

ELECTROGLAS, INC.
CODE OF BUSINESS CONDUCT

October 2003

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ELECTROGLAS' CODE OF BUSINESS CONDUCT

POLICY STATEMENT

It is the policy of Electroglas, Inc. (“Electroglas,” or the “Company”) to conduct its affairs in accordance with all applicable laws and regulations of the countries in which it does business. This Code applies to the Company’s Chief Executive Officer, Chief Financial Officer, the Executive Staff (16B Officers) and senior financial management. This Code of Business Conduct is designed to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- Full, fair, accurate, timely and understandable disclosure in the reports and documents the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.
- Compliance with applicable governmental laws, rules and regulations.
- Prompt internal reporting to the appropriate person of violations of this Code.
- Accountability for adherence to this Code.

Electroglas has established standards for behavior that affects the Company and employees should pattern their daily performance in compliance with those standards. The Company promotes ethical behavior and encourages employees to talk to supervisors, managers, the Electroglas Compliance Team, or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws, rules, regulations or the Code to appropriate personnel. Employees reporting such violations in good faith will not be subject to retaliation. Any employee in or aware of a situation that he or she believes may violate or lead to a violation of this Code should follow the guidelines under “Compliance and Reporting” below.

The Code of Business Conduct (the “Code”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees of the Company. Corporate policies and procedures provide details pertinent to many of the provisions of the Code. Employees are expected to be aware of, and to act in accordance with, both the Code and the Company’s other policies and procedures at all times. Many of these policies and procedures can be found on Insight under Human Resources. Although there can be no better course of action than to apply common sense and sound judgment, do not hesitate to use the resources available whenever it is necessary to seek clarification.

APPROVALS AND WAIVERS

Certain provisions of this Code require employees to act, or refrain from acting, unless prior approval is received from the appropriate person. Tom Brunton, the Company’s Chief Compliance Officer or such officer’s designees may give approvals. Employees may contact any member of the Electroglas Compliance Team, the current

composition of which is set forth at the end of this Code, for additional information on obtaining approvals.

Employees requesting any change to or any waivers from this Code should request such waiver in writing to Tom Brunton, Chief Compliance Officer or such officer's designees. Waivers relating to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, must be approved by Tom Brunton, Chief Compliance Officer or Keith Barnes, Chief Executive Officer. The Chief Compliance Officer or such officer's designees may grant all other changes or waivers.

CONFLICTS OF INTEREST

A conflict of interest arises any time an employee's personal interests or activities influence his or her ability to act in the best interests of the Company. All employees must discharge their responsibilities solely on the basis of what is in the best interest of the Company and independent of personal consideration or relationships. Employees must disclose any potential conflicts of interest to Tom Brunton, Chief Compliance Officer or such officer's designees, who will advise the employee as to whether or not the Company believes a conflict of interest exists. An employee should also disclose potential conflicts of interest involving the employee's spouse, siblings, parents, in-laws, children, life partner and members of the employee's household.

BUSINESS RELATIONSHIPS

Electrogas seeks to outperform its competition fairly and honestly. The Company seeks competitive advantages through superior performance, not unethical or illegal business practices. Each employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair-dealing practice.

Customer Relationships

Our customers are of the utmost importance to Electrogas. Electrogas employees should always treat customers and potential customers according to the highest standards of business conduct.

It is Electrogas' policy to sell our products and services on their merits. Employees should be careful in this regard in commenting upon the character, financial condition, or potential legal or regulatory problems of competitors.

Employees should follow the following guidelines in selling our products and services:

- sell on the strength of our Company and our products and services;
- do not make claims about our products or services unless the claims are both factual and complete;
- do not make claims about a competitor's products or services unless the claims are based on the factual data;
- to maintain the Company's valuable reputation, compliance with its quality processes and safety requirements is essential. Electrogas' products and services must be designed and manufactured to meet its

obligations to customers. All inspection and testing documents must be handled in accordance with all applicable requirements.

