, attributable to, resulting from, or incurred with respect to (i) any breach of warranty or misrepresentation by or on behalf of any Buyer under this Agreement or any Related Agreement, or the breach or non-performance of any covenant, agreement, or obligation to be performed by Buyer under this Agreement or any Related Agreement; or (ii) any misrepresentation in, or omission from, any certificate or instrument executed and delivered or to be executed and delivered by or on behalf of Buyer in connection with this Agreement or any Related Agreement attached hereto and made a part hereof.

12.4 Limitations. Buyer shall not be entitled to indemnification with respect to a breach of a representation or warranty unless and until the total amount which Buyer is entitled and indemnifications exceeds \$100,000. If after the Closing the total amount for which Buyer is entitled to indemnification exceeds such \$100,00, Seller's obligations as herein provided shall apply to any such excess over \$100,000.

12.5 Exclusivity. The rights to indemnification provided by this Article XII are not exclusive and shall not be construed to exclude or preclude the exercise of, and shall not be in substitution or replacement of, any other rights of the parties hereto, express or implied, under this Agreement or applicable law for misrepresentation, breach of contract or warranty or the breach or non-performance of any agreement, covenant or obligation; provided that in no event may any party receive more than one recovery in respect of any act or omission on which a claim of indemnification is based.

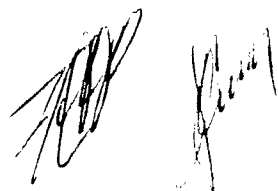
12.6 Indemnification Procedures.

(a) In the event any claim, action, suit or proceeding is made or brought by any third party against Buyer or Seller (the "Indemnified Party"), with respect to which an indemnifying party may have liability under this Article XII, the indemnifying party shall, at its own expense, be entitled to participate in and, to the extent that it shall wish, jointly and with any other indemnifying party, assume the defense, with independent counsel reasonably satisfactory to the Indemnified Party, provided that in assuming the defense of any such third party claim, action, suit or proceeding, the indemnifying party acknowledges in writing to the Indemnified Party that the indemnifying party shall thereafter be liable for any Buyer's Damages or Seller's Damages, as the case may be, with respect to such claim, action, suit or proceeding.



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(b) If the indemnifying party elects to assume control of such defense or settlement, it shall conduct such defense or settlement in a manner reasonably satisfactory and effective to protect the Indemnified Party fully; such indemnifying party and its counsel will keep the Indemnified Party fully advised as to its conduct of such defense or settlement, and no compromise or settlement shall be agreed or made without the prior written consent of the Indemnified Party. In any case, the Indemnified Party shall have the right to employ its own counsel and such counsel may participate in such action, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party, when and as incurred, unless (a) the employment of counsel by the Indemnified Party has been authorized in writing by the indemnifying party, (b) the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the indemnifying parties and the Indemnified Party in the conduct of the defense of such action, (c) the indemnifying party shall not in fact have employed independent counsel reasonably satisfactory to the Indemnified Party to assume the defense of such action and shall have been so notified by the Indemnified Party, (d) the Indemnified Party shall have reasonably concluded and specifically notified the indemnifying party either that there may be specific defenses available to it which are different from or additional to those available to the indemnifying party or that such claim, action, suit or proceeding involves or could have a material adverse effect upon it beyond the financial resources of the indemnifying party or the scope of this Agreement, or (e) the indemnifying party fails to conduct such defense or settlement in a manner reasonably satisfactory to protect the Indemnified Party fully. If clause (b), (c), (d) or (e) of the preceding sentence shall be applicable, then counsel for the Indemnified Party shall have the right to direct the defense of such claim, action, suit or proceeding on behalf



of the Indemnified Party and the reasonable fees and disbursements of such counsel shall constitute Buyer's Damages or Seller's Damages hereunder.

