PURCHASE AGREEMENT

Dated as of June 25, 2004

by and among

MAGNEQUENCH, INC.,

MAGNEQUENCH LTD.,

MAGNEQUENCH NJ, LLC,

MAGNEQUENCH SWISS HOLDINGS AG,

MAGNEQUENCH AG,

and

SMCO HOLDING LLC

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<u>EXHIBITS</u>

PURCHASE AGREEMENT

This PURCHASE AGREEMENT, dated as of June 25, 2004, is entered into by and among Magnequench, Inc., a Delaware corporation ("MI"), and Magnequench Swiss Holdings AG, a Swiss corporation ("Swiss Holdings" and, together with MI, the "Sellers"), and Magnequench NJ, LLC, a Delaware limited liability company ("NJ"), Magnequench Ltd., a UK limited company ("UK"), and Magnequench AG, a Swiss corporation ("AG" and, together with NJ, and UK, the "Acquired Companies"); and SmCo Holding LLC, a Delaware limited liability company (the "Buyer"). The Acquired Companies and the Sellers are sometimes collectively referred to herein as the "Companies". Each of the Companies and the Buyer are sometimes collectively referred to herein as the "Parties".

WITNESSETH:

WHEREAS, the Acquired Companies are in the business of sourcing, manufacturing and/or finishing samarium cobalt magnets and related magnetic assemblies (the "SmCo Business");

WHEREAS, Magnequench International, Inc., a Delaware corporation ("MQI"), is a wholly owned subsidiary of MI and the sponsor of various employee benefit plans that provide benefits to the Transferred Employees;

WHEREAS, as a condition of the transactions contemplated hereby, MI has refinanced, or is refinancing simultaneously with the execution of this Agreement, all of its existing senior bank debt and subordinated debt pursuant to that certain Credit Agreement by and among MI, MQI, the several lenders party thereto and Bear Stearns Corporate Lending, Inc., as administrative agent, dated as of June 25, 2004 (the "Bear Stearns Credit Refinancing");

WHEREAS, simultaneously with the execution of this Agreement, and as a condition of the transactions contemplated hereby, Lux HDD Holdco 2 S.à r.l., a limited liability company (societe a responsabilite limitee) incorporated under the laws of Luxembourg (the "HDD Buyer"), is entering into that certain Purchase Agreement, dated as of the date hereof (the "HDD Purchase Agreement"), by and among the HDD Buyer, MI and Magnequench UG, LLC, a Delaware limited liability company ("UG" and, together with MI, the "HDD Sellers"), and Magnequench Singapore Pte, Ltd., a Singapore company, and Magnequench Tuas Pte, Ltd., a Singapore company (together, the "HDD Acquired Companies") to purchase 100% of the issued and outstanding equity interests of each of the HDD Acquired Companies and all of the assets and properties of the HDD Sellers which are related to the HDD Business (as defined in the HDD Purchase Agreement);

WHEREAS, MI owns 100% of the issued and outstanding equity interests of Swiss Holdings, NJ, and UK;

WHEREAS, Swiss Holdings owns 100% of the issued and outstanding equity interests of AG;

WHEREAS, the Buyer desires to engage in the SmCo Business by acquiring (i) all of the outstanding equity interests in each of the Acquired Companies and (ii) all of the assets of the Sellers related to the SmCo Business, all as more fully described in this Agreement and in each case pursuant to and in accordance with the terms and conditions of this Agreement; and

WHEREAS, Sellers desire to sell all of their respective holdings of equity interests in the Acquired Companies and all of their assets related to the SmCo Business to the Buyer pursuant to and in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. When used in this Agreement, the following terms shall have the respective meanings specified therefor below (such meanings to be equally applicable to both the singular and the plural forms of the terms defined).

"Acquired Companies" shall have the meaning set forth in the preamble to this Agreement.

"Acquired Equity Interests" shall have the meaning set forth in Section 3.1(d).

"Affiliate" means, with respect to any Person, another Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise; *provided*, that (x) any investment account advised or managed by such Person or one of its Subsidiaries or Affiliates on behalf of third parties, or (y) any partnership, limited liability company, or other similar investment vehicle or entity engaged in the business of making investments of which such Person acts as the general partner, managing member, manager, investment advisor, principal underwriter or the equivalent shall not be deemed an Affiliate of such Person.

"Agreement" and "this Agreement" shall mean this Agreement, as amended, modified or supplemented from time to time.

"Assets" shall have the meaning set forth in Section 2.2.

"Assumed Liabilities" shall have the meaning set forth in Section 2.3.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banks located in New York, New York shall be authorized or required by law to close.

"Buyer" shall have the meaning set forth in the preamble to this Agreement.

"Buyer Indemnification Cap" shall have the meaning set forth in Section 7.5(d).

"Buyer Restricted Companies" shall have the meaning set forth in Section 6.4(a).

"Cash Payment" shall mean the cash payment made by the Buyer as the purchase price for the Acquired Equity Interests, Assets and non-competition agreements set forth herein.

"Closing" shall have the meaning set forth in Section 5.1.

"Closing Date" shall have the meaning set forth in Section 5.1.

"COBRA Beneficiary" shall have the meaning set forth in Section 6.6(b).

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

"Companies" shall have the meaning set forth in the preamble to this Agreement.

"Consent" shall mean any consent, approval, authorization, permission or waiver.

"Covered Transaction" shall have the meaning set forth in Section 6.10.

"Damages" shall have the meaning set forth in Section 7.1.

"[redacted]" shall mean those contracts identified on Schedule A.

"Encumbrances" shall mean any charge, claim, community or other marital property interest, condition, equitable interest, Lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, license, lease, servitude, right of first refusal, right of first option, indenture, deed of trust, restriction on the use of real or personal property, or any other encumbrance, restriction or limitation on the use or transfer of any asset or property or any other attribute of ownership.

"Environment" shall mean ambient air, land, surface soil, subsurface soil, sediment, surface water, groundwater, wetlands and all flora and fauna therein or thereon.

"Environmental Conditions" shall mean any environmental contamination or pollution of, or the Release or threatened Release of Hazardous Materials into, the Environment.

"Environmental Laws" shall mean all applicable international treaties, conventions and compacts and all federal, regional, state, county or local laws, statutes, ordinances, decisional law, rules, regulations, codes, Orders, decrees, directives, judgments and common law relating to public health or safety, pollution, damage to or protection of the Environment, Environmental Conditions, Releases or threatened Releases of Hazardous Materials into the Environment or the use, manufacture, processing, distribution, treatment, storage, generation, disposal, transport or handling of Hazardous Materials, whether existing in the past or present. Environmental Laws shall include, but are not limited to, the following laws, and the regulations promulgated thereunder, as the same have been amended from time to time: the Comprehensive

Environmental Response Compensation and Liability Act (42 U.S.C. 9601 et seq.) ("CERCLA"); the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.) ("RCRA"); the Clean Air Act (42 U.S.C. 7401 et seq.); and the Clean Water Act (33 U.S.C. 1251 et seq.); any analogous or similar state laws; and the following applicable federal, local and municipal Mexican legislation: General Law of Ecological Balance and Environmental Protection; General Law for the Prevention and Management of Wastes; Ecological Law of the State of Chihuahua; National Waters Law; and with respect to each, their Official Norms (NOM).

"Environmental Permits" shall mean all permits, authorizations, registrations, certificates, licenses, approvals or Consents required under or issued pursuant to Environmental Laws.

"Excluded Assets" shall have the meaning set forth in Section 2.2.

"Former Facility" shall mean any plants, offices, land, manufacturing, warehousing or other facilities formerly owned, operated, leased, managed, used, controlled or occupied by any of the Acquired Companies in connection with the operation of the SmCo Business or any of the Assets or by any current of former subsidiary of any of the Acquired Companies or any predecessor-in-interest of any of the Acquired Companies.

"GAAP" shall mean generally accepted accounting principles in the United States.

"Governmental Entity" shall mean any: (i) nation, state, county, city, town, borough, village, district or other jurisdiction; (ii) federal, state, local, municipal, foreign or other government; (iii) governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal, mediator, arbitrator or other Person exercising governmental or quasi-governmental powers); (iv) multinational organization or body; (v) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or (vi) official of any of the foregoing.

"Guarantees" shall have the meaning set forth in Section 6.8.

"HDD Acquired Companies" shall have the meaning set forth in the recitals of this Agreement.

"HDD Business" shall have the meaning set forth in the recitals of the HDD Purchase Agreement.

"HDD Buyer" shall have the meaning set forth in the recitals of this Agreement.

"HDD Promissory Note" shall mean the Promissory Note issued by the HDD Buyer to the HDD Sellers under the HDD Purchase Agreement.

"HDD Purchase Agreement" shall have the meaning set forth in the recitals of this Agreement.

"HDD Sellers" shall have the meaning set forth in the recitals of this Agreement.

"Hazardous Materials" shall mean any substance, material or waste or any pollutant or contaminant that is infectious, toxic, hazardous, explosive, corrosive, flammable or radioactive, or that is regulated under any Environmental Laws, including MTBE, petroleum or petroleum derived substances or wastes, polychlorinated biphenyls, asbestos and asbestos containing materials, and urea formaldehyde.

"Health Claims" shall have the meaning set forth in Section 6.6(b).

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services other than trade payables and accrued expenses arising in the ordinary course of the SmCo Business, (ii) the maximum amount available to be drawn under all letters of credit issued for the account of such Person and all unpaid drawings in respect of such letters of credit, (iii) all Indebtedness of the types described in clause (i), (ii), (iv), (v) and (vi) of this definition secured by any Encumbrance on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (iv) all capitalized lease obligations of such Person, (v) all contingent obligations of such Person, (vi) all obligations under any interest rate protection agreements, currency protection agreements, interest rate swaps, control disbursement accounts, repurchase agreements, reverse repurchase agreements, caps, collars, derivatives, currency hedge agreements or other similar types of agreements and (vii) the greater of (x) any premiums and other amounts payable to any third party pursuant to any mandatory prepayment obligations under the terms of any Indebtedness as a result of the consummation of the transactions contemplated hereby and (y) any premiums and other amounts payable to any third party pursuant to any voluntary prepayment provision under the terms of any Indebtedness.

"Indemnified Party" shall have the meaning set forth in Section 7.3.

"Indemnifying Parties" shall have the meaning set forth in Section 7.3.

"Intellectual Property" shall mean the corporate and business names and trade names, trade dress, trademarks and service marks and registrations and applications therefor, brand names, patents, patent applications, know how, formulae and recipes, trade rights, copyrights (both registered and unregistered), proprietary and technical information and data, methods, designs, processes, procedures, improvements thereon, refinements thereof, in each case which are applicable to the SmCo Business and used, directly or indirectly, by any of the Companies in the SmCo Business and all agreements relating to intellectual property used, directly or indirectly, by any of the Companies in the SmCo Business.

"Law" shall mean any federal, state, local, foreign or other law, statute, ordinance, regulation, rule, regulatory or administrative guidance, Order, constitution, treaty, principle of common law or other restriction of any Governmental Entity.

"Liability" shall mean any liability, obligation or commitment of any kind or nature, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due.

"Lien" shall mean any mortgage, deed of trust, security interest, assignment, pledge, lien or other charge or encumbrance of any nature whatsoever except: (i) liens for Taxes, assessments, or governmental charges or levies not yet due and delinquent; (ii) liens disclosed in financial statements prepared in accordance with GAAP; and (iii) liens consisting of zoning or planning restrictions, easements, permits, any other restrictions or limitations on the use of real property or irregularities in title thereto which do not materially detract from the value of, or materially impair the use of, such property by the related Company, or any of them.

"Material Adverse Effect" shall mean: (i) with respect to any Person, a material adverse effect on the businesses, properties, assets, liabilities, operations, financial condition or results of operations of such Person; (ii) with respect to the Acquired Companies, a material adverse effect on the businesses, properties, assets, liabilities, operations, financial condition or results of operations of the Acquired Companies taken as a whole; and (iii) with respect to the Companies, a material adverse effect on the businesses, properties, assets, liabilities, operations, financial condition or results of operations of the Companies taken as a whole.

"MI" shall have the meaning set forth in the preamble to this Agreement.

"MQI" shall have the meaning set forth in the recitals to this Agreement.

"Neo Powder" shall mean the rare earth neodymium magnetic powders and related technologies.

"NJ Application" shall have the meaning set forth in Section 6.11.

"Order" shall mean any order, award, decision, injunction, judgment, ruling, decree, charge, writ, subpoena or verdict entered, issued, made or rendered by any Governmental Entity or arbitrator.

"Parties" shall have the meaning set forth in the preamble to this Agreement.

"Permit" shall mean any permit, authorization, registration, certificate, license, approval, franchise or Consent issued by any Governmental Entity or pursuant to any Law (other than an Environmental Permit).

"Permitted Encumbrances" shall mean any of the following: (a) the provisions of all applicable zoning Laws, statutory liens of landlords, carriers, warehousemen, mechanics, materialmen and other similar Persons; (b) liens for Taxes and other governmental assessments, charges or claims not yet due and payable or which are being contested in good faith as set forth on Schedule B; (c) in the case of leased property the provisions of the applicable lease; and (d) any other Encumbrances set forth on Schedule B.

"Permitted Subsidiary Debt" shall mean Indebtedness incurred for working capital purposes which shall not exceed, in the aggregate for all Subsidiaries of the Buyer (including without limitation the Acquired Companies) and all Subsidiaries of the HDD Buyer (including without limitation the HDD Acquired Companies), the sum of (a) [redacted], plus (b) [redacted] for every repayment of $[redacted] in principal amount of the Promissory Note or the HDD

Promissory Note, plus (c) such additional amounts as may be requested by the Buyer or the HDD Buyer, based upon a demonstrated need and consented to by MI, such consent not to be unreasonably withheld or delayed; provided that, in no event, shall such Indebtedness be payable to any Affiliate or shareholder of the Buyer or HDD Buyer (or any of their respective Affiliates or related Persons) other than by way of subrogation to Persons other than any Affiliate or shareholder of the Buyer or HDD Buyer (or any of their respective Affiliates or related Persons).

"Person" shall mean and include any individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association or organization or joint venture, or any other entity or a Governmental Entity.

"Proceeding" shall mean any proceeding, charge, complaint, claim, demand, notice, action, suit, litigation, hearing, audit, investigation, arbitration or mediation (in each case, whether civil, criminal, administrative, investigative or informal) commenced, conducted, heard or pending by or before any Governmental Entity, arbitrator or mediator.

"Promissory Note" shall have the meaning set forth in Section 2.5(c).

"Purchase Price" shall have the meaning set forth in Section 2.5(a).

"Release" shall mean any intentional or unintentional release, discharge, spill, leaking, pumping, pouring, emitting, emptying, injection, disposal or dumping into the Environment.

"Required Payment Terms" shall mean terms that are acceptable to MI, acting reasonably, which require payment of that amount of principal under any instrument representing Indebtedness for borrowed money payable to the HDD Buyer which will enable the HDD Buyer to pay any and all amounts due and payable (not to exceed the then remaining principal amount under the Indebtedness for borrowed money payable to the HDD Buyer) from time to time under the HDD Promissory Note (without regard to the exercise of any option to defer principal payments as permitted under Section 2(b) of the HDD Promissory Note) if the HDD Buyer would, without such payment by the Buyer, otherwise be unable to pay such amounts under the HDD Promissory Note as they become due and payable.

"Required Subordination Terms" shall mean customary subordination terms that are acceptable to MI, acting reasonably, which shall include, without limitation, a prohibition on payments of principal until the ninety-first (91st) day after the Promissory Note and the HDD Promissory Note are paid in full and a prohibition on payments of interest or other amounts upon the occurrence and during the continuation of any Event of Default (as defined in the Promissory Note and the HDD Promissory Note) or during any period of deferral of principal payments as permitted under Section 2(b) of the Promissory Note or the HDD Promissory Note.

"Restricted Contract" shall have the meaning set forth in Section 2.6.

"Securities Act" shall have the meaning set forth in Section 3.2(d).

"Sellers" shall have the meaning set forth in the preamble to this Agreement.

"Sellers Restricted Companies" shall have the meaning set forth in Section 6.3(a).

"SmCo Business" shall have the meaning set forth in the recitals of this Agreement.

"Subsidiary" shall mean, with respect to any Person, another Person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first Person; *provided, however*, that (i) any investment account advised or managed by such Person or one of its Subsidiaries or Affiliates on behalf of third parties, and (ii) any partnership, limited liability company, or other similar investment vehicle or entity engaged in the business of making investments of which such Person acts as the general partner, managing member, manager, investment advisor, principal underwriter or the equivalent, shall not be deemed a Subsidiary of such Person.

"Third Party Claim" shall have the meaning set forth in Section 7.3.

"Transfer Agreement" shall have the meaning set forth in Section 5.4.

"Transferred Employees" shall have the meaning set forth in Section 6.6(a).

"Treasury Regulations" shall mean the United States Treasury Regulations promulgated by the Internal Revenue Service.

"UG" shall have the meaning set forth in the recitals to this Agreement.

Section 1.2 Construction and Interpretation.

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(b) Each definition in this Agreement includes the singular and the plural, and references to any gender include the other genders where appropriate.

(c) Any reference to any federal, state, local or foreign statute or law shall be deemed to also refer to all rules and regulations promulgated under such statute or law, unless the context requires otherwise. References to any statute or regulation mean such statute or regulation as amended at the time and include any successor legislation or regulation.

(d) The word "including" means "including without limitation". The word "or" is not exclusive. The headings to the Articles and Sections are for convenience of reference and shall not affect the meaning or interpretation of this Agreement.

(e) References to Articles, Sections, Exhibits and Schedules mean the Articles, Sections, Exhibits and Schedules of this Agreement (unless otherwise indicated). The Exhibits and Schedules are incorporated by reference into and shall be deemed a part of this Agreement.

(f) The captions appearing herein are for the convenience of the Parties only and shall not be construed to affect the meaning of the provisions of this Agreement.

(g) Any and all accounting terms utilized in this Agreement shall, unless the context otherwise requires, be construed in accordance with GAAP.

(h) All references to "$", "dollars" and "Dollars" in this Agreement shall be references to United States dollars.

(i) In computing any time period provided for in this Agreement, the first day of the time period shall not be counted but the last day of the time period shall be counted. Any action required to be taken on a particular day must be taken before 5:00 pm, Eastern Time, on that day. For example, if an action was required to be taken within ten (10) days after the Closing Date, and the Closing Date was June 30, 2004, the first day to be counted would be July 1, 2004 and the action would be required to be taken before 5:00 pm, Eastern Daylight Time, on July 10, 2004.