Suppliers

Electroglas' suppliers -- companies and individuals that sell products and services to Electroglas -- are important to our business. Electroglas employees should always treat suppliers and potential suppliers in accordance with the highest standards of business conduct.

Suppliers should be selected on the basis of objective criteria, such as value (quality for price), price, technical excellence, service reputation and production/service capacity.

Individuals with procurement responsibility should review the sections of this Code concerning fair competition and should be familiar with applicable laws and Company policies.

Sales Agents, Representatives, Distributors, and Consultants

Agreements with sales representatives, agents, marketing consultants, distributors and other parties, require adherence to Electroglas policy and applicable U.S. and foreign laws and regulations. The Company requires either a contracts administration or legal review of all such agreements, as well as management approval prior to entering into any such agreements.

Contracts and Commitments

No employee may enter into any agreement binding Electroglas without express authorization. The Company has instituted contract and signature approval policies, which identify those individuals who have the authority to approve and sign certain contracts binding Electroglas and its subsidiaries. If there are any questions about which employees have signature authority for a given contract, contact Tom Brunton, Chief Compliance Officer or such officer's designee.

Employees involved in proposals, bid preparations or contract regulations should strive to ensure that all statements, communications, and representations to prospective customers are truthful and accurate. Once awarded, all contracts must be performed in compliance with all specifications, requirements and clauses.

FAIR COMPETITION

Fair competition laws, including the U.S. antitrust rules, limit what Electroglas can do with another company and what Electroglas can do on its own. Generally, the laws are designed to prohibit agreements or actions that reduce competition and harm consumers. Employees may not enter into agreements or discussions with competitors that have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers. U.S. and foreign antitrust laws also apply to imports and exports.

GIFTS, GRATUITIES, ENTERTAINMENT AND OTHER CONSIDERATIONS

Use of Company funds or other Company property for illegal, unethical or otherwise improper purposes is prohibited. The purpose of business entertainment and

gifts in a commercial setting is to create goodwill and a sound working relationship, not to gain advantage with customers or suppliers.

Gifts

Except as set out below and in the Company's policies, or with approval, employees should refrain from giving and receiving business-related gifts.

- No Electroglas employee or agent may solicit or accept a gift (including any payment, compensation, loan or other financial favor) having a value of more than \$100.00 to or from a person or organization with the intention of influencing the recipient's business judgment or conduct. There should always be a business benefit or purpose for accepting any gift or participating in a supplier-sponsored activity, and any benefits received should not influence, or appear to influence, selection and purchasing decisions.
- It is never appropriate or permissible to accept or give cash or a cash equivalent from or to a vendor, supplier or customer outside the Company's normal business. Cash equivalents include, among other things, checks, money orders and vouchers.
- No Electroglas employee or agent may give a business-related gift, meals, travel or entertainment having a value greater than \$500.00 to any person or organization on behalf of Electroglas without first consulting with Tom Brunton, Chief Compliance Officer or such officer's designee. Rules relating to U.S. and foreign government personnel are more stringent. See *"Doing Business Internationally"* below.
- No employee may accept a customer, vendor or supplier discount for himself or herself unless it is generally available to the public or is approved.

Invitations to participate in so-called "directed shares," "friends and family," and similar stock purchase programs of customers, vendors or suppliers of Electroglas are considered to be business-related gifts. Employees must decline to participate in such programs unless the employee has sought and received pre-approval to participate in such program.

Electroglas employees may entertain socially friends or relatives doing business with the Company provided that the entertainment is clearly not related to Company business. No expenses of such entertainment are reimbursable by the Company.

Loans

Employees may not accept loans from any person or entities having or seeking business with the Company. Executive officers and directors may not receive loans from the Company, nor may the Company arrange for any loan. A loan from a financial institution in ordinary course at normal interest rates prevailing at the time of borrowing is permissible.

