UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

Commission file number 001-14775

DYNAMIC MATERIALS CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware	**84-0608431**
(State of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5405 Spine Road, Boulder, Colorado 80301
(Address of principal executive offices, including zip code)

(303) 665-5700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 under the Act). Yes ☐ No ☒

The number of shares of Common Stock outstanding was 14,472,508 as of July 28, 2016.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. In particular, we direct your attention to Part I, Item 1- Condensed Consolidated Financial Statements; Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations; Item 3 - Quantitative and Qualitative Disclosures About Market Risk; and Part II, Item 1A — Risk Factors. We intend the forward-looking statements throughout this quarterly report on Form 10-Q and the information incorporated by reference herein to be covered by the safe harbor provisions for forward-looking statements. Statements contained in this report which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. All projections, guidance and other statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "believe," "plan," "anticipate," "estimate," "expect," "intend," and other phrases of similar meaning. The forward-looking information is based on information available as of the date of this quarterly report and on numerous assumptions and developments that are not within our control. Although we believe that our expectations as expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Factors that could cause actual results to differ materially include, but are not limited to, the following: changes in global economic conditions; the ability to obtain new contracts at attractive prices; the size and timing of customer orders and shipment; our ability to realize sales from our backlog; fluctuations in customer demand; fluctuations in foreign currencies; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timely receipt of government approvals and permits; the price and availability of metal and other raw material; the adequacy of local labor supplies at our facilities; current or future limits on manufacturing capacity at our various operations; our ability to successfully integrate acquired businesses; the availability and cost of funds; and general economic conditions, both domestic and foreign, impacting our business and the business of the end-market users we serve. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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Part I - FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share and Per Share Data)

	June 30, 2016 (unaudited)	December 31, 2015 (as adjusted)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,444	$ 6,291
Accounts receivable, net of allowance for doubtful accounts of $1,414 and $974, respectively	29,235	35,798
Inventory, net	33,841	35,449
Prepaid expenses and other	9,713	8,916
Total current assets	82,233	86,454
PROPERTY, PLANT AND EQUIPMENT	109,711	106,523
Less - accumulated depreciation	(52,006)	(48,524)
Property, plant and equipment, net	57,705	57,999
GOODWILL, net	17,333	17,190
PURCHASED INTANGIBLE ASSETS, net	18,539	20,418
OTHER ASSETS, net	79	131
TOTAL ASSETS	$ 175,889	$ 182,192

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share and Per Share Data)

	June 30, 2016 (unaudited)	December 31, 2015 (as adjusted)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,079	$ 14,624
Accrued expenses	3,939	3,972
Accrued anti-dumping duties	6,456	6,374
Dividend payable	289	284
Accrued income taxes	662	2,783
Accrued employee compensation and benefits	3,172	2,465
Customer advances	5,123	2,396
Total current liabilities	28,720	32,898
LINES OF CREDIT	22,908	26,826
DEFERRED TAX LIABILITIES	1,421	2,119
OTHER LONG-TERM LIABILITIES	2,064	1,928
Total liabilities	55,113	63,771
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.05 par value; 4,000,000 shares authorized; no issued and outstanding shares	—	—
Common stock, $0.05 par value; 25,000,000 shares authorized; 14,472,508 and 14,212,115 shares outstanding, respectively	724	711
Additional paid-in capital	71,779	70,408
Retained earnings	86,012	87,767
Other cumulative comprehensive loss	(37,718)	(40,465)
Treasury stock, at cost; 2,008 and 0 shares, respectively	(21)	—
Total stockholders' equity	120,776	118,421
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 175,889	$ 182,192