(j) The phrase "best efforts" means "commercially reasonable best efforts" under the applicable circumstances.

(k) The phrase "Knowledge of the Companies" shall mean the actual knowledge of any of the executive officers of each of the Companies [redacted]

(l) The phrase "Knowledge of the Buyer" shall mean the actual knowledge of [redacted]

ARTICLE II

PURCHASE AND SALE OF ASSETS AND EQUITY INTERESTS

Section 2.1 Purchase and Sale of Assets. Subject to the terms and conditions of this Agreement, and on the basis of the representations, warranties and covenants herein contained, effective at the Closing:

(a) the Sellers hereby agree to sell, assign and convey the Assets (or to cause MQI to sell, assign and convey any of the Assets owned by it) to the Buyer, free and clear of any Encumbrances (other than Permitted Encumbrances) and the Buyer hereby agrees to purchase, acquire and accept the Assets from the Sellers, free and clear of any Encumbrances (other than Permitted Encumbrances); and

(b) the Sellers hereby agree to assign the Assumed Liabilities to the Buyer, and the Buyer hereby agrees to accept and assume the Assumed Liabilities from the Sellers and to timely pay or perform, as applicable, all of the Assumed Liabilities.

Section 2.2 Definition of Assets. As used herein, "Assets" shall mean only the specific assets, properties, business and goodwill of the Sellers or MQI identified on Schedule 2.2(a), including without limitation the Acquired Equity Interests (as described in Section 2.4 below) and all inventory, parts, production equipment and tooling and accounts receivable relating to the Delphi/DRA Contracts and identified on Schedule 2.2(b), but shall specifically exclude all other assets and properties of the Sellers and MQI, and each of them, including but not limited to those assets and properties identified on Schedule 2.2(c) (the "Excluded Assets").

Section 2.3 Definition of Assumed Liabilities. As used herein, "Assumed Liabilities" shall mean, without duplication, only: (a) those accounts payable of the Sellers and MQI as of April 30, 2004, which are disclosed on Schedule 2.3(a), and all other accounts payable of the Sellers and MQI incurred in the ordinary course of the SmCo Business between May 1, 2004 to and including the Closing Date, in each case which shall not have been discharged as of the Closing Date; (b) all current (as determined in accordance with MI's customary practices) accounts payable and other costs relating to the [redacted] (c) all contractual obligations of the Sellers under the [redacted] including without limitation all obligations of MI, MQI or NJ under Section 6.11 of the Purchase Agreement dated April 30, 2004 by and among MI, UG, Magnequench GmbH, a German limited liability company, Magnequench TX, LLC, an Idaho limited liability company, Magnequench de Mexico SA de CV, a Mexican limited liability company, and Kane Magnetics Acquisition, LLC, a Delaware limited liability company ("Kane"), as amended by that certain Amendment No. 1 to Purchase Agreement, dated effective as of the date hereof; and (d) all contractual obligations of the Sellers (including payment and performance obligations) under all other contracts relating to the SmCo Business to be transferred to the Buyer, which are listed on Schedule 2.2(a).

Section 2.4 Purchase and Sale of Equity Interests. Subject to the terms and conditions of this Agreement and on the basis of the representations, warranties and covenants herein contained, effective at the Closing, the Sellers shall sell, assign, convey, transfer and deliver (or cause to be sold, assigned, conveyed, transferred and delivered) to the Buyer, and the Buyer shall purchase, the Acquired Equity Interests free and clear of any Encumbrances. The Acquired Equity Interests shall be transferred by way of the Transfer Agreement or, in the case of the equity interests of NJ and AG, by MI's due endorsement of any certificates representing such equity interests in favor of the Buyer. Notwithstanding anything contained in this Agreement to the contrary, any transfer, recording, or similar Taxes, fees, and charges imposed in connection with the consummation of the transactions contemplated by this Agreement in each relevant Tax jurisdiction (collectively, "Transfer Taxes") shall be borne by the party to this Agreement responsible for such Transfer Taxes under the relevant Tax statutes, regulations, and procedures of the relevant Tax jurisdiction in each case (the "Transfer Tax Obligor"). The relevant Transfer Tax Obligor shall be responsible for obtaining all necessary Transfer Tax and other revenue stamps. The Parties agree to use their best efforts to minimize the Transfer Taxes. The Parties agree that any notarial fees in connection with the above described transfers shall be borne by the Buyer.

Section 2.5 Purchase Price.

(a) The purchase price (the "Purchase Price") for the Acquired Equity Interests, the Assets and the non-competition provisions of Section 6.3 shall be equal to [redacted] subject to adjustment as provided in Section 2.5(d) below. At Closing, the Buyer shall assume the Assumed Liabilities in accordance with the terms of this Agreement.

(b) The Purchase Price and the Assumed Liabilities shall be allocated among the Assets (which, for purposes of this Section 2.5(b), shall be deemed to include assets that, for Tax purposes, are deemed to be purchased as a result of the acquisition of all equity interests in any U.S. disregarded entity), the Acquired Equity Interests and the non-competition provisions of Section 6.3 as set forth on Schedule 2.5, to the extent set forth therein. Each of the Parties hereto agrees to report an allocation of the aggregate of the Purchase Price and the Assumed Liabilities among the Assets, the Acquired Equity Interests and the non-competition provisions of Section 6.3 in a manner entirely consistent with this Section 2.5, and agrees to not take any position inconsistent therewith in the preparation of financial statements, the filing of any Tax Returns or the course of any audit by any Tax authority, Tax review or Tax proceeding relating to any such Tax Returns. The Buyer and the Sellers shall file IRS Form 8594 (and/or other appropriate Tax Returns) with the applicable Taxing authority reflecting the foregoing allocation and shall not file any amendments or take any action inconsistent with the foregoing in any audit, refund claim, Tax Return or any other administrative or judicial proceeding, pursuant to Section 1060 of the Code and the Treasury Regulations promulgated thereunder.

(c) At the Closing, in payment for the Assets, the Acquired Equity Interests and the non-competition provisions of Section 6.3, the Buyer shall deliver to MI (acting on its own behalf and as agent for Swiss Holdings), (i) an unsecured promissory note issued by the Buyer and its parent, MagnetsCo LLC, a Delaware limited liability company ("Parent"), in the amount of [redacted] (subject to adjustment pursuant to Section 2.5(d) below) in the form attached hereto as Exhibit A ("Promissory Note") and (ii) by wire transfer to such account as shall have been designated in writing by MI, immediately available funds in the amount of [redacted] (subject to adjustment pursuant to Section 2.5(d) below).

(d) To the extent that the aggregate cash and cash equivalents on hand or on deposit of the Acquired Companies and the HDD Acquired Companies, taken together, as of the Closing Date is (i) less than [redacted] (the "Target Amount"), then the principal amount of the Promissory Note (and the Purchase Price hereunder) and/or the HDD Promissory Note under the HDD Purchase Agreement (and the purchase price for the assets purchased thereunder) shall be reduced, without duplication, by the amount of such deficiency (*pro rata* across all scheduled repayment installments), provided that if the HDD Acquired Companies have less than [redacted] of cash and cash equivalents on hand or on deposit as of the Closing Date, then, in lieu of reducing the principal amount of the Promissory Note (and the Purchase Price hereunder) and/or the HDD Promissory Note under the HDD Purchase Agreement (and the purchase price thereunder), the Buyer may elect, in its sole discretion, to reduce the Cash Payment (and the Purchase Price hereunder) by the amount of such deficiency, or (ii) more than the Target Amount, then such amount shall be transferred or paid by the Buyer and/or the HDD Buyer to MI on the Closing Date (or within five days thereof if not known on the Closing Date).

Section 2.6 Restricted Contracts. The Parties understand and agree that, without limiting any representation, warranty, condition or indemnification contained in this Agreement, if, as of the Closing, the Sellers shall not have effectively obtained any or all consents of any third party(ies) to the assignment of any contract, obligation, agreement and/or other arrangement (each, a "Restricted Contract") included in the Assets or otherwise to be assigned pursuant to this Agreement in respect of which such third party's consent to assign is required in order to preserve the value of such Restricted Contract for the Buyer or otherwise, then, the assignment by the Sellers and the assumption by the Buyer of such Restricted Contract shall, notwithstanding any other provision contained in this Agreement, not become effective at Closing or thereafter until the Sellers shall have obtained the requisite consent (which the Sellers shall use their respective best efforts promptly to obtain, together with the cooperation of the Buyer), and such assignment and assumption shall become effective as aforesaid subsequent to Closing pursuant to such documentation as shall reasonably be acceptable to the Buyer and the Sellers; and the Sellers shall not take nor permit any action which would impair the full force and effect of such Restricted Contract, or otherwise cause or permit the modification, amendment or termination of such Restricted Contract (except insofar as consented to by the Buyer) until the effective assignment thereof as aforesaid. The Sellers and the Buyer understand and agree that (a) the Sellers, subsequent to the Closing, shall not be entitled to any of the rights and privileges under any Restricted Contract, all of which shall accrue to the benefit of the Buyer, and the Sellers shall be deemed to hold such Restricted Contract in trust for the Buyer and (b) the Buyer, subsequent to the Closing, shall be obligated to fulfill all of those contractual obligations of the Sellers (including payment and performance obligations) under the Restricted Contracts which constitute Assumed Liabilities under Section 2.3 hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Sellers. The Sellers, jointly and severally, hereby represent and warrant to the Buyer as follows (items listed on any Schedule pursuant to this Section 3.1 shall be broken down by reference to the applicable Company):

(a) Organization and Existence. Each of the Companies is a corporation or other legal entity duly organized, validly existing, and in good standing (with respect to jurisdictions which recognize such concept) under the laws of the jurisdiction in which it is organized. The Sellers have all corporate or other power and authority to perform all of their respective obligations under this Agreement. Each of the Acquired Companies has the requisite corporate or other power, as the case may be, and authority to carry on its business as now conducted, to own and lease the assets owned or used by it, to perform all obligations under the agreements to which it is a party (including, without limitation, this Agreement), and to own the real property owned by it. Each of the Acquired Companies is duly qualified or licensed to do business and is in good standing (with respect to jurisdictions which recognize such concept) in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified, or licensed or in good standing would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on such Acquired Company. Except as set forth in Schedule 3.1(a), none of the Acquired Companies has any subsidiaries, or owns any capital stock or other proprietary interest, directly or indirectly, in any other Person, and none of the Acquired Companies has any agreement to acquire any such capital stock or other proprietary interest. Each Company has delivered to the Buyer complete and correct copies of its certificate of incorporation and by-laws or other organizational documents, as amended to date.

(b) Authorization. With respect to each Company: (i) the execution, delivery, and performance by such Company of this Agreement and any other instruments or agreements to be executed by such Company pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or other action on the part of such Company, and no other corporate or other action on the part of such Company is necessary to authorize the execution, delivery and performance by such Company of this Agreement and any other instruments or agreements to be executed by such Company pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby; and (ii) this Agreement and such other instruments and agreements have been duly executed and delivered by such Company and constitute legal, valid and binding obligations of such Company, enforceable against such Company in accordance with their terms, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditor's rights and to general equitable principles.

(c) No Violations. With respect to each Company, the execution, delivery and performance of this Agreement and any other instruments or agreements to be executed by such Company pursuant to this Agreement and the consummation by such Company of the transactions contemplated hereby and thereby will not, with or without the giving of notice or the lapse of time or both: (i) violate, conflict with, or result in a breach or default under any provision of the certificate of incorporation or by-laws, or other organizational documents, of such Company; (ii) violate any statute, ordinance, rule, regulation, Order, judgment or decree of any court or any Governmental Entity applicable to such Company or by which any of its properties or assets may be bound; (iii) require any filing by such Company, or require such Company to obtain any permit, consent or approval of, or require such Company to give any notice to, any Governmental Entity or any other Person, which has not been made or received, as applicable; or (iv) constitute a violation or breach by such Company of, conflict with, constitute (with or without due notice or lapse of time or both) a default by such Company (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Encumbrance upon any of the properties or assets of such Company under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit, agreement, lease, franchise agreement or other instrument or obligation to which such Company is party, or by which such Company or its properties or assets may be bound. No action or proceeding has been instituted or, to the Knowledge of the Companies, threatened against any Company before any court or other Governmental Entity by any Person or public authority seeking to restrain, prohibit, alter or delay the execution and delivery of this Agreement or the transactions contemplated hereby.

(d) Capitalization. All of the issued and outstanding equity interests of the Acquired Companies (the "Acquired Equity Interests") are owned, beneficially and of record, by the Sellers (or either of them) free and clear of any Encumbrances (other than those to be released simultaneously with the Closing) and free of any other restrictions (including any restriction on the right to vote, sell or otherwise dispose of such equity interests), including those that would prevent the operation by the Buyer of the SmCo Business as currently conducted. All of the Acquired Equity Interests are duly authorized and have been validly issued and are fully-paid and non-assessable and have been issued without violation of any preemptive rights of any Person; except as set forth on Schedule 3.1(d), there are no subscriptions, warrants, options, calls, commitments by or agreements to which any Acquired Company is bound relating to the issuance of any shares of its capital stock (or any other equity interests in such Acquired Company); and, except for the letter of intent dated May 7, 2004 between Archibald Cox, Jr. and MI, none of the Companies is a party to any agreement, whether written or oral, relating to the sale, transfer, voting, ownership or control of any equity interests of the Acquired Companies, or obligating the Sellers, directly or indirectly, to sell any of the Assets.

(e) Title. Except as set forth on Schedule 3.1(e), each of the Companies (and, in the case of the Sellers, solely with respect to the assets and properties included in the Assets) has good and marketable title to all of its assets and properties, in each case free and clear of any Encumbrances (other than Permitted Encumbrances). The Sellers (or either of them) own the Acquired Equity Interests free and clear of any Encumbrances (other than those to be released simultaneously with the Closing) and have the right to sell and transfer the Acquired Equity Interests to the Buyer hereunder. The assignments, bills of sale and other instruments of transfer of ownership delivered by the Sellers at the Closing shall be sufficient to convey to the Buyer all right, title and interest in and to the Assets, free and clear of any Encumbrances except Permitted Encumbrances on any Assets other than the Acquired Equity Interests.

(f) Disputes and Litigation. Except as described in Schedule 3.1(f), there is no action, suit, proceeding or claim, pending or, to the Knowledge of the Companies, threatened, and no investigation by any court or other Governmental Entity is pending or, to the Knowledge of the Companies, threatened against any of the Companies or any of their respective assets and properties (and, in the case of the Sellers, solely with respect to the assets and properties included in the Assets), nor is there any outstanding Order, writ, judgment, stipulation, injunction, decree, determination, award or other Order of any Governmental Entity against any of the Companies or any of their respective assets and properties (and, in the case of the Sellers, solely with respect to the assets and properties included in the Assets).

(g) Tax Matters.

(i) For purposes of this Agreement:

(A) "Tax" (or "Taxes" or "Taxable" or "Taxing" where the context requires) means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

(B) "Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(ii) Each of the Acquired Companies has filed all Tax Returns that it was required to file under applicable laws and regulations. All such Tax Returns were correct and complete in all material respects and have been prepared in substantial compliance with all applicable laws and regulations. All Taxes due and owing by any of the Acquired Companies (whether or not shown on any Tax Return) have been paid. None of the Acquired Companies currently is the beneficiary of any extension of time within which to file any Tax Return. With respect to each Acquired Company, no claim has ever been made by an authority in a jurisdiction where such Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens for Taxes (other than Taxes not yet due and payable or Taxes which are being contested in good faith, as set forth on Schedule B hereto) upon any of the assets or properties of any of the Acquired Companies.

(iii) Each of the Acquired Companies has withheld and paid all Taxes required to have been withheld and paid by such Acquired Company in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(iv) No Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to any of the Acquired Companies. None of the Acquired Companies has received from any Taxing authority (including jurisdictions where such Company has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any Taxing authority against such Acquired Company. With respect to each Acquired Company, Schedule 3.1(g) lists all Tax Returns filed by or with respect to such Acquired Company for Taxable periods ended on or after December 31, 2000, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of an audit. Each Acquired Company has delivered to the Buyer correct and complete copies of all federal income Tax Returns, examination reports, and statements of material deficiencies assessed against or agreed to by such Company filed or received since December 31, 2000, if any.

(v) None of the Acquired Companies has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency for any year which is still open for audit or assessment.

(vi) None of the Acquired Companies has filed a consent under Code Section 341(f) concerning collapsible corporations. None of the Acquired Companies is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of (A) any "excess parachute payment" within the meaning of Code Section 280G (or any corresponding provision of state, local or foreign Tax law) or (B) any amount that will not be fully deductible as a result of Code Section 162(m) (or any corresponding provision of state, local or foreign Tax law). None of the Acquired Companies has been a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii). Each of the Acquired Companies has disclosed on its federal income Tax Returns, if any, all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. None of the Acquired Companies (A) has been a member of an affiliated group (within the meaning Code Section 1504(a) or any similar provision of state, local or foreign law) filing a consolidated federal and/or state income Tax Return (other than a group the common parent of which was MI) or (B) has any liability for the Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise except by virtue of the agreement to file a consolidated return as provided in the immediately preceding subclause (A).

(vii) None of the Acquired Companies will be required to include any item of income in, or exclude any item of deduction from, Taxable income for any Taxable period (or portion thereof) ending after the Closing Date as a result of any (A) change in method of accounting for a Taxable period ending on or prior to the Closing Date; (B) "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (C) intercompany transactions or any excess loss account described in Treasury Regulations promulgated under Code Section 1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (D) installment sale or open transaction disposition made on or prior to the Closing Date; or (E) prepaid amount received on or prior to the Closing Date.

(viii) None of the Acquired Companies has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code Section 355 or Code Section 361.

(h) General.

(i) Except as otherwise indicated therein, the representations and warranties contained in Section 3.1 of this Agreement are made as of the date of this Agreement.

(ii) Notwithstanding any other provision of this Agreement or otherwise, the Companies shall not be deemed to have made any representation or warranty other than those expressly made in this Section 3.1 or in any other agreement executed by any of them in connection with this Agreement. Without limiting the generality of the foregoing, and notwithstanding any other express representation or warranty of the Companies in this Section 3.1 or in any other agreement executed by any of them in connection with this Agreement, the Companies make no representation or warranty to the Buyer with respect to:

(A) any oral or written projections, estimates, budgets or statements heretofore delivered to or made available to the Buyer of future revenues, expenses or expenditures, results of operations, profitability, cash flows, budgets, prospects, financial condition, market conditions or new developments; or

(B) any other oral or written information or documents of any kind made available to the Buyer or its counsel, accountants or advisors with respect to the Companies, except as expressly covered by a representation or warranty contained in this Section 3.1.