Meals, Entertainment, and Travel

Employees may provide or accept meals and entertainment, including attendance at sporting or cultural events, as long as it is business-related or associated with an occasion at which business is discussed and is provided as a normal part of business. The

value of the activity must be reasonable and permissible under Electroglas' expense account procedures, regardless of whether or not Electroglas is paying for the activity. Each employee should exercise care to insure that such activities are necessary and that their value and frequency are not excessive under all the applicable circumstances. Rules relating to U.S. and foreign government personnel are more stringent. See ***“Doing Business Internationally”*** below.

Bribes and Kickbacks

The use of Company funds, facilities or property for any illegal or unethical purpose is strictly prohibited; provided, that certain facilitating payments discussed in ***“Doing Business Internationally”*** are permitted.

- No Electroglas employee or agent is permitted to offer, give or cause others to give, any payments or anything of value for the purpose of influencing the recipient's business judgment or conduct other than facilitating payments;
- Employees may not solicit or accept a kickback or bribe, in any form, for any reason.

DOING BUSINESS INTERNATIONALLY

Electroglas is committed to the highest business conduct standards wherever it operates. Electroglas observes these standards worldwide, even at the risk of losing business. While no one can anticipate all the situations that may present challenges to Electroglas employees doing business in the worldwide marketplace, the following guidelines always apply:

- Observe all laws and regulations, both U.S. and non-U.S., that apply to business abroad.
- Paying bribes to government officials is absolutely prohibited, even if those bribes are common practice, except for facilitating payments. Electroglas employees may not give, promise to give or authorize the giving to a foreign official, a foreign political party, or official thereof or any candidate for foreign political office any money or offer, gift, promise to give or authorize the giving of anything of value to influence any act or decision, to induce such official, party or candidate to do or omit to do any act in violation of the lawful duty of such official, party or candidate, or to induce such official, party or candidate to use his or her influence with a foreign government or agency to affect or influence any act or decision of such foreign government or agency.
- Do not cooperate with illegal boycotts.
- Observe all licensing requirements and the requirements of applicable import and export control laws.
- Do not enter into an agreement with an agent or consultant that relates to Electroglas' business outside the United States unless all appropriate approvals have been obtained.

The laws governing Electroglas' business in foreign countries are extensive and complex, and may be different from those in the United States. No Electroglas services or products should be offered in any country in which Electroglas' services and products

have not previously been sold without prior approval, and then only in accordance with the applicable local country's regulations and requirements.

Facilitating Payments to Low-Level Non-U.S. Governmental Employees and Officials for Non-Discretionary Action

As noted above, Electroglas is committed to complying with the laws of the countries where it operates. In some countries, a very limited category of small payments to facilitate or expedite routine non-discretionary governmental actions may be permitted as exceptions to antibribery laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). The requirements pertaining to such payments are complex. Electroglas employees engaged in international business activities should be familiar with the rules regarding this type of payment and must obtain prior approval of the Compliance Team or its designee before making any such payment.

These "facilitating payments" to non-U.S. governmental officials are distinguished from payments made to influence a discretionary decision or to cause violation of, or an act in conflict with, the interests of an individual's employer, which are strictly prohibited.

Import and Export Regulation/Trade Compliance

Because of the international nature of its business, Electroglas is subject to the import and export laws and regulations of the United States and certain foreign governments. These laws and regulations govern the international transfer of all products and services of Electroglas, as well as technology, information and ideas belonging to Electroglas.

Under U.S. law, no technology may be exported without the proper government export licenses and documentation. Exports of technology include not only technology shipped via freight, but also technology that is hand-carried (employees traveling overseas), sent via courier services or U.S. mail, electronically transmitted, and/or disclosed to foreign nationals in the United States or abroad. "Technology" is defined as hardware, software, technical documentation, product specifications, technical data, etc.

It is the responsibility of Electroglas employees to ensure that proper documentation accompanies each export or disclosure. Failure to export or re-export without the proper export license or documentation can jeopardize Electroglas' compliance with U.S. export laws, as well as those laws of foreign countries. Non-compliance can result in denial of export privileges, criminal penalties, seizure of commodities, and fines to Electroglas and its employees.