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016AND 2015
(Amounts in Thousands, Except Share and Per Share Data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
NET SALES	$ 41,317	$ 44,741	$ 81,849	$ 85,560
COST OF PRODUCTS SOLD	31,409	32,156	61,556	62,272
Gross profit	9,908	12,585	20,293	23,288
COSTS AND EXPENSES:				
General and administrative expenses	4,389	5,561	9,837	11,599
Selling and distribution expenses	4,497	4,958	8,520	9,836
Amortization of purchased intangible assets	1,015	1,013	2,014	2,030
Restructuring expenses	829	1,116	829	3,112
Total costs and expenses	10,730	12,648	21,200	26,577
LOSS FROM OPERATIONS	(822)	(63)	(907)	(3,289)
OTHER INCOME (EXPENSE):				
Other income (expense), net	304	40	336	1,164
Interest expense	(397)	(263)	(561)	(445)
Interest income	1	1	2	4
LOSS BEFORE INCOME TAXES	(914)	(285)	(1,130)	(2,566)
INCOME TAX PROVISION (BENEFIT)	(148)	1,034	49	1,130
NET LOSS	$ (766)	$ (1,319)	$ (1,179)	$ (3,696)
LOSS PER SHARE				
Basic	$ (0.05)	$ (0.10)	$ (0.08)	$ (0.27)
Diluted	$ (0.05)	$ (0.10)	$ (0.08)	$ (0.27)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	14,142,991	13,906,993	14,071,058	13,900,499
Diluted	14,142,991	13,906,993	14,071,058	13,900,499
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.02	$ 0.04	$ 0.04	$ 0.08

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016AND 2015
(Amounts in Thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net loss	$ (766)	$ (1,319)	$ (1,179)	$ (3,696)
Change in cumulative foreign currency translation adjustment	(1,259)	2,494	2,747	(8,223)
Total comprehensive income (loss)	$ (2,025)	$ 1,175	$ 1,568	$ (11,919)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amounts in Thousands, Except Share Data)
(unaudited)

	Common Stock		Additional Paid-In	Retained	Other Cumulative Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Total
Balances, December 31, 2015	14,212,115	$ 711	$ 70,408	$ 87,767	$ (40,465)	—	$ —	$ 118,421
Net loss	—	—	—	(1,179)	—	—	—	(1,179)
Change in cumulative foreign currency translation adjustment	—	—	—	—	2,747	—	—	2,747
Shares issued in connection with stock compensation plans	262,401	13	176	—	—	—	—	189
Stock-based compensation	—	—	1,195	—	—	—	—	1,195
Dividends declared	—	—	—	(576)	—	—	—	(576)
Treasury stock purchases						(2,008)	$ (21)	$ (21)
Balances, June 30, 2016	14,474,516	$ 724	$ 71,779	$ 86,012	$ (37,718)	(2,008)	$ (21)	$ 120,776

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Amounts in Thousands)
(unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,179)	$ (3,696)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation (including capital lease amortization)	3,264	3,153
Amortization of purchased intangible assets	2,014	2,030
Amortization of deferred debt issuance costs	83	128
Stock-based compensation	1,121	1,571
Excess tax benefit from stock-based compensation	—	(72)
Deferred income tax provision (benefit)	(732)	(742)
Gain on disposal of property, plant and equipment	12	65
Restructuring charges	829	3,112
Accrued anti-dumping duties	80	—
Change in:		
Accounts receivable, net	7,120	(1,272)
Inventory, net	2,300	(4,755)
Prepaid expenses and other	(3,454)	(1,261)
Accounts payable	(5,901)	2,454
Customer advances	2,717	(2,184)
Accrued expenses and other liabilities	168	(3,248)
Net cash provided by (used in) operating activities	8,442	(4,717)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(1,226)	(2,471)
Proceeds on sale of property, plant and equipment	30	—
Change in other non-current assets	36	(25)
Net cash used in investing activities	(1,160)	(2,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings (repayments) on bank lines of credit, net	(4,000)	11,245
Payment on capital lease obligations	(3)	(2)
Payment of dividends	(571)	(1,125)
Payment of deferred debt issuance costs	—	(1,042)
Net proceeds from issuance of common stock to employees and directors	189	185
Excess tax benefit from stock-based compensation	—	72
Net cash provided by (used in) financing activities	(4,385)	9,333
EFFECTS OF EXCHANGE RATES ON CASH	256	(631)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,153	1,489
CASH AND CASH EQUIVALENTS, beginning of the period	6,291	9,400
CASH AND CASH EQUIVALENTS, end of the period	$ 9,444	$ 10,889