Section 3.2 Representations and Warranties of the Buyer. The Buyer represents and warrants to each of the Companies as follows:

(a) Organization and Existence. The Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and it has the requisite limited liability company power to enter into and perform this Agreement and any other instruments or agreements to be executed by the Buyer pursuant to this Agreement and to consummate the transactions contemplated hereby and thereby.

(b) Authorization. The execution, delivery, and performance by the Buyer of this Agreement and any other instruments or agreements to be executed by the Buyer pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the sole member of the Buyer, and no other action on the part of the Buyer is necessary to authorize the execution, delivery and performance by the Buyer of this Agreement and any other instruments or agreements to be executed by the Buyer pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby. This Agreement and such other instruments and agreements have been duly executed and delivered by the Buyer and constitute legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their terms, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditor's rights and to general equitable principles.

(c) No Violations. The execution, delivery and performance of this Agreement and any other instruments or agreements to be executed by the Buyer pursuant to this Agreement and the consummation by the Buyer of the transactions contemplated hereby and thereby will not, with or without the giving of notice or the lapse of time or both: (i) violate, conflict with, or result in a breach or default under any provision of the organizational documents of the Buyer; (ii) violate any statute, ordinance, rule, regulation, Order, judgment or decree of any court or any Governmental Entity applicable to the Buyer or by which any of its properties or assets may be bound; (iii) except as set forth on Schedule 3.2, require any filing by the Buyer, or require the Buyer to obtain any permit, consent or approval of, or require the Buyer to give any notice to, any Governmental Entity or any other Person; or (iv) constitute a violation or breach by the Buyer of, conflict with, constitute (with or without due notice or lapse of time or both) a default by the Buyer (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Encumbrance upon any of the properties or assets of the Buyer under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit, agreement, lease, franchise agreement or other instrument or obligation to which the Buyer is party, or by which the Buyer or its properties or assets may be bound.

(d) Investment Intent; Information. The Buyer is acquiring the Acquired Equity Interests for its own account for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Buyer will not sell or otherwise dispose of the Acquired Equity Interests in a manner which would require registration under the Securities Act or any applicable blue sky law unless such registrations are effected. The Buyer has had an opportunity to ask questions of, and receive answers from, the Companies concerning the Acquired Equity Interests, and the operations, financial condition and prospects of the Acquired Companies.

(e) Sellers' Representations and Warranties. Except for the specific representations and warranties made by the Sellers in this Agreement, the Buyer is not relying upon any other representations or warranties of the Sellers (or either of them) or any other Person acting on behalf of either of the Sellers and the Buyer is accepting the Assets in an "as is, where is" condition. To the Knowledge of the Buyer, none of the representations or warranties of the Sellers contained herein, or in any agreement, certificate or other instrument delivered by the Sellers (or either of them) pursuant to this Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make such representation or warranty not misleading.

(f) No Actions. No action or proceeding has been instituted or, to the Knowledge of the Buyer, threatened against the Buyer before any court or other Governmental Entity by any Person or public authority seeking to restrain, prohibit, alter or delay the execution and delivery of this Agreement or the transactions contemplated hereby.

ARTICLE IV

PUBLICITY

Section 4.1 Publicity. Any and all publicity (whether written or oral) and notices to third parties (other than notices to Governmental Entities) concerning the sale of the Assets and the Acquired Equity Interests and any other transactions contemplated by this Agreement shall be mutually agreed upon by the Sellers and the Buyer. Notwithstanding the foregoing, it shall not be a violation of this Article IV for either the Sellers or the Buyer to disclose to suppliers, vendors and customers of the Acquired Companies that the SmCo Business and the Acquired Companies are no longer under the ownership or control of and that the Acquired Companies are no longer Affiliates of the Sellers.

ARTICLE V

CLOSING

Section 5.1 Time and Place of Closing. The closing (the "Closing") of the purchase and sale of the Assets and the Acquired Equity Interests as set forth herein shall be held at the offices of Ice Miller, One American Square, Indianapolis, Indiana 46282 at 10:00 a.m., local time, on June 25, 2004, concurrently with the execution and delivery of this Agreement, or such other time and date as may be agreed upon by the Parties (the "Closing Date"). The parties agree that the Closing shall be deemed effective as of 12:01 a.m. on June 25, 2004.

Section 5.2 Delivery of Assets. Delivery of the Assets shall be made by the Sellers to the Buyer at the Closing by delivering such deeds, bills of sale, assignments and other instruments of conveyance and transfer, and such powers of attorney, in form and substance reasonably acceptable to the Buyer, as shall be effective to vest in the Buyer all title to or other interest in, and the right to full custody and control of, the Assets in accordance with the provisions of this Agreement, free and clear of any Encumbrances (other than Permitted Encumbrances). The Buyer is accepting the Assets in an "as is, where is" condition, except for the specific representations and warranties made by the Sellers in this Agreement.

Section 5.3 Assumption of Liabilities. At the Closing, the Buyer shall deliver to the Sellers such instruments as shall be sufficient to effect the assumption by the Buyer of the Assumed Liabilities, in form and substance reasonably acceptable to the Sellers.

Section 5.4 Delivery of Acquired Equity Interests. At the Closing, the Sellers shall deliver to the Buyer the share certificates, if any, representing the Acquired Equity Interests. At the Closing, certain of the Acquired Equity Interests shall be transferred from the Sellers to the Buyer by way of the transfer documents in the form of Exhibit B (the "Transfer Agreement") and the Sellers shall deliver (or cause to be delivered) to the Buyer the completed and executed Transfer Agreement.

Section 5.5 Delivery of Purchase Price. Delivery of the Purchase Price shall be made at the Closing by the Buyer by delivery of the Promissory Note (executed by the Buyer and its Parent) and the Cash Payment, in immediately available funds, to the Sellers, as set forth in Section 2.5(c) hereof.

Section 5.6 Additional Closing Deliveries by the Parties. At the Closing, the Parties shall deliver (or cause to be delivered) to each of the other Parties originals, or copies if specified, of the following agreements, documents and other items:

(a) duly executed counterparts of this Agreement;

(b) copies of all notices, declarations, filings and registrations, and consents, acknowledgements, approvals, permits and Orders and waivers with respect to the transactions contemplated by this Agreement, and otherwise necessary to ensure that, subsequent to the Closing, the Buyer shall realize the benefits of the Assets and the SmCo Business and copies of any and all licenses, permits, authorizations and approvals necessary for the Buyer to conduct the SmCo Business from and after Closing;

(c) duly executed counterparts of the License Agreement, substantially in the form of Exhibit C, duly executed by MI and the Buyer;

(d) duly executed counterparts of the Transition Services Agreement in the form of Exhibit D; and

(e) duly executed counterparts of the Powder Supply Agreement, substantially in the form of Exhibit E, duly executed by MI and NJ.

Section 5.7 Additional Deliveries by the Companies. At the Closing, the Companies shall deliver (or cause to be delivered) to the Buyer originals, or copies if specified, of the following agreements, documents and other items:

(a) a certificate of the Secretary or other appropriate officer or director of the applicable Company, in form and substance reasonably satisfactory to the Buyer, with respect to the authorization by each Company's board of directors (or equivalent) and, in the case of the Sellers, a certificate of the Secretary or other appropriate officer or director of the Sellers with respect to the authorization by their shareholders of this

Agreement and all certificates, agreements, documents, schedules, exhibits or instruments executed by any of them in connection herewith or therewith and the consummation of the transactions contemplated hereby or thereby;

(b) evidence reasonably satisfactory to the Buyer that all Intellectual Property pertaining solely to the SmCo Business has been assigned to the Buyer;

(c) a non-foreign affidavit (FIRPTA Affidavit) of MI, dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Code Section 1445, stating that MI is not a "Foreign Person" as defined in Code Section 1445;

(d) a copy of its certificate of incorporation (or similar organizational document), including all amendments thereto, certified by the Secretary or other appropriate officer or director of the applicable Company;

(e) a copy of its by-laws (or similar organizational document), certified by the Secretary or other appropriate officer or director of the Sellers as being true and correct and in effect on the Closing Date;

(f) a certificate from the Secretary of State (or similar authority) of its jurisdiction of incorporation or organization to the effect that such Company is in good standing (with respect to jurisdictions which recognize such concept);

(g) evidence reasonably satisfactory to the Buyer that all Encumbrances (other than Permitted Encumbrances) on or affecting any of the Assets or the Acquired Equity Interests shall have been released or terminated;

(h) for each Acquired Company, the written resignations of the directors and officers of such Acquired Company as identified on Schedule 5.7(h), in each case to be effective prior to or contemporaneously with the Closing;

(i) evidence reasonably satisfactory to the Buyer that the Buyer and NJ have been named as an additional insured under MI's and MQI's Commercial General Liability and Umbrella/Excess Liability insurance policies;

(j) documents necessary to effectuate the assignment of the Delphi/DRA Contracts to the Buyer on the terms set forth herein (or, in the event such assignment cannot be obtained, mutually satisfactory contractual arrangements between the Buyer and MI to enable the Buyer to fulfill MI's obligations under the Delphi/DRA Contracts and to receive the benefits of the Delphi/DRA Contracts); and

(k) such additional certificates, instruments and other documents, in form and substance satisfactory to the Buyer and counsel for the Buyer, as the Buyer shall have reasonably requested in connection with the transactions contemplated hereunder.

Section 5.8 Additional Deliveries by the Buyer. At the Closing, the Buyer shall deliver (or cause to be delivered) to the Sellers, originals or copies if specified, of the following agreements, documents and other items:

(a) a certificate of the Secretary or other officer of the Buyer, in form and substance satisfactory to the Companies, with respect to the authorization by its sole member of this Agreement and all certificates, agreements, documents, schedules, exhibits or instruments executed by it in connection herewith or therewith and the consummation of the transactions contemplated hereby or thereby;

(b) evidence reasonably satisfactory to the Sellers that the Sellers have been named as additional insureds under the Buyer's Commercial General Liability insurance policy; and

(c) such additional certificates, instruments and other documents, in form and substance reasonably satisfactory to the Companies and counsel for the Companies, as the Companies shall have reasonably requested in connection with the transactions contemplated hereby.

Section 5.9 Additional Transactions. Each Company, as applicable, shall take all steps reasonably required by the Buyer to put the Buyer in actual possession and operating control of the SmCo Business, the Assets and the Acquired Equity Interests at the Closing. Furthermore, and without limiting the generality of the foregoing provisions of this Article V, each Company from time to time after the Closing, at the reasonable request of the Buyer and without further consideration, shall execute and deliver further instruments of transfer and assignment and take such further action as the Buyer may reasonably require more effectively to transfer and assign to, and vest in, the Buyer the Assets and the Acquired Equity Interests sold hereunder and to acquire custody thereof.

ARTICLE VI

OTHER AGREEMENTS AND POST-CLOSING COVENANTS

Section 6.1 Accounts Receivable. Subsequent to the Closing, the Sellers shall, on a regular basis (but no less frequently than weekly), deliver to the Buyer, any funds and any checks, notes, drafts and other instruments for the payment of money, duly endorsed to the Buyer, received by either of the Sellers from any customer of the Sellers comprising payment of any of the accounts receivable of the Sellers constituting a part of the Assets.

Section 6.2 Product Liability Insurance.

(a) After the Closing, each of the Buyer and NJ shall have the right under MI's and MQI's Commercial General Liability policies and Umbrella/Excess Liability policies to tender to the insurers thereunder claims for all pre-Closing occurrences (regardless of when the claim is brought) pertaining to product liability claims related to products and the component parts thereof sold or manufactured by any of the Companies. At or prior to the Closing, and at its cost and expense, MI shall provide (and shall cause

MQI to provide) for each of the Buyer and NJ to be named as an additional insured on such policies.

(b) After the Closing, the Sellers shall have the right under the Buyer's Commercial General Liability policy to tender to the insurers thereunder claims for all post-Closing occurrences pertaining to product liability claims related to products and the component parts thereof sold or manufactured by any Acquired Company. At or prior to the Closing, and at its cost and expense, the Buyer shall provide for each of the Sellers to be named as an additional insured on such policy or policies.

Section 6.3 Non-Competition by the Sellers.

(a) Neither the Sellers nor any direct or indirect subsidiaries controlled by either of them, so long as it remains controlled by either of them (collectively, the "Sellers Restricted Companies"), shall, for the period expiring [redacted] subsequent to Closing, and without any additional consideration, directly or indirectly, whether as principal, agent, distributor, representative, stockholder or otherwise, invest in, own, manage, operate, control or participate in the ownership, management, operation or control of, any business or trade which [redacted] *provided, however*, notwithstanding the foregoing: (i) each of the Sellers Restricted Companies and their Affiliates shall retain the right to manufacture, distribute or sell any and all magnets and magnetic products which are not described above [redacted] (ii) nothing in this Section 6.3 shall prohibit the Sellers Restricted Companies or their Affiliates from selling or licensing any type of [redacted] (iii) nothing in this Section 6.3 shall prohibit the Sellers Restricted Companies or their Affiliates from engaging in those activities required to fulfill any of their obligations under this Agreement or the HDD Purchase Agreement or any other agreement with the Buyer or any of its Affiliates, including, without limitation, the Transition Services Agreement and Powder Supply Agreement; and (iv) nothing in this Section 6.3 shall forbid or limit the Sellers Restricted Companies or their Affiliates from owning less than 5% of the outstanding equity interests of any publicly-traded company.

(b) None of the Sellers Restricted Companies shall, for the period expiring [redacted] subsequent to Closing, and without any additional consideration, employ, solicit or otherwise seek to employ or engage as an employee, associate, independent contractor, consultant, agent, sub-agent, distributor, representative or otherwise, whether full or part-time, any Person [redacted] who is or was, as of the Closing Date, an employee of the Buyer (or any Affiliate of the Buyer) or of the Acquired Companies, or seek or attempt to terminate such Person's employment with the Buyer or any Acquired Company (or any of their Affiliates); *provided, however*, general solicitations for employment not targeted to the above referenced employees will not be prohibited by this Section 6.3(b).

(c) The Parties intend that the covenants contained in Sections 6.3(a) and (b) immediately preceding shall be construed as a series of separate covenants, one for each state of the United States and for each other jurisdiction, worldwide, covered thereby. Except for geographical coverage, each such separate covenant shall be deemed identical in terms and binding to the fullest extent permitted under existing applicable law.

Section 6.4 Non-Competition by the Buyer.

(a) Neither the Buyer, nor any controlled direct or indirect subsidiary thereof, so long as it remains controlled by the Buyer (collectively, the "Buyer Restricted Companies"), shall, for the period expiring [redacted] and without any additional consideration, directly or indirectly, whether as principal, agent, distributor, representative, stockholder or otherwise, invest in, own, manage, operate, control or participate in the ownership, management, operation or control of, any business, trade or occupation which manufactures, distributes or sells (or offers to manufacture, distribute or sell or makes quotes or proposals to manufacture, distribute or [redacted] *provided, however*, that notwithstanding the foregoing, (x) the provisions of clause (ii) above shall only apply so long as [redacted] or either of the Sellers (or any direct or indirect Subsidiary controlled by either of them) shall otherwise directly or indirectly manage or operate or participate in the management or operation of the Buyer or any of the Acquired Companies (or any other Person, directly or indirectly, under the control of the Buyer or any of the Acquired Companies) and (y) nothing in this Section 6.4 shall forbid or limit the Buyer Restricted Companies or their Affiliates from owning less than 5% of the outstanding equity interests of any publicly-traded company.

(b) None of the Buyer Restricted Companies shall, for the period expiring [redacted] and without any additional consideration, employ, solicit or otherwise seek to employ or engage as an employee, associate, independent contractor, consultant, agent, sub-agent, distributor, representative or otherwise, whether full or part-time, any Person [redacted] or seek or attempt to terminate such Person's employment with the Sellers (or any Affiliates of the Sellers other than the Acquired Companies and the HDD Acquired Companies); *provided, however*, general solicitations for employment not targeted to the above referenced employees will not be prohibited by this Section 6.4(b).

(c) The Parties intend that the covenants contained in Sections 6.4(a) and (b) immediately preceding shall be construed as a series of separate covenants, one for each state of the United States and for each other jurisdiction, worldwide, covered thereby. Except for geographical coverage, each such separate covenant shall be deemed identical in terms and binding to the fullest extent permitted under existing applicable law.

Section 6.5 Taxes. The following provisions shall govern the obligations and responsibilities of the parties hereto with respect to certain Tax matters.

(a) Responsibility for Filing Tax Returns. The Sellers have prepared and filed or caused to be prepared and filed or shall prepare and file or cause to be prepared and filed all Tax Returns for each Acquired Company which relate to all Taxable periods ending on or before the Closing Date. The Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for each Acquired Company which are required to be filed for any Taxable period that includes (but does not end on) the Closing Date (a "Straddle Period") and for all Tax periods beginning after the Closing Date. With respect to any Straddle Period, the Buyer shall permit the Sellers to review and comment on Tax Returns prepared by (or caused to be prepared by) the Buyer for each Acquired Company. After the Closing Date, the Buyer shall not amend any of the Tax Returns of any of the Acquired Companies prepared by the Sellers, except with the prior written consent of the Sellers. The Parties acknowledge the Tax Returns required to be filed after the Closing Date shall include the following:

(b) With respect to the Acquired Companies:

(i) the Sellers shall prepare and file, to the extent required, the U.S. Federal Tax Returns and the state Tax Returns for all Tax periods ending on or before the Closing Date (including the filing of Tax Returns for the partial Tax year ending on the Closing Date) and, with respect to Tax Returns to be filed in Switzerland, France, Germany and the UK, as applicable, the Sellers shall cause the Acquired Companies to prepare and file the Tax Returns required to be filed by any of them prior to the Closing Date; and

(ii) the Buyer shall prepare and file, to the extent required, the U.S. Federal Tax Returns and the state Tax Returns for all Tax periods beginning after the Closing Date (including the filing of Tax Returns for the partial Tax year beginning on the day after the Closing Date) and with respect to Tax Returns to be filed in Switzerland, France, Germany and the UK, as applicable, the Buyer shall cause the Acquired Companies to prepare and file the Tax Returns required to be filed by any of them on or after the Closing Date.

(c) Cooperation on Tax Matters.