Electroglas is prohibited from doing business with certain individuals, groups, or organizations in both domestic and export markets. Electroglas' Export Compliance Representative maintains lists of these "denied parties." The Representative should be consulted to ensure Electroglas is not doing business with a "denied party."

It is Electroglas' policy to comply fully with all applicable U.S. and foreign laws controlling the export and re-export of products, technology (including software) and services. Employees must exercise the necessary diligence to ensure that Electroglas and its employees, contractors, joint ventures and distributors/resellers involved in the export or re-export of U.S. origin goods, technology and services comply with all applicable U.S. and foreign government regulations regarding exports.

Antiboycott Compliance

The United States has enacted antiboycott regulations which make it unlawful for U.S. persons to participate in any activity that could have the effect of promoting or supporting a boycott or restrictive trade practice of another country against customers or suppliers located in a country friendly to the U.S. or against a U.S. person, firm or corporation. Boycott issues arise most frequently in connection with the Arab boycott of Israel. Prohibited actions include, but are not limited to, furnishing information about business relationships with boycotted countries, or information about race, religion, sex or national origin. Any request to participate in such activity should be immediately reported to Tom Brunton, Chief Compliance Officer or the officer's designee.

POLITICAL CONTRIBUTIONS AND LOBBYING

No political contributions are to be made using Electroglas funds or assets, or the funds or assets of any Electroglas subsidiary, to any political party, political campaign, political candidate or public official in the United States or any foreign country, unless the contribution is lawful and expressly authorized in writing. In addition, no Electroglas employee may make a political contribution on behalf of Electroglas or its subsidiaries, or with the appearance that such contribution is being made on behalf of Electroglas or its subsidiaries, unless expressly authorized in writing. A "contribution" is any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, services or anything of value in connection with an election or to an organization or group formed to support or defend a referendum or ballot issue.

Nothing in this Code is intended to discourage employees from making contributions of their own time or funds to political parties or candidates of their choice. However, employees will not be compensated or reimbursed by Electroglas for any personal contributions.

Employees must obtain prior approval to hire outside counsel or a public affairs firm to contact government officials regarding legislation, regulatory policy, or rule making. This includes grassroots lobbying contacts.

ACCURACY OF REPORTS, RECORDS AND ACCOUNTS

All Electroglas employees are responsible for the accuracy of their respective records, time sheets and reports. Accurate information is essential to Electroglas' ability to meet legal and regulatory obligations and to compete effectively. The records and books of account of Electroglas shall meet the highest standards and accurately reflect the true nature of the transactions they record.

Electroglas employees must not create false or misleading documents or accounting, financial or electronic records for any purpose, and no one may direct an employee to do so. For example, expense reports must accurately document expenses actually incurred in accordance with Electroglas policies. Electroglas employees must not obtain or create "false" invoices or other misleading documentation or invent or use fictitious entities, sales, purchases, services, loans or other financial arrangements for any purpose. Employees are also responsible for accurately reporting time worked.

No undisclosed or unrecorded account or fund shall be established for any purpose. No false or misleading entries shall be made in the Company's books or records for any reason. No disbursement of corporate funds or other corporate property shall be made without adequate supporting documentation or for any purpose other than as

described in the documents. All employees shall comply with the Company's financial policies and if they have any questions regarding any action that may impact a financial transaction, they should contact Tom Brunton, Chief Financial Officer.

GOVERNMENT INVESTIGATIONS

It is the policy of the Company to cooperate with all government investigations. Employees must promptly notify counsel of any government investigation or inquiries from government agencies.

Employees must not obstruct the collection of information, data or records. The Company provides information to the government that it is entitled to during an inspection, investigation, or request for information. Employees must not lie to government investigators or making misleading statements. Employees must not attempt to cause another employee to fail to provide accurate information to government investigators.

Employees have the right to consult their own legal counsel at their own expense.