(c) If the indemnifying party does not elect to assume the defense or any such claim, or if they fail to conduct such defense or settlement in a manner reasonably satisfactory to protect the Indemnified Party fully, the Indemnified Party may engage independent counsel selected by the Indemnified Party to assume the defense and may contest, pay, settle or compromise any such claim on such terms and conditions as the indemnified party may determine. The reasonable fees and disbursements of such counsel shall constitute Buyer's Damages or Seller's Damages hereunder.

(d) The Indemnified Party and the Indemnifying Party, as the case may be, shall be kept fully informed of such claim, action, suit or proceeding at all stages thereof whether or not such party is represented by its own counsel.

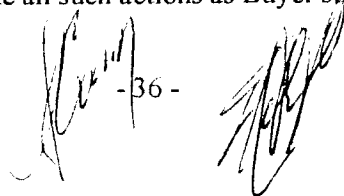
ARTICLE XIII

MISCELLANEOUS

13.1 Entire Agreement. This Agreement, together with all Schedules, Exhibits and Related Agreements, constitutes the entire Agreement and supersedes all prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof and no party shall be liable or bound to the other in any manner by any warranties, representations, covenants or agreements except as specifically set forth herein or expressly required to be made or delivered pursuant hereto.

13.2 Modifications. Any amendment, change or modification of this Agreement shall be void unless in writing and signed by all parties hereto.

13.3 Further Assurances. From time to time after the Closing Date, Seller will execute all such instruments and take all such actions as Buyer shall reasonably request in order

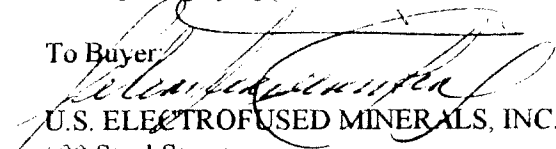
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more effectively to convey and transfer all of the Subject Assets to Buyer and to cause the Assumed Liabilities to be assumed by Buyer. Seller and Buyer shall also execute and deliver to the appropriate other party such other instruments as may be reasonably required in connection with the performance of this Agreement and each shall take all further actions as may be reasonably required to carry out the transactions contemplated by this Agreement.

13.4 Binding Effect and Benefits. This Agreement shall be binding upon and shall inure to the benefit of Buyer and Seller and their respective successors, permitted assigns, transferees, heirs and legal representatives. This Agreement shall not be assignable by any party hereto except Buyer may assign this Agreement to a wholly-owned subsidiary corporation or limited liability company or to any entity controlled by the sole shareholder of Buyer as long as Buyer remains liable on this Agreement and executes the Guaranty if Buyer is not the purchaser of the Subject Assets.

13.5 Expenses. Seller and Buyer shall each bear and pay all costs and expenses respectively incurred by each of them on their behalf in connection with this Agreement, including, without limitation, fees and expenses of their own financial consultants, accountants and counsel.

13.6 Notices. Any notices or other communications required or permitted to be given pursuant to this Agreement shall be deemed to have been given if in writing and delivered personally or sent by certified mail, postage prepaid, addressed as follows:

(a) To Buyer

U.S. ELECTROFUSED MINERALS, INC.
600 Steel Street
Aliquippa, PA 15001
Attn: Luiz A. Curimbaba

With a copy to:

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.....
.....
.....

(b) To Seller:

Electro Abrasives Corporation
45 Brookins Green
Orchard Park, NY 14127
Attn: Betty Ramming

With a copy to:

Phillips Lytle LLP
3400 HSBC Center
Buffalo, New York 14203
Attn: James W. Smyton, Esq.

(c) To Shareholder:

.....
.....
.....

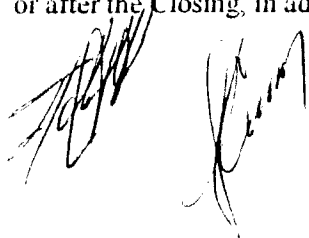
With a copy to:

.....
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.....
.....

or such other addresses as shall be furnished in writing by any party to the other party.