(i) The Parties shall cooperate fully, as and to the extent reasonably requested by any Party, in connection with the filing of Tax Returns pursuant to Section 6.5(a) above and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the requesting Party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Each of the Companies agrees (A) to retain all books and records with respect to Tax matters pertinent to such Company relating to any Taxable period beginning before the Closing Date until the expiration of the statute of limitations of the respective Taxable periods, and to abide by all record retention agreements entered into with any Taxing authority and (B) to give the Buyer reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the Buyer so requests, such Company shall allow the Buyer to take possession of such books and records.

(ii) The Buyer and the Companies further agree, upon request, to use their best efforts to obtain any certificate or other document from any Governmental Entity or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Buyer and each of the Companies further agree, upon request, to provide the other Party with all information that such other Party may be required to report pursuant to Code Section 6043 and all Treasury Regulations promulgated thereunder.

(iv) The Buyer covenants and agrees that all Tax Returns filed by the Buyer and the Acquired Companies that relate to any Straddle Period for an Acquired Company shall be prepared in a manner consistent with the Tax Returns filed by the Sellers or the Acquired Company, as applicable, for the most recent pre-Closing Tax period. In connection with the filing by the Buyer or any of the Acquired Companies of any Tax Return that relates to any Straddle Period, the Sellers shall have the right to review and comment on any such Tax Return and no Tax Return filed by the Buyer or any of the Acquired Companies which relates to a Straddle Period shall be filed without the Sellers' prior written consent, which consent shall not be unreasonably withheld.

(d) Tax Sharing Agreements. All Tax sharing agreements or similar agreements with respect to or involving the Acquired Companies shall be terminated as of the Closing Date and, after the Closing Date, the Acquired Companies shall not be bound thereby or have any liability thereunder.

(e) Certain Taxes and Fees. All Transfer Taxes shall be paid by the relevant Transfer Tax Obligor when due, and the relevant Transfer Tax Obligor will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such

Taxes, fees and charges, and, if required by applicable law, the parties hereto that are not the Transfer Tax Obligor will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

(f) Survival of Obligations. Notwithstanding any other provision in this Agreement to the contrary, the obligations of the Parties set forth in this Section 6.5 shall be without limitation as to dollar amount and shall survive until ninety (90) calendar days following the expiration of any applicable statutes of limitation (including any and all valid extensions thereof).

Section 6.6 Transferred Employees.

(a) The Sellers shall terminate, effective at the Closing, the employees of the Sellers listed on Schedule 6.6, if any, and the Sellers shall cause MQI to terminate, effective as of the Closing, the employees of MQI listed on Schedule 6.6, if any (collectively, the "Transferred Employees"). Except as set forth on Schedule 6.6 on or before the Closing Date, the Buyer or an Affiliate of the Buyer will offer employment to each Transferred Employee, effective as of the Closing. At the Closing, the Transferred Employees will cease to be covered under all Seller or MQI employee benefit plans applicable to the Transferred Employees. Notwithstanding the foregoing, the Buyer may terminate with or without cause, at any time after the Closing Date, the employment of any Transferred Employee who accepts such offer of employment. None of the Companies, nor any Affiliate of any of the Companies, shall take any action that would impede, hinder, interfere, or otherwise compete with the Buyer's efforts to employ any of the Transferred Employees.

(b) The parties agree that the transactions contemplated hereby shall not, except as required by applicable Law, constitute a severance of employment of any Transferred Employees and that such employees will have continuous and uninterrupted employment before and after the Closing. Buyer shall have no liability to any employee of the Sellers or MQI for any severance benefits except as otherwise specifically set forth in this Agreement (including, without limitation, Section 2.3 hereof). To the extent that a Transferred Employee (and/or that Transferred Employee's dependents) elects to continue group health plan coverage under COBRA (each such individual being considered a "COBRA Beneficiary") under MQI's health plan as of or immediately following the Closing Date (or in the case of dependents of the Transferred Employee at any time during the Transferred Employee's COBRA coverage period), and so long as such Transferred Employee is employed with the Buyer or any of its Affiliates, the Buyer shall reimburse MQI for MQI's cash out-of-pocket costs (after taking into account any amounts received or otherwise due from any stop loss insurance) that are directly related to the payment of health claims incurred under MQI's health plan on behalf of such COBRA Beneficiary after the effective date of such COBRA election (collectively, "Health Claims") for the duration of such COBRA continuation of coverage. MQI's right to reimbursement of such Health Claims pursuant to the preceding sentence shall be conditioned upon the presentment to the Buyer, in writing, of sufficient documentation evidencing the payment of any such Health Claims.

Section 6.7 Change of Name. On and after the Closing Date, the Buyer shall use the Magnequench Licensed Name and Mark as defined in the License Agreement only in accordance with the terms and conditions of the License Agreement. In addition, the Buyer shall, upon the termination of its right to use the Magnequench Licensed Name and Mark in accordance with the License Agreement, change any and all corporate names and trade names used by any of the Acquired Companies (or any of their Affiliates) or used in connection with the operation of the HDD Business containing "Magnequench" to a name not containing "Magnequench" (or any name which is similar thereto or to any trademark, service mark or trade name owned or used by the Sellers or its Affiliates which is not included in the Intellectual Property included in the Assets or owned by the Acquired Companies). Notwithstanding the foregoing or anything to the contrary in the License Agreement, the Buyer shall not be limited in any manner from exhausting all supplies (in existence as of the termination of the License Agreement) of stationery, brochures, catalogues or other similar items containing any Magnequench Licensed Name and Mark; provided that, upon the termination of its right to use the Magnequench Licensed Name and Mark under the License Agreement, the Buyer shall ensure that the Magnequench Licensed Name and Mark found on such stationery, brochures, catalogues or other similar items is covered with an opaque self-adhesive label in order to conceal the Magnequench Licensed Name and Mark.

Section 6.8 Inter-Company Debt; External Debt; Guarantees. Prior to the Closing Date, the Sellers have caused all inter-company debt, obligations and financial commitments (other than current inter-company trade payables of any Acquired Company for inventory, supplies and other goods purchased by an Acquired Company from the Sellers or an Affiliate of the Sellers in the ordinary course of business to the extent that such trade payables would be classified as current in accordance with MI's customary practices had they been payable to non-affiliated parties as of the Closing Date, all of which shall remain the valid and binding obligations of the Acquired Companies) between the Sellers and their Affiliates (other than the Acquired Companies), on the one hand, and any Acquired Company, on the other hand, to be paid in full, terminated and fully discharged, and none of the Acquired Companies shall have any obligations or liabilities with respect thereto after the Closing (except as provided for in or contemplated by this Agreement or the other agreements entered into in connection with this Agreement). Prior to the Closing Date, the Sellers have caused all Indebtedness for borrowed money (including all inter-company Indebtedness for borrowed money) of the Acquired Companies to be paid in full, terminated and fully discharged. Schedule 6.8 hereto sets forth a list of the Indebtedness of the Acquired Companies owed to third parties and other obligations and liabilities of the Acquired Companies which are guaranteed by the Sellers or any of its Affiliates other than the Acquired Companies (the "Guarantees"). The Buyer shall use its best efforts to, no later than thirty (30) days after the Closing Date: (a) cause the third party to release the Sellers (and their Affiliates) from the Guarantee; and/or (b) be substituted or to cause one or more of its Affiliates to be substituted in all respects for the Sellers.

Section 6.9 Negative Covenants. Until all obligations under the Promissory Note and the HDD Promissory Note are paid in full (including without limitation all principal, interest and other amounts):

(a) The Buyer shall not incur or become liable for any Indebtedness except for, without overlap, (i) obligations under the Promissory Note, (ii) Indebtedness for borrowed money payable to the HDD Buyer, and (iii) Indebtedness payable to shareholders of the Buyer (or any of their Affiliates or related Persons), provided that, in the case of clause (ii), such Indebtedness shall be subject to the Required Payment Terms, and, in the case of clause (iii), any interest on such Indebtedness shall be limited to an annual rate of six percent (6%) and the repayment of such Indebtedness shall be subject to the Required Subordination Terms;

(b) No Subsidiary of the Buyer, including without limitation the Acquired Companies, shall incur any Indebtedness for borrowed money except for (i) Permitted Subsidiary Debt and (ii) Indebtedness payable to shareholders of the Buyer (or any of their Affiliates or related Persons); provided that, in the case of clause (ii), any interest on such Indebtedness shall be limited to an annual rate of six percent (6%) and the repayment of such Indebtedness shall be subject to the Required Subordination Terms;

(c) The Buyer shall not repay or discharge any Indebtedness except for (i) obligations under the Promissory Note (including without limitation principal, interest and other amounts), (ii) payments of principal, interest or other amounts on Indebtedness described in Section 6.9(a)(ii) above, and (iii) payments of interest on Indebtedness described in Section 6.9(a)(iii) above so long as such interest payments are not in violation of the Required Subordination Terms;

(d) No Subsidiary of the Buyer, including without limitation the Acquired Companies, shall repay or discharge any Indebtedness except for principal and interest and any other amounts due and payable on Indebtedness which is Permitted Subsidiary Debt or Indebtedness described in Section 6.9(b)(ii) above; provided that, in the case of Indebtedness described in Section 6.9(b)(ii) above, no payments (of principal or interest or any other amounts) shall be made in violation of the Required Subordination Terms;

(e) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall declare or pay any dividends, make any distributions, repurchase or redeem any shares of capital stock or other equity interests (except for (i) cash dividends declared and paid by any Subsidiary of the Buyer directly or indirectly to the Buyer and (ii) so long as there is no continuation of any Event of Default (as defined in the HDD Promissory Note), cash dividends declared and paid by the Buyer in an amount necessary to enable each direct and indirect member or shareholder of the Buyer to satisfy his, her or its federal, state and local tax liabilities attributable to the items of income, gain, loss or deduction allocated to such Person as a result of its equity ownership in the Buyer or the Buyer's Subsidiaries);

(f) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall pay any management fees, investment banking fees or similar fees to any Person who is a shareholder of the Buyer (or any Affiliate or related party of any such Person), other than fees payable to MI or any of its Affiliates under the Transition Services Agreement;

(g) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall make any loans to any Person, except that (i) a Subsidiary of the Buyer may make a loan to the Buyer or to any other Subsidiary of the Buyer and (ii) the Buyer may make a loan to the HDD Buyer provided that, in the case of clause (ii), any interest on such Indebtedness shall be limited to an annual rate of six percent (6%) and the repayment of such Indebtedness shall be subject to the Required Subordination Terms;

(h) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall pay any salary, bonuses or other compensation to Archibald Cox, Jr., provided that he may be reimbursed for reasonable expenses actually incurred by him on behalf of the Buyer or any Subsidiary of the Buyer;

(i) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall engage in (or invest in) any business other than SmCo Business and businesses reasonably related thereto; and

(j) Neither the Buyer nor any Subsidiary of the Buyer (including without limitation the Acquired Companies) shall sell any of the assets or properties owned by the Buyer or any Subsidiary of the Buyer (including without limitation any of the Acquired Companies) other than in the ordinary course of the SmCo Business, unless the Promissory Note is paid in full prior to or concurrently with such sale (or unless, in the case of a sale or transfer of only a portion of the assets and properties owned by the Buyer or any Subsidiary of the Buyer, including without limitation the Acquired Companies, a pro rata portion of the then remaining obligations under the Promissory Note is paid (based upon the relative fair market value of the portion of the SmCo Business which is sold or transferred in relation to the total fair market value of the SmCo Business on the date of the sale or transfer), in the inverse order of maturity of such obligations under the terms of the Promissory Note.

Section 6.10 Sale of the HDD Business and/or SmCo Business. In the event that, prior to July 1, 2005, the Buyer and/or the HDD Buyer (a) sells, or enters into a binding agreement to sell, the HDD Business and/or the SmCo Business to any unaffiliated third party, or (b) arranges for an unaffiliated third party to become a ten percent (10%) or greater equity investor in Buyer or in the HDD Business and/or the SmCo Business where the proceeds of such investment are distributed to the Buyer and/or the HDD Buyer (or any of their shareholders) (a "Covered Transaction"), MI will [redacted] of the cash proceeds of such Covered Transaction remaining after the deductions from the sale price for (i) repayment of all outstanding obligations of the Buyer or Parent under the Promissory Note and all outstanding obligations of the HDD Buyer under the HDD Promissory Note, (ii) Taxes on the Covered Transaction, (iii) the Cash Payment, (iv) any incremental cash investments made by Archibald Cox, Jr. in the HDD Business and the SmCo Business following the Closing Date (including, without limitation, cash investments made to finance capital expenditures or working capital requirements but excluding any cash investments made to repay the Promissory Note or the HDD Promissory Note or any portion thereof), and (v) [redacted] If all or substantially all of the assets or capital stock of MI is sold to an unaffiliated party, or MI ceases to be controlled by any of the shareholders of record of MI as of the Closing Date, alone or in combination, then any payment required to be made to MI pursuant to this Section 6.10 shall instead be made pro rata to those shareholders (or warrantholders) of MI who are shareholders (or warrantholders) as of the Closing Date (unless the rights to receive such payments are subsequently distributed by such shareholders or warrantholders to investors in such shareholders or warrantholders or transferred among such shareholders and/or warrantholders).

Section 6.11 New Jersey Remediation Agreement. The Parties acknowledge and agree that MI and the Buyer have executed and filed a Remediation Agreement Application (the "NJ Application") with the State of New Jersey Department of Environmental Protection pursuant to New Jersey's Industrial Site Recovery Act in respect of NJ's site in Wayne, New Jersey. Other than Buyer's obligation to permit reasonable access to such site after the Closing, and notwithstanding anything to the contrary in the NJ Application or the related Remediation Agreement or otherwise, MI shall perform all duties and obligations arising under the NJ Application and such Remediation Agreement, in the manner and by the times specified therein.

ARTICLE VII

INDEMNIFICATION

Section 7.1 Basis of Indemnification by the Sellers. Subject to the applicable provisions of this Article VII, the Sellers, jointly and severally, shall indemnify and hold harmless the Buyer and its Affiliates, and their respective directors, officers, members, managers, agents, representatives, successors and assigns from and against all damages, costs, expenses, losses, claims, demands, Liabilities and/or obligations, including reasonable fees and disbursements of counsel but specifically excluding lost profits, indirect or consequential damages or punitive damages ("Damages"), arising from, relating to, or in any way sustained, or incurred by reason of:

(a) the breach of any of the representations or warranties made by the Sellers (or either one of them) in this Agreement or any other agreement executed by either of them in connection with the transactions contemplated by this Agreement;

(b) the failure of either of the Sellers to fulfill or comply with its obligations, covenants and agreements pursuant to this Agreement or any other agreement executed by either of them in connection with the transactions contemplated by this Agreement;

(c) fines, penalties or damages resulting from violations of law relating to the SmCo Business and occurring prior to the Closing Date (including, without limitation, liabilities arising out of statutes and regulations administered by the State Department, Department of Defense or Commerce Department); and

(d) product liability claims asserted after the Closing Date with respect to products manufactured or sold by any of the Companies or their respective Affiliates prior to the Closing Date.

Section 7.2 Basis for Indemnification by the Buyer. Subject to the applicable provisions of this Article VII, the Buyer shall, and following the Closing each of the Acquired Companies shall with the Buyer, jointly and severally, indemnify and hold harmless the Sellers and their respective Affiliates, and their respective directors, officers, members, managers, agents, representatives, successors and assigns from and against all Damages arising from, relating to, or in any way sustained or incurred by reason of:

(a) the breach of any of the representations or warranties made by the Buyer in this Agreement or any other agreement executed by it in connection with the transactions contemplated by this Agreement;

(b) the failure of Buyer to fulfill or comply with its obligations, covenants and agreements pursuant to this Agreement or any other agreement executed by it in connection with the transactions contemplated by this Agreement, including without limitation the timely payment or performance, as applicable, of the Assumed Liabilities and all of the obligations and liabilities of the Acquired Companies, and each of them;

(c) all liabilities, actual or contingent, arising on or after the Closing Date relating to the SmCo Business (including, without limitation, liabilities arising out of statutes and regulations administered by the State Department, Department of Defense or Commerce Department);

(d) any guarantees made by any of the Sellers or any of their Affiliates (other than the Acquired Companies) of obligations of the Acquired Companies and/or the SmCo Business, as set forth on Schedule 7.2(d) hereof or included in the Guarantees, under agreements in effect as of the Closing Date which guarantees cannot, after reasonable effort, be terminated by MI or assumed by the Buyer Group as of the Closing Date (without continuing liability of either of the Sellers or any of their Affiliates, other than any of the Acquired Companies); and

(e) any and all proceedings, demands, assessments, audits or judgments arising out of any of the foregoing.

Section 7.3 Indemnification Procedures. A Party seeking indemnification (the "Indemnified Party") shall promptly notify the Party which the Indemnified Party believes has an obligation to indemnify (the "Indemnifying Party") of any claim, demand, action or proceeding for which indemnification may be sought under Section 7.1 or 7.2 hereof, as applicable. Any omission so to notify any Indemnifying Party as aforesaid shall not relieve any Indemnifying Party from any liability they may have to any Indemnified Party unless the Indemnifying Party is materially adversely affected as a result of such failure. If such claim, demand, action or proceeding by or on behalf of any Person other than a Party to this Agreement or its successors and assigns would result in Damages that a Party is obligated to indemnify hereunder (a "Third Party Claim"), the Indemnifying Party(ies) shall have the right to defend, contest, settle, or compromise such action or suit in the exercise of its or their exclusive discretion; *provided, however*, that (a) the Indemnifying Party shall not thereby consent to the imposition of any injunction against the Indemnified Party without the written consent of the Indemnified Party and shall not otherwise agree to a settlement that would have a Material Adverse Effect on the

Indemnified Party and (b) the Indemnifying Party shall permit the Indemnified Party to participate in such conduct or settlement through legal counsel chosen by the Indemnified Party, but the fees and expenses of such legal counsel shall be borne solely by the Indemnified Party. In connection with any such Third Party Claim, the Indemnifying Party(ies) and the Indemnified Party shall cooperate with each other and provide each other with reasonable access to relevant books and records in their possession.

Section 7.4 Payment. In the event that any Indemnified Party shall incur any Damages in respect of which indemnity may be sought pursuant to this Article VII, the Indemnifying Party(ies) shall be given written notice thereof promptly by the Indemnified Party, which notice shall specify the amount and nature of such Damages and include the request of the Indemnified Party for the indemnification of such amount. The Indemnifying Party(ies) shall within ten (10) days pay to the Indemnified Party the amount of the Damages so specified with respect to a valid indemnity claim.