REGULATORY COMPLIANCE

The agencies that regulate Electrogas business include many federal, provincial, state and local agencies. The Company and its employees must comply with the regulatory requirements of these agencies. Employees are expected to take an active role by being knowledgeable about all applicable laws and regulations, attending trainings and requesting information. Employees are required to immediately report regulatory violations, suspected regulatory violations, or potentially harmful or dangerous conditions to Keith Barnes, Chief Executive Officer, Tom Brunton, the Compliance Officer or the Electrogas Ethics Hotline.

INSIDER TRADING; COMMUNICATIONS WITH THIRD PARTIES

Employees, officers and directors who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. To assist in complying with this policy, the Company has adopted an Insider Trading and Blackout Policy, Fair Disclosure Policy (Regulation FD) and Section 16 Compliance Policy.

Insider Trading

Inside information is material information about a publicly traded company that is not known by the public. Information is deemed "material" if it could affect the market price of a security or if a reasonable investor would attach importance to the information in deciding whether to buy, sell or hold a security. Inside information typically relates to financial conditions, such as progress toward achieving revenue and earnings targets or projections of future earnings or losses of the Company. Inside information also includes changes in strategy regarding a proposed merger, acquisition or tender offer, new products or services, contract awards and other similar information. Inside information is not limited to information about Electrogas. It also includes material non-public information about others, including the Company's customers, suppliers, and competitors.

Insider trading is prohibited by law. It occurs when an individual with material, non-public information trades securities or communicates such information to others who

trade. The person who trades or “tips” information violates the law if he or she has a duty or relationship of trust and confidence not to use the information.

Trading or helping others trade while aware of inside information has serious legal consequences, even if the Insider does not receive any personal financial benefit. Insiders may also have an obligation to take appropriate steps to prevent insider trading by others.

Communications with the Media and the Financial Community

Electroglas communicates with the press and with the financial community through official channels only. The Company provides accurate and timely information about its business, to investors, the media, and the general public. All inquiries received from financial analysts and the media should be directed to Electroglas Investor Relations. All legal inquiries should be referred to Tom Brunton, Chief Financial Officer. All inquiries regarding current or former employees should be referred to the Human Resources Department.

Confidential Information

Employees should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information, including information that might be of use to competitors, or harmful to the Company or its customers if disclosed.

TECHNOLOGY USE AND PRIVACY

Electroglas provides various technology resources (including computers, telephones, software, copying machines, Internet access, and voice mail) to authorized employees to assist them in performing their job duties for the Company. Each employee has the responsibility to use the Company’s technology resources in a manner that complies with applicable laws and Company policies, increases productivity, enhances the Company’s public image and is respectful of other employees.

Authorization

Access to the Company’s technology resources is within the sole discretion of the Company and subject to Company policies. Generally, employees are given access to the Company’s various technologies consistent with their job functions. The Company reserves the right to limit such access by any means available to it, including revoking access altogether.

Prohibition Against Violating Copyright Laws

Employees may not use the Company’s technology resources to copy, retrieve, forward or send copyrighted materials unless the employee has the author’s permission or is accessing a single copy only for the employee’s reference.

Violation of copyright laws is a potential financial and legal liability for both the Company and the offending employee.

Other Prohibited Uses

Employees may not use any of the Company's technology resources for any illegal purpose, in violation of any Company policy, in a manner contrary to the best interests of the Company, in any way that discloses confidential or proprietary information of the Company or third parties on an unauthorized basis, or for personal gain.

OUR WORK ENVIRONMENT

The diversity of the Company's employees is a tremendous asset. Electroglas is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. In addition, the Company strives to provide each employee with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following health and safety rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. The Company's Employee Resource Guide and Human Resources Guideline contains additional guidelines.

ENVIRONMENTAL

Electroglas must fully comply with all state and federal laws relating to the protection of the environment in the conduct of its business. Employees must use, store and dispose all hazardous materials properly and in accordance with applicable laws, rules and regulations. Employees must report, in accordance with Company policies, all circumstances under which hazardous materials or wastes come in contact with the environment, are improperly handled or disposed of, or where a potential violation of law may exist.