13.7 Headings. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meanings hereof.

13.8 Specific Performance. Since a breach of the provisions of this Agreement could not adequately be compensated by money damages, Buyer shall be entitled, either before or after the Closing, in addition to any other right or remedy available, to an injunction



restraining such breach or a threatened breach and to specific performance of any provision of this Agreement, and in such case no bond or other security shall be required in connection therewith, and Seller hereby consent to the issuance of such an injunction and to the ordering of specific performance.

13.9 Public Announcements. On and after the date hereof and through the Closing Date neither Buyer nor Seller shall issue any press release or make any public statement regarding the transactions contemplated by this Agreement prior to obtaining the other party's written approval; provided, however, neither party shall be prohibited from making any disclosure required by applicable law.



[SIGNATURES FOLLOW ON THE NEXT PAGE]




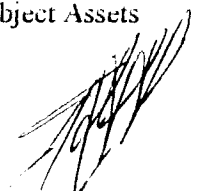
List of Exhibit and Schedules

Exhibits

- Exhibit 1.3(b)(1) – Note
- Exhibit 1.3(b)(2) – Guaranty
- Exhibit 2.2(a)(i) – Bill of Sale and Assignment Agreement
- Exhibit 2.2(b)(ii) – Assumption Agreement
- Exhibit 8.1(d) – Certificate
- Exhibit 8.1(e) – Kristine Employment Agreement
- Exhibit 8.1(f) – James Employment Agreement
- Exhibit 9.1(b) – Certificate

Schedules

- Schedule 1.1(a) – Tangible Personal Property
- Schedule 1.1(c) – Intellectual Property
- Schedule 1.1(d) – Contracts
- Schedule 1.1(j) – Real Property
- Schedule 1.2 – Excluded Assets
- Schedule 1.4(b) – Net Asset Value
- Schedule 1.5 – Allocation of Purchase Price
- Schedule 1.6 – Assumed Liabilities Categories
- Schedule 3.1(c) - Effect of Agreement
- Schedule 3.1(e) – Financial Statements
- Schedule 3.1(f) - Absence of Certain Changes or Events
- Schedule 3.1(h) – Title to Subject Assets



Schedule 3.1(i) - Contracts, No Defaults

Schedule 3.1(j) - Inventories

Schedule 3.1(l) - Litigation and Claims

Schedule 3.1(m) - Compliance with Law

Schedule 3.1(n) - Books and Records

Schedule 3.1(o) - Environmental Issues

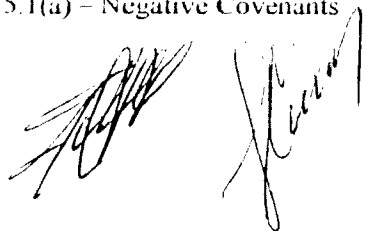
Schedule 3.1(q) - Labor Matters

Schedule 3.1(s) - Transactions with Certain Persons

Schedule 3.1(t) - Employee Benefit Plans

Schedule 3.1(w) - Permits, etc.

Schedule 5.1(a) - Negative Covenants

Two handwritten signatures in black ink, one on the left and one on the right, positioned below the list of schedules.

IN WITNESS WHEREOF, each of the parties hereto has duly executed on this Agreement as of the date above first written.

ELECTRO ABRASIVES CORPORATION

By: Kristine Molek
Name: KRISTINE MOLEK
Title: President

U.S. ELECTROFUSED MINERALS, INC.

By: Sebastian Chiriboga
Name: SEBASTIÁN CHIRIBOGA
Title: PRESIDENT

By: Betty Ramm
Betty Ramm*

By: Kristine Molek
Kristine Molek*

By: James Kintzel
James Kintzel*

*These individuals execute this Agreement to be bound by the obligations set forth in Article XI hereof as those obligations relate to each of them respectively.

Len
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