Section 7.5 Limitation of Claims. Notwithstanding anything to the contrary contained in any other provision of this Agreement:

(a) The respective representations and warranties of the Parties contained in this Agreement and in any and all certificates, agreements, documents, schedules, exhibits or instruments executed in connection herewith or therewith delivered at Closing pursuant hereto, shall survive for a period [redacted] from the Closing Date except for any representation or warranty under Section 3.1(e) (Title) (which shall survive without limitation as to time) and Section 3.1(g) (Tax Matters) (which shall survive for the period of the statute of limitations applicable to the underlying matter).

(b) No Indemnified Party shall have any right to indemnification by any Indemnifying Party with respect to any Damages suffered or incurred by such Indemnified Party arising out of any breach of any representation or warranty contained in this Agreement or in any certificate, agreement, document, schedule, exhibit or instrument executed in connection herewith or therewith unless notice of such claim shall have been given within the period of survival for such representation and warranty specified in paragraph (a) of this Section 7.5; *provided, however*, that the foregoing shall not limit or impair in any manner any related right or claim for indemnification as to which the Indemnified Party shall have delivered written notice to the Indemnifying Party within such survival period, which written notice shall have set forth in reasonable detail the nature and basis of such right or claim.

(c) Any payment made by any Indemnifying Party pursuant to this Article VII in respect of any claim for Damages: (i) shall be net of any insurance proceeds realized by and paid to the Indemnified Party in respect of such claim; and (ii) shall be reduced by an amount equal to any Tax benefits attributable to such claim, but only to the extent that such Tax benefits are actually realized by the Indemnified Party. The Indemnified Party shall use its best efforts to make any and all insurance claims relating to any claim for which it is seeking indemnification pursuant to this Article VII, including, without limitation, any claim it is entitled to make under any insurance policy maintained by the Indemnifying Party or under which the Indemnified Party is named as an additional insured. In the event that an indemnification payment is made to an Indemnified Party and such Indemnified Party thereafter receives an insurance payment, the Indemnified Party shall pay over to the Indemnifying Party the amounts so collected, less any litigation and other costs related to the collection of such amounts.

(d) The maximum aggregate liability of the Sellers to indemnify the Buyer for all Damages under Section 7.1(a), (b) and (d), in the aggregate, shall be limited to [redacted] (the "Buyer Indemnification Cap"); *provided, however*, that the Buyer Indemnification Cap shall not apply to limit any Damages arising from, related to or in connection with any breach of any of the representations and warranties contained in Section 3.1(g) and shall not limit any obligations of the Companies with respect to the payment of Taxes in accordance with the applicable provisions of this Agreement (including Section 6.5). The Buyer (and the other indemnified Persons under Section 7.1) shall be entitled to seek indemnification for Damages under Section 7.1(a), (b) and (d) only after such time as the sum of all such Damages of the Buyer (and the other indemnified Persons under Section 7.1) exceeds [redacted] (the "Basket"), at which time the Sellers shall thereafter be liable to the Buyer and other indemnified Persons for all of such Damages in excess of the Basket up to the Buyer Indemnification Cap.

Section 7.6 Sole Remedy. The indemnification provisions of this Article VII shall be the exclusive remedy of each of the Parties for a breach of this Agreement (or any certificate, agreement, document, schedule, exhibit or instrument executed in connection with this Agreement or therewith) by any of the other Parties hereto or for any related cause of action or claim under any applicable Law, except for: (i) a cause of action or claim based upon the actual fraud of the Sellers or the Buyer, as the case may be, and (ii) the right to injunctive relief in certain circumstances as provided in Section 9.8. All indemnity claims against the Sellers under this Article VII shall be set off against, and shall become a credit against, the then outstanding obligations under the Promissory Note and the HDD Promissory Note, in the inverse order of maturity of such obligations under the terms of the Promissory Note and the HDD Promissory Note; provided, that if the amount of such indemnity claims exceeds the amount of obligations then outstanding under the Promissory Note and the HDD Promissory Note, the Sellers shall not be relieved of their indemnification obligations hereunder (in accordance with the terms hereof).

ARTICLE VIII

BROKERS AND FINDERS

Section 8.1 Companies' Obligations. The Buyer shall not have any obligation to pay any brokerage, finders or similar fee or other compensation to any Person dealt with by any Company and the Companies, jointly and severally, hereby agree to indemnify and save the Buyer harmless from any liability, damages, costs or expenses arising from any breach of this Article VIII by any Company.

Section 8.2 Buyer's Obligations. No Company shall have any obligation to pay any brokerage, finders or similar fee or other compensation to any Person dealt with by the Buyer and the Buyer hereby agrees to indemnify and save the Companies harmless from any liability, damage, cost or expense arising from any breach of this Article VIII by the Buyer.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, requests or instruction hereunder shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, as follows:

(1) if to any Company or Companies:

Magnequench, Inc.
9775 Crosspoint Boulevard
Suite 100
Indianapolis, IN 46256
Attn: Chief Financial Officer
Fax: (317) 572-1536

with a copy to:

Ice Miller
One American Square, Box 82001
Indianapolis, Indiana 46282-0002
Attn: John R. Thornburgh, Esq.
Fax: (317) 236-2219

(2) if to the Buyer:

SmCo Holding LLC
60 High Oaks Drive
Watchung, NJ 07069
Attn: Archibald Cox, Jr.
c/o Ms. Barbara Swintek
Fax: (908) 822-2212

with a copy to:

Pillsbury Winthrop LLP
1540 Broadway
New York, NY 10036
Attn: David P. Falck
Fax: (212) 858-1500

Any of the above addresses may be changed at any time by notice given as provided above; *provided, however*, that any such notice of change of address shall be effective only upon receipt.

Section 9.2 Successors and Assigns. This Agreement and the terms hereof shall inure to the benefit of the Parties hereto and their respective successors and assigns. Each Indemnified Party shall further be a third party beneficiary of the provisions of Article VII hereof, subject to all of the terms, conditions, limitations and restrictions thereof.

Section 9.3 Entire Agreement. This Agreement and the HDD Purchase Agreement (and the documents referred to herein and therein) contain the entire agreement between the Parties hereto and thereto with respect to the transactions contemplated hereby and thereby and, together, supercede in all respects that certain letter of intent by and between Archibald Cox, Jr. and MI dated May 7, 2004. No modification hereof shall be effective unless in writing and signed by the Party against which it is sought to be enforced.

Section 9.4 Further Action. Each of the Parties hereto shall use such Party's best efforts to take such actions as may be necessary or reasonably requested by the other Parties hereto to carry out and consummate the transactions contemplated by this Agreement.

Section 9.5 Expenses. Each of the Parties hereto shall bear and pay such Party's own costs and expenses incurred in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the transactions contemplated hereby, including without limitation any and all legal, accounting and other professional fees. Any notarial fees incurred in connection with the transfer of the Acquired Equity Interests shall be borne by the Buyer.

Section 9.6 Partial Invalidity. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement, or any such terms in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 9.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable in the case of agreements made and to be performed entirely within such State.

Section 9.8 Specific Performance. The Parties recognize that any breach of the provisions of Sections 6.3, 6.4, and 6.7 of this Agreement may give rise to irreparable harm for which money damages would not be an adequate remedy, and accordingly agree that, in addition to other remedies, any non-breaching Party shall be entitled to an injunction or injunctions to prevent breaches of such provisions of this Agreement and to enforce such terms and provisions of this Agreement by a decree of specific performance in any action instituted in any court of the United States or any state thereof, or any other jurisdiction, having jurisdiction without the necessity of proving the inadequacy as a remedy of money damages.

Section 9.9 Consent to Jurisdiction. Each of the Parties hereto agrees that any legal action or proceeding arising out of or relating to this Agreement may be instituted in the United States District Court for the Southern District of New York or the New York Supreme Court (New York County), the courts of the State of Indiana situated in Marion County, Indiana or the United States District Court for the Southern District of Indiana. By the execution and delivery of this Agreement, each of the Parties to this Agreement irrevocably consents to and submits to the jurisdiction of such courts for all purposes in connection with any controversy, claim, action or proceeding arising out of or relating to this Agreement or any modification or extension hereof. Each of the Parties hereto further agrees to submit to the non-exclusive jurisdiction of the courts of Switzerland, France, Germany and the UK, as applicable, in respect of the interpretation and enforcement of the provisions in this Agreement relating to the acquisition of the Acquired Equity Interests. The foregoing shall not limit the rights of any Party to bring any legal action or proceeding or to obtain execution of judgment in any appropriate jurisdiction. Each of the Parties hereto further agrees that final judgment against it in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction within or outside the United States of America by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence thereof.

Section 9.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day, month and year first above written.

MAGNEQUENCH, INC.

By: [redacted]
Name: [redacted]
Title: Chief Financial Officer; Senior Vice President; and Treasurer

MAGNEQUENCH NJ, LLC

By: [redacted]
Name: [redacted]
Title: Chief Financial Officer; Senior Vice President; and Treasurer

MAGNEQUENCH LTD.

By: [redacted]
Name: [redacted]
Title: Authorized Representative

MAGNEQUENCH SWISS HOLDINGS AG

By: [redacted]
Name: [redacted]
Title: Authorized Representative

MAGNEQUENCH AG

By: [redacted]
Name: [redacted]
Title: Authorized Representative

[SIGNATURE PAGE TO SMCO PURCHASE AGREEMENT]

SMCO HOLDING LLC

By: [redacted]

Name: [redacted]

Title: President

[SIGNATURE PAGE TO SMCO PURCHASE AGREEMENT]

Exhibit A

Promissory Note

See Tab 3.

COPY

THIS NOTE MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PROVIDED HEREIN. THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND NO OFFER, SALE, TRANSFER OR ASSIGNMENT OF THIS NOTE MAY BE MADE IN THE ABSENCE OF SUCH REGISTRATIONS OR UNLESS EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE.

UNSECURED PROMISSORY NOTE

[redacted] Dated: June 25, 2004

FOR VALUE RECEIVED, SmCo Holding LLC, a Delaware limited liability company ("SmCo Holding"), and its parent, MagnetsCo LLC, a Delaware limited liability company ("Parent" and, collectively with SmCo Holding, "Makers"), hereby jointly and severally promise to pay, in lawful money of the United States of America and in immediately available funds, to the order of Magnequench, Inc., a Delaware corporation or its successors and assigns ("Holder"), at the address specified in Section 9 herein, or at such other place as Holder may direct, the principal amount (the "Principal") of [redacted], subject to reduction as set forth in Section 6 herein, together with Interest (as defined below) on the unpaid Principal balance from time to time outstanding.

1. Nature of Obligation. This Unsecured Promissory Note ("Note") represents the obligation of Makers to pay to Holder the purchase price for certain assets purchased by SmCo Holding pursuant to the terms and conditions of that certain Purchase Agreement, dated as of the date hereof, entered into by and among SmCo Holding, Holder, Magnequench Swiss Holdings AG, a Swiss corporation, Magnequench NJ, LLC, a Delaware limited liability company, Magnequench Ltd., a UK limited company, and Magnequench AG, a Swiss corporation (the "Purchase Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Purchase Agreement. Nothing contained herein or otherwise shall be construed to place Holder and Makers in a relationship of partners, joint venturers, principal and agent, or in any other relationship except that of lender and borrowers.

2. Principal and Interest Payments. Principal and Interest under this Note shall be due and payable as follows:

(a) Interest shall accrue daily on the unpaid Principal balance existing hereunder from time to time at the rate of [redacted] per annum (the "Interest"). Makers shall make quarterly Interest payments to Holder, in arrears, on the first day of each March, June, September and December, with the first payment to commence on September 1, 2004.

(b) Makers shall pay to Holder the Principal amount of this Note in two (2) installments, the first in the amount of [redacted] U.S. Dollars [redacted] on June 25, 2006 and the second in the amount of [redacted] U.S. Dollars (US $610,000) on June 25, 2007; provided that, so long as no Event of Default (as defined below) has occurred and is continuing hereunder, Makers may elect to defer, in its discretion, any installment for up to a period of twelve months from the due date of the installment; provided further that, if the Principal is reduced as set forth in Section 6 herein, each remaining installment shall be reduced by an amount equal to the result of (i) the amount of such reduction divided by (ii) the number of remaining installments.

(c) Except as otherwise provided herein, all unpaid Principal and accrued but unpaid Interest due and payable under this Note shall in any event become due and payable, and shall be paid by Makers in full, on June 25, 2007.

3. Prepayment. Makers may prepay at anytime all or any portion of the unpaid Principal balance hereof, without premium or penalty; provided, however, that all sums received, first, shall be applied to any costs of collection and expenses reimbursable by Makers to Holder, second, shall be applied to the payment of Interest, if any, due on the balance of the Principal sum or so much thereof as shall from time to time remain unpaid, and, finally, shall be applied on account of Principal (and to the Principal payments due hereunder in the order that Holder shall designate in its discretion).

4. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

(a) Makers fail to pay any installment of Principal or Interest within five (5) Business Days after the due date thereof or the HDD Buyer fails to pay any installment of Principal or Interest within five (5) Business Days after the due date thereof under the HDD Promissory Note;

(b) Makers (or either of them) become insolvent or generally fail to pay, or admit in writing an inability to pay, debts as they become due; or Makers (or either of them) apply for, consent to or acquiesce in the appointment of a trustee, receiver or other custodian for Makers (or either of them) or any property or assets of Makers (or either of them), or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for Makers (or either of them) or for a substantial part of the property or assets of Makers (or either of them) and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of Makers (or either of them) and if such case or proceeding is not commenced by Makers (or either of them) it is consented to or acquiesced in by Makers (or either of them) or if such case or proceeding is not vacated, stayed or dismissed within sixty (60) days of such commencement; or

(c) Makers (or either of them) fail to fulfill or comply with their material obligations, covenants and agreements (other than those described in Section 4(a) above) pursuant to the Purchase Agreement or any other agreement executed by it in connection with the transactions contemplated by the Purchase Agreement or HDD Buyer fails to fulfill or comply with its material obligations, covenants and agreements (other than those described in Section 4(a) of the HDD Promissory Note) pursuant to the HDD Purchase Agreement or any other agreement executed by it in connection with the transactions contemplated by the HDD Purchase Agreement and, in each case, such failure is not cured by Makers or HDD Buyer, as applicable, within twenty (20) Business Days of its receipt of notification thereof from Holder.

5. Remedies Upon an Event of Default. Upon the occurrence of an Event of Default, the entire unpaid Principal balance of this Note, together with all accrued and unpaid Interest thereon, shall, at the election of Holder, become immediately due and payable. In addition, Holder shall be entitled to recover from Makers all costs and expenses, including attorneys' fees and court costs, incurred in enforcing its rights hereunder. Immediately upon the occurrence of an Event of Default and for the period that such Event of Default continues, interest shall accrue on the unpaid Principal balance hereof at a rate equal to eight percent (8%) per annum (the "Default Rate"). All amounts payable by Makers to Holder under this Note shall be without relief from valuation and appraisement laws. The rights and remedies of Holder stated herein are cumulative to and not exclusive of any rights or remedies otherwise available to Holder.

6. Reduction in Principal Amount; Set Off. The Principal of this Note shall be subject to reduction in accordance with the purchase price adjustment provisions contained in Section 2.5(d) of the Purchase Agreement and shall be subject to set off in accordance with the indemnification provisions contained in each of Section 7.6 of the Purchase Agreement and Section 7.6 of the HDD Purchase Agreement.

7. No Recourse Against Others. No director, officer, employee, partner, Affiliate, agent, stockholder or member, as such, of either Maker (other than the other Maker) shall have any liability for any obligations of Maker under this Note or the Purchase Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting this Note, the Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of this Note.

8. Assignability. This Note and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, (a) neither of the Makers shall assign this Note or any of its respective rights or obligations hereunder without Holder's prior written consent and (b) Holder shall not assign this Note or any of its rights or obligations hereunder without Makers' prior written consent, which consent shall not be unreasonably withheld or delayed, except that Holder shall be permitted, without either of Maker's consent, to pledge its rights hereunder as a collateral security interest to a Person that is not an Affiliate (and assign its rights hereunder upon a secured party's exercise of remedies under such pledge).

9. Notices. All notices, requests, demands and other communications under this Note shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the date of receipt by the party to whom notice is to be given if transmitted to such party by facsimile, provided a copy is mailed as set forth below on date of transmission, or on the third day after mailing if mailed to the party to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, to the following addresses:

If to Makers, to:

SmCo Holding LLC
60 High Oaks Drive
Watchung, NJ 07069
Attn: Archibald Cox, Jr.
c/o Ms. Barbara Swintek
Fax: (908) 822-2212

If to Holder, to:

Magnequench, Inc.
Attn: Chief Financial Officer
9775 Crosspoint Blvd., Suite 100
Indianapolis, IN 46256
Fax: (317) 572-1536

10. Miscellaneous.

(a) This Note shall in all respects be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles.

(b) The undersigned hereby irrevocably consents to the jurisdiction and venue of the courts of the State of Indiana situated in Marion County, Indiana, and the United States District Court for the Southern District of Indiana with respect to any and all actions related to this Note or the enforcement of this Note and hereby irrevocably waives any and all objections thereto. MAKERS HEREBY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COUNSEL WAIVE TRIAL BY JURY IN ANY ACTIONS, PROCEEDINGS, CLAIMS OR COUNTER-CLAIMS, WHETHER IN CONTRACT OR TORT OR OTHERWISE, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATING TO THIS NOTE.

(c) Holder shall not (by act, delay, omission or otherwise) be deemed to have waived any of its rights or remedies hereunder, or any provision hereof, unless such waiver is in writing signed by Holder, and any such waiver shall be effective only to the extent specifically set forth therein; and a waiver by Holder of any right or remedy under this Note on any one occasion shall not be construed as a bar to or waiver of any such right or remedy which Holder would otherwise have had on any future occasion.

(d) Wherever possible, each provision of this Note which has been prohibited by or held invalid under applicable law shall be ineffective to the extent of such prohibition or invalidity, but such prohibition or invalidity shall not invalidate the remainder of such provision or the remaining provisions of this Note.

(e) Wherever in this Note reference is made to Makers or Holder, such reference shall be deemed to include, as applicable, a reference to their respective successors and assigns, legatees, heirs, executors, administrators and legal representatives, as applicable, and, in the case of Holder, any future holder of this Note, in any case as permitted by this Note.

(f) Makers (and each of them) waive presentment for payment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note, notice of acceptance of this Note by Holder, and all other notice and filing of suit or diligence in collecting this Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Makers have executed, acknowledged, sealed and delivered this Note as of the day and year first above written.