COMPLIANCE AND REPORTING

Compliance

Any employee who violates the provisions of this Code will be subject to disciplinary action, up to and including termination. Willful disregard of criminal statutes underlying this Code may require the Company to refer such violation for criminal prosecution or civil action.

Reporting Procedures and Other Inquiries

Questions regarding the policies in this Code may be directed to Tom Brunton, Chief Compliance Officer. Managers and supervisors provide timely advice and guidance to employees on ethics and compliance concerns and are expected to take a leadership role in promoting ethical business conduct. Any employee having knowledge of, or questions or concerns about, an actual or possible violation of the provisions of this Code is obligated to promptly report the matter to his or her immediate supervisor or to a member of the Compliance Team. The names and contact information for the members of the Compliance Team are set out below.

In addition, employee may also report suspected violations of this Code anonymously by calling The Electroglas Ethics Hotline 877-888-0040.

Employees with information relating to questionable accounting or auditing matters may also confidentially, and anonymously if they desire, submit the information

in writing to the Company's Audit Committee of the Directors at the Electroglas Ethics Hotline 877-888-0040.

All conversations, calls and reports made in good faith will be taken seriously. When reporting a violation, employees will be asked to provide the time, location, names of the people involved, and other details so that the Company can investigate. Electroglas prohibits retaliation or retribution against any person who in good faith reports an ethical concern. However, anyone who uses the Code or any compliance program to spread falsehoods, threaten others, or damage another person's reputation will be subject to disciplinary action up to and including termination.

The Electroglas Compliance Team:

Keith Barnes, CEO
Tom Brunton, Chief Compliance Officer, CFO
Ed Saliba, Chairman of the Audit Committee of the Board of Directors

Other Important Contact Information:

- Corporate Legal, Morrison and Forrester LLP, Palo Alto, California
- Human Resources Department, Corporate Headquarters, San Jose, California
- Investor Relations, Corporate Headquarters, San Jose, California
- Electroglas Ethics Hotline 877-888-0040

This document is not an employment contract between Electroglas and its employees, nor does it modify their employment relationship with the Company.

This Code is intended to clarify each employee's existing obligation for proper conduct. The standards and the supporting policies and procedures may change from time to time in the Company's discretion. Each employee is responsible for knowing and complying with the current laws, regulations, standards, policies and procedures that apply to the Company's work. The most current version of this document can be obtained from Tom Brunton, Chief Financial Officer.

ACKNOWLEDGEMENT

I acknowledge that I have received and read a copy of Electroglas' Code of Business Conduct (the "Code"). I understand that I am responsible for knowing and complying with the policies set forth in the Code during my employment with the Company.

I also acknowledge my responsibility to report any violation of this Code or any of Electroglas' other policies and practices to my supervisor or to a member of the Compliance Team. I understand that violations of this Code or of any other Electroglas policy or practice may be reported anonymously by calling the Electroglas Ethics Hotline at 877-888-0040.

I further understand that the policies contained in the Code are not intended to create any contractual rights or obligations, express or implied. I also understand that, consistent with applicable law, the Company has the right to amend, interpret, modify or withdraw any of the provisions of the Code at any time in its sole discretion, with or without notice.

I understand and agree that my relationship with the Company is "at-will," which means that my employment is for no definite period and may be terminated by me or by the Company at any time and for any reason, with or without cause or advance notice. I also understand that the Company may demote or discipline me, or otherwise alter the terms of my employment, at any time with or without cause or advance notice.

Finally, I understand and agree that the terms of this Acknowledgement, and my at-will relationship with the Company, may not be modified or superseded except by a written agreement signed by Keith Barnes, Chief Executive Officer, that no other employee or representative of the Company has the authority to enter into any such agreement; and that any agreement inconsistent with this Acknowledgement or agreeing to employ me for a specified term will be unenforceable unless in writing and signed by Keith Barnes, Chief Executive Officer.

Employee Name: _____
(Please print)

Signature Date

Title: _____ Dept.: _____

Please return this completed form to Tom Brunton, Chief Financial Officer no later than November 14, 2003.