SMCO HOLDING LLC

By: [redacted]

Printed: [redacted]

Title: Chairman + Managing Member

MAGNETSCO LLC

By: [redacted]

Printed: [redacted]

Title: Managing Member

Acknowledged and Accepted:

MAGNEQUENCH, INC.

By: [redacted] Chief Financial Officer, Senior Vice President, & Treasurer

INDY 1384785v3

Exhibit B

Transfer Agreement for Magnequench Ltd. Shares

See Tab 11.

Exhibit C

License Agreement

See Tab 10.

LICENSE AND ASSIGNMENT AGREEMENT

SMCO
AND
MAGNEQUENCH

This Agreement is made by and between Magnequench, Inc., a Delaware corporation, Magnequench International, Inc., a Delaware corporation, (collectively, "Magnequench") and SmCo Holding LLC, a Delaware limited liability company ("SMCO") and is effective as of June 25 , 2004 (the "EFFECTIVE DATE").

ARTICLE I - DEFINITIONS

1.1 The term "AFFILIATE" as used herein shall mean any other business entity or organization that, directly or indirectly, is in control of, is controlled by, or is under common control with SmCo. For purposes of this definition, "control" means the power, directly or indirectly, either to (a) vote 50% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such business entity or organization, or (b) direct or cause the direction of the management and policies of such business entity or organization, whether by contract or otherwise.

1.2 The term "LIABILITY" as used herein shall mean any, direct or indirect, liability, obligation, claim, deficiency, guarantee or commitment of any kind or nature (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), including liability for TAXES.

1.3 The term "LICENSED MAGNET" as used herein shall mean manufactured and/or finished samarium cobalt magnets and related magnetic assemblies, sintered neodymium-iron-boron magnets and related magnetic assemblies, and magnets which are isotropic or anisotropic compacts with permanent magnetic properties made by consolidating and/or working heated VFCA under pressure to result in a substantially full compact density as have been marketed by MAGNEQUENCH under the MQ2 and MQ3 tradenames.

1.4 The term "MAGNEQUENCH LICENSED CONTRACTS" as used herein shall mean those respective contracts or agreements to which MAGNEQUENCH is a party set forth on Schedule 4.

1.5 The term "MAGNEQUENCH LICENSED PATENTS" as used herein shall mean those respective patents or patent applications owned or controlled by MAGNEQUENCH set forth on Schedule 1.

1.6 The term "MAGNEQUENCH LICENSED NAME AND MARK" as used herein shall mean the name and mark MAGNEQUENCH used alone or in connection with other terms, as used in connection with the LICENSED MAGNETS prior to the EFFECTIVE DATE.

1.7 The term "MAGNEQUENCH ASSIGNED CONTRACTS" as used herein shall mean those respective contracts or agreements to which MAGNEQUENCH is a party set forth on Schedule 5.

1.8 The term "MAGNEQUENCH ASSIGNED PATENTS" as used herein shall mean those respective patents or patent applications owned by MAGNEQUENCH set forth on Schedule 2.

1.9 The term "MAGNEQUENCH ASSIGNED TRADEMARKS" as used herein shall mean those respective trademarks and registrations thereof, and the registered copyright owned or controlled by MAGNEQUENCH set forth on Schedule 3.

1.10 The term "PERSON" means any natural person, corporation, general partnership, limited liability company, proprietorship, joint venture, other business organization, trust, entity, union, association or governmental or regulatory authority.

1.11 The term "PURCHASE AGREEMENT") as used herein shall mean that certain purchase agreement dated as of June 25, 2004 by and among MAGNEQUENCH, INC., MAGNEQUENCH LTD., MAGNEQUENCH NJ, LLC, MAGNEQUENCH SWISS HOLDINGS AG, MAGNEQUENCH AG and SMCO HOLDING INC.

1.12 The term "PURCHASED ASSETS" means the MAGNEQUENCH ASSIGNED CONTRACTS, the MAGNEQUENCH ASSIGNED PATENTS and the MAGNEQUENCH ASSIGNED TRADEMARKS.

1.13 The term "TAXES" means all of the following: (i) any net income, withholding, alternative or add-on minimum tax, gross income, gross receipts, sales, use, value added, ad valorem, transfer, franchise, profits, license, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, capital tax, customs duty or other tax, governmental fee or other like assessment, together with any interest, penalty or additional amount due, imposed by any governmental, regulatory or administrative entity or agency responsible for the imposition of any such tax (domestic or foreign); (ii) any LIABILITY for the payment of the amounts described in clause (i) above as a result of being a member of any affiliated, consolidated, combined, unitary or other group for any taxable period; and (iii) any LIABILITY for the payment of any amounts of the type described in clause (i) or (ii) above as a result of any express or implied obligation to indemnify any other PERSON.

1.14

ARTICLE II - GRANTS TO SMCO

2.1 MAGNEQUENCH hereby grants to SMCO a royalty free, fully paid-up, non-exclusive, non-transferable license, under MAGNEQUENCH LICENSED PATENTS conceived before or during the term of this Agreement, without the right to sublicense, to make, use, and sell LICENSED MAGNETS. Notwithstanding the foregoing, SMCO shall be free to sublicense its rights under the MAGNEQUENCH LICENSED PATENTS to (i) SMCO Affiliates and (ii) other persons or entities to the extent necessary to have LICENSED MAGNETS made for SMCO or its Affiliates.

2.2 MAGNEQUENCH hereby sells, conveys, transfers and assigns to SMCO its entire right, title and interest in and to the MAGNEQUENCH ASSIGNED PATENTS.

2.3 MAGNEQUENCH hereby sells, conveys, transfers and assigns to SMCO all its right, title and interest in and to the MAGNEQUENCH ASSIGNED TRADEMARKS, together with the good will of the business symbolized by and associated with each of the MAGNEQUENCH ASSIGNED TRADEMARKS.

2.4 Subject to Section 2.8 and the terms and conditions of each MAGNEQUENCH LICENSED CONTRACT, MAGNEQUENCH hereby grants to SMCO a royalty free, fully paid-up, non-exclusive, non-transferable sublicense, without the right to further sublicense, under MAGNEQUENCH'S rights and obligations under the MAGNEQUENCH LICENSED CONTRACTS, to make, use, sell, offer for sale and import LICENSED MAGNETS. Notwithstanding the foregoing, SMCO may sublicense its rights under the MAGNEQUENCH LICENSED CONTRACTS to (i) AFFILIATES and (ii) other persons or entities to the extent necessary to have LICENSED MAGNETS made for SMCO or its AFFILIATES.

2.5 Subject to Section 2.8 and the terms and conditions of each MAGNEQUENCH ASSIGNED CONTRACT, MAGNEQUENCH hereby assigns, conveys, transfers and otherwise sets over to SMCO all of MAGNEQUENCH's rights, title, benefits, privileges, duties, obligations, liabilities and interest in, to, and under the MAGNEQUENCH ASSIGNED CONTRACTS. MAGNEQUENCH agrees to execute and deliver any and all deeds, certificates of title, and/or other documents of conveyance as may be necessary to vest in SMCO as a matter of public record or otherwise all of MAGNEQUENCH's rights, title, benefits, privileges, and interest under the MAGNEQUENCH ASSIGNED CONTRACTS, except to the extent arising from conduct or events before the EFFECTIVE DATE. From the EFFECTIVE DATE forward, SMCO shall have all right, title, benefit, privilege, interest, duty, liability and obligation of, in, to, and under the MAGNEQUENCH ASSIGNED CONTRACTS, and each of them, and all proceeds thereof. As of the EFFECTIVE DATE, MAGNEQUENCH shall be released from all duties, obligations and liabilities associated with, arising from, or pursuant to the MAGNEQUENCH ASSIGNED CONTRACTS. Except as provided in the PURCHASE AGREEMENT (as defined herein), MAGNEQUENCH makes no representations concerning the MAGNEQUENCH ASSIGNED CONTRACTS or any intellectual property forming the subject matter of any such agreements. Except as provided in the PURCHASE AGREEMENT, MAGNEQUENCH expressly disclaims any and all warranties including but not limited to any warranties of validity and/or enforceability of the MAGNEQUENCH ASSIGNED CONTRACTS and any intellectual property forming all or part of the subject matter thereof.

2.6 SMCO hereby assumes and agrees to each of the following (other than LIABILITIES resulting from MAGNEQUENCH's conduct or events prior to the EFFECTIVE DATE) (collectively, the "ASSUMED LIABILITIES"): (i) pay, perform, and discharge the LIABILITIES associated with, arising from or pursuant to the MAGNEQUENCH ASSIGNED CONTRACTS resulting from conduct or events on or after the EFFECITVE DATE, including, without limitation, payment and performance of all MAGNEQUENCH obligations thereunder; (ii) assume all LIABILITIES arising from ownership and maintenance of the MAGNEQUENCH ASSIGNED PATENTS and the MAGNEQUENCH ASSIGNED TRADEMARKS; (iii) assume all LIABILITIES arising out of any product liability, patent, trademark and tradename infringement, breach of warranty or similar claim for injury to person or property relating to the Purchased Assets; and (iv) assume all other LIABILITIES arising out of, directly or indirectly, the PURCHASED ASSETS or ownership, control, lease or license of any of the PURCHASED ASSETS resulting from conduct or events on or after the EFFECITVE DATE.

2.7 SMCO shall be responsible to file and record, at its own expense, any and all deeds, certificates of title, and/or other documents of conveyance as may be necessary to vest in SMCO as a matter of public record all of the MAGNEQUENCH ASSIGNED CONTRACTS, the MAGNEQUENCH ASSIGNED PATENTS, the MAGNEQUENCH ASSIGNED TRADEMARKS and the ASSUMED LIABILITIES.

2.8 The parties understand and agree that, if, as of the EFFECTIVE DATE, MAGNEQUENCH shall not have effectively obtained any or all consents of any third party(ies) to the assignment or licensing of any contract, obligation, agreement and/or other arrangement (each, a "RESTRICTED CONTRACT") included in the MAGNEQUENCH ASSIGNED CONTRACTS in respect of which such third party's consent to assign is required in order to preserve the value of such RESTRICTED CONTRACT for SMCO or otherwise, then, the assignment by MAGNEQUENCH and the assumption by SMCO of such RESTRICTED CONTRACT shall, notwithstanding any other provision contained in this Agreement, not become effective on the EFFECTIVE DATE or thereafter until MAGNEQUENCH shall have obtained the requisite consent (which MAGNEQUENCH shall use its best efforts promptly to obtain, together with the cooperation of SMCO), and such assignment and assumption shall become effective as aforesaid subsequent to the EFFECTIVE DATE pursuant to such documentation as shall reasonably be acceptable to SMCO and MAGNEQUENCH; and MAGNEQUENCH shall not take nor permit any action which would impair the full force and effect of such RESTRICTED CONTRACT, or otherwise cause or permit the modification, amendment or termination of such RESTRICTED CONTRACT (except insofar as consented to by SMCO) until the effective assignment thereof as aforesaid. MAGNEQUENCH and SMCO understand and agree that MAGNEQUENCH, subsequent to the EFFECTIVE DATE, shall not be entitled to any of the rights and privileges under any RESTRICTED CONTRACT all of which shall accrue to the benefit of SMCO, and MAGNEQUENCH shall be deemed to hold such RESTRICTED CONTRACT in trust for SMCO. At SMCO's cost, MAGNEQUENCH, to the maximum extent permitted by law and the RESTRICTED CONTRACT, shall act after the EFFECTIVE DATE as SMCO's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by law and the RESTRICTED CONTRACT, with SMCO in any other reasonable arrangement designed to provide such benefits to SMCO. If any such consent shall not be obtained or if any attempted assumption would be ineffective, SMCO, to the maximum extent provided by law and the RESTRICTED CONTRACT, shall act after the EFFECTIVE DATE as MAGNEQUENCH' agent in the payment and performance of all obligations thereunder and shall cooperate, to the maximum extent permitted by law and the RESTRICTED CONTRACT, with MAGNEQUENCH in any other reasonable arrangement designed to pay or perform such obligations.

2.9 MAGNEQUENCH hereby grants to SMCO a royalty free, fully paid-up, non-exclusive, non-transferable license, to use the MAGNEQUENCH LICENSED NAME AND MARK only in connection with the production, marketing, sale and distribution of LICENSED MAGNETS ("PERMISSIBLE USES"). Notwithstanding the foregoing, SMCO may sublicense its rights under the MAGNEQUENCH LICENSED NAME AND MARK to AFFILIATES. SMCO shall not advertise, promote or otherwise use the MAGNEQUENCH LICENSED NAME AND MARK for, or in connection with, any products or activities unless such constitutes a PERMISSIBLE USE. SMCO and AFFILIATES shall cease the use of any advertising and other materials containing the name "Magnequench" alone or in combination with other terms upon the earlier to occur of (i) the date upon which all or substantially all of the assets or capital stock of Magnequench, Inc. is sold to an unaffiliated party; (ii) the date upon which SMCO ceases to be controlled by any of the shareholders of record of Magnequench, Inc. as of the EFFECTIVE

DATE, alone or in combination; and (iii) the second year anniversary of the EFFECTIVE DATE.

2.10 SMCO acknowledges Magnequench and its affiliates' rights to MAGNEQUENCH as a company name, trademark and tradename, and the goodwill associated therewith.

2.11 SMCO shall not take any action that is inconsistent with MAGNEQUENCH and its affiliates' ownership of MAGNEQUENCH as a name and mark. SMCO agrees that nothing in this Agreement and no use of MAGNEQUENCH LICENSED NAME AND MARK by SMCO pursuant to this Agreement shall vest in SMCO, or shall be construed to vest in SMCO, any right, ownership or interest in or to the MAGNEQUENCH LICENSED NAME AND MARK or MAGNEQUENCH as a mark or name or the goodwill now or hereafter associated therewith, other than the right to use the MAGNEQUENCH LICENSED NAME AND MARK as permitted in accordance with this License.

2.12 SMCO shall not register or attempt to register the MAGNEQUENCH LICENSED NAME AND MARK, or any variations thereof, in an effort to obtain exclusive rights to MAGNEQUENCH, alone or in connection with other terms, as a tradename or mark.

2.13 SMCO shall not undertake any action which might infringe, or impair the validity of, or Magnequench's title in, the MAGNEQUENCH LICENSED NAME AND MARK. SMCO agrees promptly to notify Magnequench in writing of any conflicting uses of, or any applications or registrations to use, any name, mark, symbol, device or word that become known to SMCO which SMCO believes, in good faith, constitute an act of infringement or of unfair competition in relation to the MAGNEQUENCH LICENSED NAME AND MARK.

2.14 In the event that either party is named as a defendant or respondent in a lawsuit, action or other proceeding (an "Action") challenging the party's rights in the MAGNEQUENCH LICENSED NAME AND MARK (but the other party is not named), the named party shall promptly give notice to the other party of the pendency of the Action. In the event that the named party wishes to defend the Action, the other party shall have the right to participate in the defense, in which case both parties shall bear their respective expenses. If the named party elects not to defend the Action, it shall tender the defense to the other party. In such event, the unnamed party may decline to defend the Action; or it may elect to defend the Action, in which case it shall be solely responsible for its expenses in defending the Action and paying any judgment or settlement resulting therefrom. If both parties are named in the Action, either party may elect to defend or decline to defend, and each party shall bear its respective expenses. If the aforementioned procedures are adhered to, neither party shall have any claim against the other for failure to defend any Action or to otherwise vindicate rights in the MAGNEQUENCH LICENSED NAME AND MARK which are at issue in any Action. In any instance in which both parties defend an Action and a dispute arises as to the manner in which the defense is undertaken, SMCO shall comply with all reasonable instructions of Magnequench related thereto. In the event that both parties participate in the defense of any Action, neither party shall enter into any settlement or consent with respect to the MAGNEQUENCH LICENSED NAME AND MARK without the consent of the other party.

2.15 In order to preserve the inherent value of the MAGNEQUENCH LICENSED NAME AND MARK, SMCO agrees to use its reasonable efforts to ensure that all aspects of the marketing, production and sale of products under any MAGNEQUENCH LICENSED NAME AND MARK pursuant to this License shall be of a standard of quality substantially equal to the quality for the same products and services sold under and in connection with the MAGNEQUENCH LICENSED NAME AND MARK on the EFFECTIVE DATE of this License.

ARTICLE III -TERM AND TERMINATION

3.1 The term of this Agreement shall begin on the EFFECTIVE DATE, and unless sooner terminated by the parties as herein provided, and except as otherwise provided for in the PURCHASE AGREEMENT for the MAGNEQUENCH LICENSED NAME AND MARK, shall continue in full force and effect, on a country-by-country and LICENSED MAGNET-by-LICENSED MAGNET basis, until SMCO and AFFILIATES cease to make, use, sell or distribute LICENSED MAGNETS..

3.2 MAGNEQUENCH and SMCO may terminate this Agreement at any time by mutual written agreement. Magnequench may terminate the licenses granted to SMCO hereunder upon ninety (90) days' written notice to SMCO for its material failure to fulfill any of its obligations hereunder or for material breach of the PURCHASE AGREEMENT. If SMCO fulfills such obligations in all material respects during this ninety (90) day period, this Agreement shall continue in full force and effect as if termination notice had not been given.

3.3 If a party or AFFILIATE defaults ("DEFAULTING PARTY") in the performance of any obligation hereunder, the other party may notify the DEFAULTING PARTY of such default in writing. The DEFAULTING PARTY shall have ninety (90) days after receipt of any such written default notice to cure the default. If the default is not cured within the specified period, this Agreement shall automatically terminate upon the expiration of such ninety (90) day period.

3.4 Any termination of this Agreement for any reason does not relieve either party of any obligation or liability accrued prior to the termination or rescind anything done by either party and the termination does not affect in any manner any rights of either party arising under this Agreement prior to the termination.

3.5 The terms and conditions of the following provisions shall survive termination or expiration of this Agreement for as long as necessary to permit their full discharge: Section 2.7 and Articles V and VI.

3.6 Upon the termination of the license concerning the MAGNEQUENCH LICENSED NAME AND MARK, SMCO and its AFFILIATES must phase out all use of the MAGNEQUENCH LICENSED NAME AND MARK as set forth in Section 6.7 of the PURHCHASE AGREEMENT.

ARTICLE IV -CONSIDERATION

4.1 As consideration for the rights and licenses granted in this Agreement, SMCO shall pay to MAGNEQUENCH the Purchase Price set forth in the PURCHASE AGREEMENT.

4.2 Any transfer, recording, or similar taxes, fees, and charges imposed in connection with the consummation of the transactions contemplated by this Agreement in each relevant tax jurisdiction (collectively, "TRANSFER TAXES") shall be borne by the party to this Agreement responsible for such TRANSFER TAXES under the relevant tax statutes, regulations, and procedures of the relevant tax jurisdiction in each case (the "TRANSFER TAX OBLIGOR"). The relevant TRANSFER TAX OBLIGOR shall be responsible for obtaining all necessary TRANSFER TAX and other revenue stamps. The parties agree to use their best efforts to minimize the TRANSFER TAXES.

ARTICLE V -OTHER TERMS

5.1 SMCO agrees not to directly or indirectly challenge MAGNEQUENCH LICENSED PATENTS and MAGNEQUENCH LICENSED NAME AND MARK licensed under this Agreement in any legal forum, including but not limited to engaging in any patent or trademark opposition proceeding against the other party in any patent or trademark office.

5.2 Except as provided in the PURCHASE AGREEMENT, MAGNEQUENCH makes no warranty of any kind whatsoever, express or implied, as to any patents, trademarks, tradenames, contracts, or any or all of the methods, processes, techniques, information, or subject matter thereof.

5.3 SMCO shall mark all LICENSED MAGNETS and other existing or new products made, used, or sold, directly or indirectly, by SMCO covered by one or more MAGNEQUENCH LICENSED PATENTS, in accordance with Magnequench's patent marking practices at and before the EFFECTIVE DATE of this Agreement. SMCO shall also use markings, in accordance with the practice of Magnequench's trademark and tradename marking practices in existence at and before the EFFECTIVE DATE of this Agreement, in connection with the use of the MAGNEQUENCH LICENSED NAME AND MARK.

5.4 Except as expressly provided herein, the parties agree that, for the term of this Agreement and for five (5) years thereafter, the receiving party shall not publish or otherwise disclose and shall not use for any purpose inconsistent with this Agreement any information furnished to it by the other party hereto pursuant to this Agreement which, if disclosed in tangible form, is marked as "Confidential" or with another designation to indicate its confidential or proprietary nature, or, if disclosed orally, is indicated orally to be confidential or proprietary by the party disclosing such information at the time of such disclosure and is confirmed in writing as confidential or proprietary by the disclosing party within thirty (30) days after such disclosure (collectively, "CONFIDENTIAL INFORMATION"). Notwithstanding the foregoing, CONFIDENTIAL INFORMATION shall not include information to the extent such information, in each case is demonstrated by competent written documentation:

(a) was already known to the receiving party, other than under an obligation of confidentiality, at the time of disclosure hereunder;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in breach of this Agreement;

(d) was subsequently lawfully disclosed to the receiving party by a person other than the disclosing party;

(e) was independently discovered or developed by or on behalf of the receiving party without the use of the CONFIDENTIAL INFORMATION belonging to the other party; or

(f) is approved for release by the disclosing party in writing.

5.5 Notwithstanding the provisions of Section 6.4 hereof, each party hereto may use and disclose the other party's CONFIDENTIAL INFORMATION to the extent such disclosure is reasonably necessary in complying with applicable governmental regulations, provided that if a party is required by law to make any such disclosure of the other party's CONFIDENTIAL INFORMATION, to the extent it may legally do so, it will give reasonable advance notice to the latter party of such disclosure and will use reasonable efforts to secure confidential treatment of such CONFIDENTIAL INFORMATION prior to its disclosure (whether through protective orders or otherwise).

5.6 All CONFIDENTIAL INFORMATION shall remain the sole property of the disclosing party. Within thirty (30) days after the of termination of this Agreement, each party shall destroy all CONFIDENTIAL INFORMATION of the other party in its possession or control and provide written certification of such destruction, or prepare such CONFIDENTIAL INFORMATION for shipment to such other party, as the other party may direct, at the other party's expense. For archival purposes, either party may retain one (1) copy of any CONFIDENTIAL INFORMATION of the other party which may have been entrusted to it.

5.7 At Magnequench's request and at Magnequench's expense, SMCO shall assist Magnequench in asserting or exercising its rights under MAGNEQUENCH LICENSED PATENTS and MAGNEQUENCH LICENSED NAME AND MARK against any unlicensed competitor.

5.8 All notices, requests or instruction hereunder shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, as follows:

(1) if to Magnequench :

Magnequench, Inc.
9775 Crosspoint Boulevard
Suite 100
Indianapolis, IN 46256
Attn: Chief Financial Officer
Fax: (317) 572-1536

with a copy to:

Ice Miller
One American Square, Box 82001
Indianapolis, Indiana 46282-0002
Attn: John R. Thornburgh, Esq.
Fax: (317) 236-2219

(2) if to Magnequench International:

Magnequench International, Inc.
9775 Crosspoint Boulevard
Suite 100
Indianapolis, IN 46256
Attn: Chief Financial Officer
Fax: (317) 572-1536

with a copy to:

Ice Miller
One American Square, Box 82001

Indianapolis, Indiana 46282-0002
Attn: John R. Thornburgh, Esq.
Fax: (317) 236-2219

(3) if to SMCO:

SmCo Holding LLC
c/o Ms. Barbara Swintek
60 High Oaks Drive
Watchung, NJ 07069
Attn: Archibald Cox, Jr.
Fax: (908) 822-2212

with a copy to:

Pillsbury Winthrop LLP
1540 Broadway
New York, NY 10036
Attn: David P. Falck
Fax: (212) 858-1500

Any of the above addresses may be changed at any time by notice given as provided above; *provided, however*, that any such notice of change of address shall be effective only upon receipt.

5.9 Assignability. SMCO shall not assign or factor any of its rights in this Agreement or any portion thereof without the written consent of Magnequench. SmCo may, without the prior consent of Magnequench, assign or delegate, in whole but not in part, its rights and obligations under this Agreement to any person or entity who shall acquire all or substantially all of the assets of, or equity interests in, SmCo whether by purchase, merger, consolidation or otherwise.

5.10 This Agreement and the PURCHASE AGREEMENT contain the entire agreement between the parties hereto with respect to the subject matter hereof and supercede in all respects that certain letter of intent by and between Archibald Cox, Jr. and MI dated May 7, 2004. No modification hereof shall be effective unless in writing and signed by the party against which it is sought to be enforced.

5.11 No delay or failure of either party hereto in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy preclude other or further exercise thereof or the exercise of any other right, power, or remedy.

5.12 Any provision of this Agreement found to be invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining provisions of this Agreement, or affecting the validity or enforceability of any of the provisions of this Agreement in any other jurisdiction.

5.13 This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of New York, without regard to any state's choice of laws to the contrary. Each of the parties hereto agrees that any legal action or proceeding arising out of or relating to this Agreement may be instituted in the United States District Court for the Southern

District of New York or the New York Supreme Court (New York County), the courts of the State of Indiana situated in Marion County, Indiana or the United States District Court for the Southern District of Indiana. By the execution and delivery of this Agreement, each of the parties to this Agreement irrevocably consents to and submits to the jurisdiction of such courts for all purposes in connection with any controversy, claim, action or proceeding arising out of or relating to this Agreement or any modification or extension hereof. The foregoing shall not limit the rights of any party to bring any legal action or proceeding or to obtain execution of judgment in any appropriate jurisdiction. Each of the parties hereto further agrees that final judgment against it in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction within or outside the United States of America by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence thereof.

5.14 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement may be executed in two (2) counterparts, each of which shall be deemed an original and together shall constitute one and the same instrument. Facsimile copies of any signature to this Agreement shall be deemed an original signature hereto.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SMCO and MAGNEQUENCH have caused this Agreement to be executed by duly authorized officers or representatives.

Magnequench International, Inc.

By [redacted]

Name [redacted]

Title President

Date 6/25/04

Magnequench Inc.

By [redacted]

Name [redacted]

Title President

Date 6/25/04

SmCo Holding LLC

By [redacted]

Name [redacted]

Title President

Date 6/25/04

Schedule 1

Licensed Patents

None.

Schedule 2

Assigned Patents

None.

Schedule 3

Assigned Registered Trademarks and Registered Copyright

Name	Reg. No.	Date	Country
Trademarks			
		December 21, 1994	Australia
		December 21, 1994	Australia
		December 27, 1993	Bulgaria
		January 10, 1990	Canada
		May 05, 2000	Finland
		January 31, 1992	International Register
		February 28, 2004	Japan
		April 30, 2002	Japan
		April 28, 1994	Japan
		May 29, 2002	Japan
		January 09, 2004	Poland
		January 02, 1994	Russian Federation
		December 21, 2003	South Africa
		January 21, 2004	South Africa
		December 21, 2003	South Africa
		January 21, 2004	South Africa
		January 18, 1994	Sweden
		November 23, 1991	Switzerland
		November 23, 1992	United Kingdom
		November 23, 1992	United Kingdom
		January 29, 2004	United States

Schedule 4

Licensed Contracts

None.

Schedule 5

Assigned Contracts

None.

Exhibit D

Transition Services Agreement

See Tab 7.

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT ("Agreement") is entered into as of this ___ day of June, 2004 (the "Closing Date"), by and among Magnequench, Inc., a Delaware corporation ("Seller"), and SmCo Holding LLC, a Delaware limited liability company ("Buyer").

RECITALS

WHEREAS, contemporaneously with the execution of this Agreement, Buyer and Seller are entering into that certain Purchase Agreement, of even date herewith, by and among Buyer, Seller, Magnequench NJ, LLC, a Delaware limited liability company, Magnequench Ltd., a UK limited company, Magnequench Swiss Holdings AG, a Swiss corporation, and Magnequench AG, a Swiss corporation (the "Purchase Agreement");

WHEREAS, Buyer will require Seller's assistance with respect to certain Services (as hereinafter defined) during the periods specified herein; and

WHEREAS, Seller has agreed to provide, and Buyer desires to contract for the use of, the Services;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual agreements and covenants contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Services to be Performed; Term; Performance and Cooperation.

(a) In accordance with the terms and provisions of this Agreement, Seller agrees to perform (or to cause its affiliates to perform) for Buyer the services described on Exhibit A hereto (collectively, the "Services") for the time period and to the extent specified on Exhibit A with respect to each such Service.

(b) This Agreement shall become effective as of the date hereof and shall terminate with respect to each Service on the date specified for such Service in accordance with Exhibit A; provided, however, Buyer may terminate this Agreement at any time by providing written notice to the Seller at least five (5) days prior to such termination. Any extension or renewal of the term of any Service after the date specified for such Service on Exhibit A shall be by mutual written consent of the parties hereto at their sole discretion.

(c) Notwithstanding anything to the contrary contained herein, this Agreement may be terminated, in whole or in part, at any time:

(i) by the mutual consent of Buyer and Seller;

(ii) by Buyer in the event of any material breach or default by Seller of any of Seller's obligations under this Agreement and the failure of Seller to cure, or to take substantial steps towards the curing of, such breach or default within thirty (30) days after Buyer gives Seller written notice requesting such breach or default to be cured; or

(iii) by Seller in the event of any material breach or default by Buyer of any of Buyer's obligations under this Agreement and the failure of Buyer to cure, or to take substantial steps towards the curing of, such breach or default within thirty (30) days after Seller gives Buyer written notice requesting such breach or default to be cured.

(d) Seller shall provide Services consistent with its past practices and at substantially the same level and quality as provided by it prior to the Closing Date. Seller shall provide Services in a time frame consistent with its past practices. All Services provided by Seller hereunder shall be performed in accordance with applicable industry standards. As needed from time to time during the period during which Services are provided, and upon termination of the provision of any Services, Seller will provide Buyer all records (in any format, electronic or otherwise) related to the provision of Services under this Agreement, including, but not limited to, billing and other business records related to Services provided. At its option, Seller may cause any Service it is required to provide hereunder to be provided by one of its affiliates or by any other person that is providing, or may from time to time provide, the same or similar services for Seller; provided, however, Seller shall remain responsible, in accordance with the terms of this Agreement, for performance of any Service it causes to be so provided.

(e) The parties shall use reasonable commercial efforts to cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, providing electronic access to data systems used in connection with Services, performing true-ups and adjustments, and obtaining all consents, licenses, sublicenses, or approvals necessary or desirable to permit each party to perform its obligations hereunder. The costs of obtaining such consents, licenses, sublicenses, or approvals shall be borne by Buyer (except for the cost allocable to the time and effort of employees of Seller or its affiliates).

(f) If Seller reasonably believes it is unable to provide any Service (or, in the case of data systems, to support the function to which the data system relates) because of a failure to obtain necessary consents, licenses, sublicenses, or approvals or because of impracticability, the parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem is otherwise resolved to the satisfaction of the parties, Seller shall: (i) use reasonable commercial efforts to continue providing the Service; or (ii) in the case of data systems, support the function to which the data system relates or permit Buyer to have access to the data system so that Buyer can support the function itself. To the extent an agreed upon alternative approach requires payment above and beyond that which is included in Seller's charge for the Service in question, Buyer shall be responsible for such payment in an amount corresponding to Seller's direct costs.

(g) The parties will consult with each other in good faith, as required, with respect to the furnishing of and payment for special or additional services and extraordinary items; provided, however, nothing contained herein shall be deemed to require Seller to provide any such special or additional services and extraordinary items.

Section 2. Payment.

In consideration for the Services to be provided by Seller hereunder, Buyer shall pay to Seller such fees and costs as are set forth on Exhibit A. The fees for the Services shall be payable monthly in arrears. Seller shall forward to Buyer separate invoices for the Services, listing the Services provided hereunder and listing the fees for such Services. Invoices shall be payable within forty-five (45) days after receipt by Buyer. Buyer shall additionally be responsible for the payment of any sales or other taxes relating to the provision of goods or services received with respect to Services provided by Seller hereunder, but not any taxes attributable to Seller's net income.

Section 3. Relationship of Parties.

(a) All employees and representatives of Seller or its affiliates providing Services to Buyer under this Agreement shall be deemed for purposes of all compensation and employee benefits to be employees or representatives solely of Seller or its affiliates and not to be employees or representatives of Buyer or its affiliates. In performing their respective duties hereunder, all such employees and representatives of Seller or its affiliates shall be under the direction, control, and supervision of Seller or its affiliates (and not of Buyer or its affiliates), as the case may be. Seller shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment, and compensation of such employees and representatives.

(b) The parties hereto are independent contractors. No officers, employees, agents, or representatives of one party will be deemed to be officers, employees, agents, or representatives of the other for any purpose or under any circumstances. No partnership, joint venture, alliance, fiduciary or any relationship other than that of independent contractors is created hereby, expressly or by implication.

Section 4. Use of Information; Confidentiality.

(a) Each of the parties shall, and shall cause each of its affiliates and each of their respective officers, directors, members, managers, employees, representatives, and agents to, hold all information and documents relating to the business of the other party disclosed to it by reason of this Agreement confidential and will not disclose any of such information or documents to any person or entity without the prior written consent of the disclosing party unless legally compelled to disclose such information or documents; provided, however, to the extent that any party may become so legally compelled they may only disclose such information or documents if they shall first have used reasonable efforts to, and, if practicable, shall have afforded the other party the opportunity to, obtain an appropriate protective order or other satisfactory assurance of confidential treatment for the information required to be so disclosed. The foregoing obligation of confidentiality shall not apply to information that (i) is in or hereafter enters the public domain through no fault of the receiving party, (ii) is obtained by the receiving party without obligations of confidentiality from a third-party having the legal right to use and disclose the same, or (iii) is independently developed by the receiving party after the date hereof without use of confidential information, as evidenced by a written record proving such independent development.

(b) It is understood that prior to, during, or after performance of this Agreement, each party's personnel may unavoidably receive or have access to private or confidential information of the other party (including other operations) which is not specifically covered by the foregoing. Each party agrees: (i) that all such information will be subject to the provisions of this Section 4 and to any other applicable confidentiality provisions of any other relevant agreements to which each of the parties hereto are parties; and (ii) that its personnel will comply with all reasonable requirements of the other party (including identification badges and sign-in procedures) in connection therewith.

Section 5. Compliance with Laws.

Each party will, with respect to its obligations and performance hereunder, comply with all applicable requirements of federal, state, local, and foreign laws, rules, and regulations, including without limitation import and export control, environmental, and occupational safety requirements.

Section 6. Miscellaneous.

(a) Governing Law. This agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without regard to its principles of conflicts of law.

(b) Force Majeure. Neither party will have any liability for its failure to perform (or delay in performing) any of its obligations under this Agreement if such failure or delay is due to fire, explosion, lightning, pest damage, power failure or surges, strikes or labor disputes, water or flood, acts of God, the elements, war, acts of terrorism, civil disturbances, acts of civil or military authorities or the public enemy, acts or omissions of communications or other carriers, or any other cause beyond a party's reasonable control, whether or not similar to the foregoing.

(c) Further Action. Each of the parties hereto shall use such party's best efforts to take such actions as may be necessary or reasonably requested by the other party to carry out and consummate the transactions contemplated by this Agreement.

(d) Assignment. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as otherwise specifically provided herein, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assignable or transferable by either party without the prior written consent of the other party hereto; provided, however, Buyer may, without any prior notice to or consent of Seller, assign or delegate, in whole or in part, its rights and duties under this Agreement to any affiliate or to any person who shall acquire all or substantially all of the assets or, directly or indirectly, more than fifty percent (50%) of the then outstanding voting securities of Buyer whether by purchase, merger, consolidation or otherwise. Buyer acknowledges that Seller may delegate the performance of certain Services to one or more of its affiliates that normally perform such Services; provided, however, Seller shall remain fully responsible for compliance with the terms of this Agreement as if such delegation had not taken place. Any unauthorized assignment or transfer (or attempted assignment or transfer) will be void.

(e) Entire Agreement; Modification; Waivers. This Agreement (including Exhibit A attached hereto) constitutes the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiation, commitments and writings with respect to Services. This Agreement (including Exhibit A attached hereto) may not be altered, modified, or amended except by a written instrument signed by all affected parties. The failure of any party to require the performance or satisfaction of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

(f) Partial Invalidity. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement, or any such terms in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

(g) Specific Performance. The parties hereto recognize that any breach of the terms of this Agreement may give rise to irreparable harm for which money damages would not be an adequate remedy, and accordingly agree that, in addition to other remedies, any non-breaching party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce the terms and provisions of this Agreement by a decree of specific performance in any action instituted in any court of the United States or any state thereof, or any other jurisdiction, having jurisdiction without the necessity of proving the inadequacy as a remedy of money damages.

(h) Notices. All required or permitted notices, demands, consents, or other communications shall be in writing and shall be addressed as set forth below and delivered by hand or sent (with all delivery and postage charges prepaid): (1) by facsimile or electronic transmission with delivery confirmed; (2) by a nationally recognized express mail delivery service (next available day delivery against receipt); or (3) United States Certified Mail, Return Receipt Requested. Notices shall be deemed given and in effect as of the date of mailing or transmission, as the case may be, or upon personal delivery, each in accordance with this Section 6(h).

(i) If to Seller, to:

Magnequench, Inc.
9775 Crosspoint Boulevard, Suite 100

Indianapolis, Indiana, 46256 U.S.A.
Attn: Chief Financial Officer
Fax: (317) 572-1536

With a copy, to:

Ice Miller
One American Square, Box 82001
Indianapolis, Indiana 46282-0002
Attn: John R. Thornburgh
Fax: (317) 592-4783

(ii) If to Buyer, to:

SmCo Holding LLC
60 High Oaks Drive
Watchung, NJ 07069
Attn: Archibald Cox, Jr.
c/o Ms. Barbara Swintek
Fax: (908) 822-2212

With a copy, to:

Pillsbury Winthrop LLP
1540 Broadway
New York, NY 10036
Attn: David P. Falck
Fax: (212) 858-1500

Any of the above addresses may be changed at any time by notice given as provided above; provided, however, any such notice of change of address shall be effective only upon receipt.

(i) Survival of Obligations. The obligations of the parties under Sections 2 and 4 shall survive the expiration of this Agreement.

(j) Title and Headings. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(k) Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

"SELLER"

MAGNEQUENCH, INC.

By: [redacted]

Printed: ____________________

Title: ____________________

"BUYER"

SMCO HOLDING LLC

By: [redacted]

Printed: ____________________

Title: ____________________

Exhibit A
Services

Services; Term; Pricing.

The Services provided under this Agreement, and the term and pricing for the provision of such Services, shall be as mutually agreed upon in good faith by the parties hereto as needed from time to time.

Billing and Payment.

Seller will issue a monthly invoice the last working day of each month based on Services used during the month. With respect to each month, if any Services are used for less than all of such month, Seller will invoice for such Services *pro rata* based on the percentage of the month that Seller performed such Services. Payment terms: Net 45 days.

Exhibit E

Powder Supply Agreement

See Tab 9.

DISCLOSURE SCHEDULES

to

PURCHASE AGREEMENT

Dated as of June 25, 2004

by and among

MAGNEQUENCH, INC.,

MAGNEQUENCH LTD.,

MAGNEQUENCH NJ, LLC,

MAGNEQUENCH SWISS HOLDINGS AG,

MAGNEQUENCH AG,

and

SMCO HOLDING LLC

THE DISCLOSURE SCHEDULES ATTACHED HERETO ARE SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

1. ANY INTRODUCTORY LANGUAGE AND HEADINGS TO EACH SECTION OF THE DISCLOSURE SCHEDULES ARE INSERTED FOR CONVENIENCE ONLY AND SHALL NOT CREATE A DIFFERENT STANDARD FOR DISCLOSURE THAN THE LANGUAGE SET FORTH IN THE AGREEMENT.

2. THE INCLUSION OF ANY ITEM IN ANY SECTION OF THIS DISCLOSURE SCHEDULES REQUIRING A LISTING OF "MATERIAL" ITEMS OR ACTIONS WHICH ARE "NOT IN THE ORDINARY COURSE OF BUSINESS" SHALL NOT BE DEEMED TO BE AN ADMISSION OR REPRESENTATION OF SELLER THAT THE INCLUDED ITEM IS IN FACT "MATERIAL" OR IS IN FACT "NOT IN THE ORDINARY COURSE OF BUSINESS".

3. ALL CAPITALIZED TERMS USED IN THE DISCLOSURE SCHEDULES AND NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANING GIVEN TO SUCH TERMS IN THE AGREEMENT.

4. ANY MATTER DISCLOSED IN ANY SECTION OF THESE DISCLOSURE SCHEDULES SHALL BE DEEMED TO BE DISCLOSED FOR PURPOSES OF ANY OTHER SECTION OF THESE DISCLOSURE SCHEDULES IN WHICH SUCH MATTER MAY REASONABLY BE EXPECTED TO BE RELEVANT.

<u>Schedule 2.2(a)</u>
<u>Assets</u>

A. Acquired Equity Interests.

B. Delphi/DRA Contracts

C. All Intellectual Property listed on the Schedules to the License and Assignment Agreement by and among MI, MQI and MagnetsCo LLC, dated of even date herewith.

D. All Intellectual Property listed on the Schedules to the License and Assignment Agreement by and among MI, MQI and SmCo Holding LLC, dated of even date herewith.

E. Office Equipment:

1. Equipment for the sales office in Valparaiso including:

   a. 3 Desks
   b. 3 Chairs
   c. 5 Personal computers for office use
   d. 5 Personal computers to be shipped to Wayne
   e. 6 locked file cabinets
   f. 1 photocopier
   g. 1 fax machine
   h. 3 calculators
   i. Various and sundry other small office equipment.

F. Laboratory Equipment:

1. All equipment currently located in Valparaiso:

LAB TEST EQUIPMENT	TYPE	SERIAL NUMBER	LOCATION
Standard Magnets			
	ALNICO	[redacted]	Engr. Lab.
	ALNICO	[redacted]	Engr. Lab.
	ALNICO	[redacted]	Engr. Lab.
	ALNICO	[redacted]	Engr. Lab.
	ALNICO	[redacted]	Engr. Lab.
	ALNICO	[redacted]	Engr. Lab.

Helmholtz Coils	TD19615	24"	HH Orientation system
	TD19620	8"	
	TD19619	Large	
	HO5458	12" Lakeshore	
	UG	6"	
	UG	4"	
	UG	10	
	UG	12	
	UG	12	
Multimeters			
	34401A	[redacted]	KT tester
	34401A	[redacted]	HH
	34401A	[redacted]	HH
	34401A	[redacted]	Engr. Lab.
	34401A	[redacted]	Engr. Lab.
	3458A	[redacted]	Engr. Lab.
Counters			
	HP53132A	[redacted]	Engr. Lab.
Micro Ohm meters			
	Biddle		
	AEMC		
Insulation Resistance Tester	Hipotomics HD 100		
Volt Second Generators			
	Walker MTC-1	[redacted]	Engr. Lab.
	Walker MTC-1	[redacted]	Engr. Lab.
Fluxmeters			
	Walker MF-3D	[redacted]	KT tester
	MII 7387	[redacted]	Engr. Lab.
	Lakeshore 480	[redacted]	Engr. Lab. HH
	Lakeshore 480	[redacted]	Engr. Lab.
	Lakeshore 480	[redacted]	Engr. Lab
	Lakeshore 480	[redacted]	Engr. Lab
	Lakeshore 480	[redacted]	Engr. Lab

Gaussmeters and Probes	LakeShore 420	[redacted]	
	LakeShore 450	[redacted]	
	Group3 - 141 DG	[redacted]	
	Group3 MPT 141 2S	[redacted]	
	MI 7315	[redacted]	
	FWBell Probes	[redacted]	
	LakeShore Probes	[redacted]	
NMR Teslameter	Metrolab PT-2025 NMR Teslameter S/N 2693 6 probes and Multiplexer		
Temperature measurement	Omega	[redacted]	
	Omega	[redacted]	
	Omega	[redacted]	
	Omega	[redacted]	
	Gordon TC Calibrator		
Ovens	T/H Oven Hot Cold Chamber Sun Tech		Motors
Chiller	Neslab CFT 33	[redacted]	Motors
Yokes	Leibing IGC		

Magnetizers	Up Right with 10" poles and 480V AC and 100 A DC supply. Technophysik 5 KJ 2000V		
Laboratorio Elettro Fisico Magnetizer from CRV			Shipping (in crates)
Surface Plate	48 X 48 X 8	Grade A Inspection	Drilled and Tapped on 6" centers for 3/8-18
Magnetizing Fixtures	Automag Lucas Bipolar Clamshell GM Hybrid Vehicle		Sunstrand Cell
Magnetizing Coils	MI F100C - TS		

Systems

Each of the systems below uses one or more of the pieces of equipment above as indicated. The programming is linked to the specified equipment.

Computer +	Walker Hyst.
Computer +	Kt Tester
Computer +	HH Orientation System
Computer +	Rotary Plotter, Globe plotter
Computer + Oven Cold chamber	HH Temp Coeff

Tables	9 5 And 6 ft with 2" Maple Tops

	Long Table Top Cabinet	
	Balance Table	Motors
Cabinets	9 two door gray steel	
Tools	Equipment Workshop with Misc	
	Tools and Components including:	Workshop
	Micrometers	Workshop
	Tool Makers Scope	Workshop
	Sartorius 4 Kg balance	Workshop
	Shimpo Force Gage	Lab
	MQS Latch Force Tester	Lab
	Ohaus Scales 5 pieces	Workshop
	Ohaus Analytical Balance	Workshop
	Surface Plates 5	Lab and Work Shop

Magnequench
MQ2 Related Fixed Assets

Hot Press Inventory
June, 2004

HOT PRESS #	TONNAGE	TYPE	ROBOT	CURRENT LOCATION
HP86	50	4-Post MQ2/3	?	Danville, IL
HP87	50	4-Post MQ2/3	?	Danville, IL
HP96	50	4-Post MQ2/3	?	Danville, IL
HP97	50	4-Post MQ2/3	?	Danville, IL
HP61	50	Die-set MQ2/3	?	Danville, IL
HP63	50	Die-set MQ2/3	?	Danville, IL
HP71	50	Die-set MQ2/3	?	Danville, IL
HP60	50	Die-set MQ2/3	Seiko	Danville, IL
HP80	50	4-Post MQ2/3	Mitsubishi	Danville, IL
DHP-1	50	Die-set MQ2/3	Seiko RT3200	El Paso, TX
DHP-5	50	4-Post MQ2/3		El Paso, TX
HP78	50	4-Post MQ2		El Paso, TX
HP88	50	4-Post MQ2	Seiko RT3000	El Paso, TX
HP89	50	4-Post MQ2	Seiko RT3000	El Paso, TX
HP98	50	4-Post MQ2	Seiko RT3000	El Paso, TX
HP99	50	4-Post MQ2	Seiko RT3000	El Paso, TX
HP9	20	4-Post MQ2		El Paso, TX
HP85	20	4-Post MQ2	Seiko RT3000	El Paso, TX
HP94	20	4-Post MQ2/3		El Paso, TX
HP95	20	4-Post MQ2	Seiko RT3000	El Paso, TX
HP70	50	4-Post MQ2/3	Seiko RT3000	El Paso, TX
HP84	20	4-Post MQ2/3	Seiko RT3000	Juarez, Mexico
HP81	50	4-Post MQ2/3		Juarez, Mexico
HP82	50	4-Post MQ2/3	Seiko RT3000	Juarez, Mexico
HP83	50	4-Post MQ2/3	Seiko RT3000	Juarez, Mexico
HP92	50	4-Post MQ2/3	Seiko RT3000	Juarez, Mexico
HP79	50	4-Post MQ2	Seiko RT3000	Juarez, Mexico
HP8	20	4-Post MQ2	Mitsubishi	Essen, Germany
HP68	50	4-Post MQ2	Mitsubishi	Essen, Germany
HP69	50	4-Post MQ2	Mitsubishi	Essen, Germany

Other Assets

Asset	Location
Lubrication System	Juarez, Mexico
Spray Booth	Juarez, Mexico
Spray System	Juarez, Mexico

Magnequench
MQ2 Inventory
30-Apr-04

	Juarez	Essen
Raw Material	[redacted]	-
Work in Process	[redacted]	-
Finished Goods	[redacted]	[redacted]
	[redacted]	[redacted]

Magnequench
MQ2 Accounts Receivable
30-Apr-04

Customer	$
Juarez	
[redacted]	[redacted]
Total Trade A/R	[redacted]
Essen	
[redacted]	[redacted]
	[redacted]
Total	[redacted]

Schedule 2.2(b)
Assets Relating to [redacted]

See Schedule 2.2(a).

Schedule 2.2(c)
Excluded Assets

A. All sums due and payable to MI or UG from [redacted]

Schedule 2.2(b)
Excluded Assets

A. All sums due and payable to MI or UG from [redacted]

Schedule 2.3(a)
Assumed Liabilities

A. [redacted] Automobile Lease, Volkswagen Credit, Account Number: [redacted] VIN No. [redacted] Volkswagen, Passat Body Style GLS SDN.

B. Lucent Technologies telephone system lease.

Magnequench
MQ2 Accounts Payable
30-Apr-04

Vendor	$
Juarez	
[redacted]	[redacted]
[redacted]	-
[redacted]	-
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	-
[redacted]	[redacted]
Total - Juarez	[redacted]
Essen	
	[redacted]
	-
Total - Essen	[redacted]
Grand Total	[redacted]

Schedule 2.5
Allocation of Purchase Price

A. Acquired Equity Interests (Magnequench Ltd.) - [redacted]

B. Acquired Equity Interests (Magnequench NJ, LLC) - [redacted]

C. Acquired Equity Interests (Magnequench AG) - [redacted]

D. MQ2 Product Line Acquisition - [redacted]

Schedule 3.1(a)
Organization and Existence

None.

Schedule 3.1(d)
Capitalization

None.

Schedule 3.1(e)
Title

None.

Schedule 3.1(f)
Disputes and Litigation

Schedule 3.1(g)
Tax Matters

Magnequench AG:

Period	**Tax Return (Date)**	**Type of Tax**	**Taxing Authority**	**Audited**	**Open to Audit**
2000	Jan. 1 to Dec. 31	Direkte Budessteuer (federal) Staats-und Gemeindesteuer (cantonal)	Kanton Aargau	Yes	
2001	Jan. 1 to Dec. 31	Direkte Budessteuer (federal) Staats-und Gemeindesteuer (cantonal)	Kanton Aargau	Yes	
2002	Jan. 1 to Dec. 31	Direkte Budessteuer (federal) Staats-und Gemeindesteuer (cantonal)	Kanton Aargau	Yes	
2003	Jan. 1 to Dec. 31	Direkte Budessteuer (federal) Staats-und Gemeindesteuer (cantonal)	Kanton Aargau		Yes

Magnequench NJ:

Period	**Tax Return (Date)**	**Type of Tax**	**Taxing Authority**	**Audited**	**Open to Audit**
2000	Jan. 1 to Dec. 31	CBT-100-R (Corporate Business Tax) CBT-100M (Annual Report)	State of New Jersey	No	
2001	Jan. 1 to Dec. 31	CBT-100-R (Corporate Business Tax)	State of New Jersey	No	

		CBT-100M (Annual Report)		
2002	Jan. 1 to Dec. 31	CBT-100-R (Corporate Business Tax) CBT-100M (Annual Report)	State of New Jersey	No
2003	Jan. 1 to Dec. 31	CBT-100-R (Corporate Business Tax) CBT-100M (Annual Report)	State of New Jersey	No

Magnequench Ltd.:

Period	Tax Return (Date)	Type of Tax	Taxing Authority	Audited	Open to Audit
2000	FYE 12-31-2000	Corporation	Inland Revenue of the UK	No	No
2001	FYE 12-31-2001	Corporation	Inland Revenue of the UK	No	No
2002	FYE 12-31-2002	Corporation	Inland Revenue of the UK	No	Yes, until 12-31-04
2003					

Schedule 3.2(c)
No Violations

Schedule 5.7(h)
List of Resignations

Magnequench NJ, LLC:

A. List of Directors

1. [redacted]

2. [redacted]

3. [redacted]

B. List of Officers

1. [redacted]

2. [redacted]

3. [redacted]

4. [redacted]

5. [redacted]

6. [redacted]

Magnequench Ltd.:

A. List of Directors

1. [redacted]

2. [redacted]

Magnequench AG:

A. List of Directors

1. [redacted]

2. [redacted]

Schedule 6.6
Transferred Employees

Employees of the Sellers to be terminated and offered employment by the Buyer or an Affiliate of the Buyer:

A. [redacted]
B. [redacted]
C. [redacted]
D. [redacted]
E. [redacted]
F. [redacted]
G. [redacted]
H. [redacted]

Schedule 6.8
Indebtedness

A. Guarantee Obligations as set forth in Schedule 7.2(d) of this Disclosure Schedule.

Schedule 7.2(d)
Guarantee Obligations

A. Pursuant to the Amended and Restated Multi-Party Agreement by and among MI and the other parties signatory thereto, dated as of October 31, 2000 (the "MPA"), MI guaranteed the full, complete and prompt performance of Magnequench NJ, Inc. ("MQNJ") of all MQNJ's obligations under that certain [redacted] The indemnification obligations of MQNJ for non-fulfillment of the covenants of MQNJ contained therein survive indefinitely.

B. Pursuant to that certain real property lease agreement between MQNJ and [redacted] has guaranteed the obligations of MQNJ thereunder. Term is October 31, 2000 to [redacted] with an annual rent of [redacted] Pursuant to the terms and conditions of that certain Purchase Agreement by and among SmCo Holding, LLC ("SmCo Co"), MI and the other parties signatory thereto (the "SmCo Purchase Agreement"), SmCo Co is required to use its best efforts to: (a) cause such third party to release MI (and its affiliates) from the guarantee; and/or (b) be substituted or to cause one or more of SmCo Co's affiliates to be substituted in all respects for MI, and in the event that SmCo Co is unable to fulfill such obligation, SmCo Co shall fully indemnify, defend and hold harmless MI for any claims made against the MI (or any affiliate of MI) under such guarantee.

C. Pursuant to the MPA, MI guaranteed the full, complete and prompt performance of Magnequench Ltd. ("MQLtd") of all MQLtd's obligations under that certain Asset Purchase Agreement by and between [redacted] The indemnification obligations of MQLtd. for non-fulfillment of the covenants of MQLtd. contained therein survive indefinitely.

D. Letter of Credit issued by [redacted] in favor of [redacted] on behalf of MI to secure rent guarantee issued by [redacted] in favor of [redacted] pursuant to Lease Agreement between Magnequench Ltd. and [redacted]

Schedule A

[redacted]

A. [redacted]

B. [redacted]

C. [redacted]

D. [redacted]

E. [redacted]

Note: Consents to assignment of the foregoing contracts have not been obtained as of the Closing Date. Buyer and Sellers will use their reasonable best efforts to obtain such consents after the Closing.

Schedule B
Liens

None.