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Share and Per Share Data)
(unaudited)

1. BASIS OF PRESENTATION

The information included in the condensed consolidated financial statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the financial statements that are included in our Annual Report filed on Form 10-K for the year ended December 31, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Dynamic Materials Corporation ("DMC") and its controlled subsidiaries. Only subsidiaries in which controlling interests are maintained are consolidated. All significant intercompany accounts, profits, and transactions have been eliminated in consolidation.

Income Taxes

The effective tax rate for each of the periods reported differs from the U.S. statutory rate due primarily to favorable foreign permanent differences, variation in contribution to consolidated pre-tax income from each jurisdiction for the respective periods and differences between the U.S. and foreign tax rates (which range from 20% to 35%) on earnings that have been permanently reinvested.

We recognize deferred tax assets and liabilities for the expected future income tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. The deferred income tax impact of tax credits are recognized as an immediate adjustment to income tax expense. We recognize deferred tax assets for the expected future effects of all deductible temporary differences to the extent we believe these assets will more likely than not be realized. We record a valuation allowance when, based on current circumstances, it is more likely than not that all or a portion of the deferred tax assets will not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any.

We recognize the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position; the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that is more likely than not of being realized upon ultimate resolution. We recognize interest and penalties related to uncertain tax positions in operating expense.

Earnings Per Share

Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock awards (“RSAs”), are considered participating securities for purposes of calculating earnings per share (“EPS”) during periods in which we have net income and require the use of the two class method for calculating EPS. Under this method, a portion of net income is allocated to these participating securities and therefore is excluded from the calculation of EPS allocated to common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Numerator:				
Loss from continuing operations	$ (766)	$ (1,319)	$ (1,179)	$ (3,696)
Less income allocated to RSAs	—	—	—	—
Net loss allocated to common stock for EPS calculation	(766)	(1,319)	(1,179)	(3,696)
Denominator:				
Weighted average common shares outstanding - basic	14,142,991	13,906,993	14,071,058	13,900,499
Dilutive stock-based compensation plans	—	—	—	—
Weighted average common shares outstanding - diluted	14,142,991	13,906,993	14,071,058	13,900,499
Net income (loss) allocated to common stock for EPS calculation:				
Basic	$ (0.05)	$ (0.10)	$ (0.08)	$ (0.27)
Diluted	$ (0.05)	$ (0.10)	$ (0.08)	$ (0.27)

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, trade accounts receivable and payable, accrued expenses and lines of credit approximate their fair value.

Recently Adopted Accounting Standards

In November 2015, the FASB issued an accounting standards update which requires that deferred tax liabilities and assets be classified as noncurrent in the statement of financial position based on an analysis of each taxpaying component within a jurisdiction. This ASU would be effective for the Company December 1, 2017, however the Company has elected to early adopt prospectively beginning with the year ended December 31, 2015, as is permitted under the standard.

In April 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standards update to revise the presentation of debt issuance costs. Under this pronouncement, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred debt issuance costs will continue to be included in interest expense. The new accounting guidance represents a change in accounting principle and is required to be adopted retrospectively in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Accordingly, the Company applied the guidance and reclassified the prior period amount of $674 of debt issuance costs from other assets, net to lines of credit in the balance sheet as of December 31, 2015. Because the application of this guidance affects classification only, such reclassifications did not have a material effect on the Company's consolidated financial position or results of operations.

Recent Accounting Pronouncements

In March 2016, the FASB issued a new accounting pronouncement related to accounting for share-based payments. The pronouncement intends to simplify the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. This pronouncement is effective for reporting periods beginning after December 15, 2016. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations, and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding the financial reporting of leasing transactions. This new standard requires a lessee to record assets and liabilities on the balance sheet for the rights and obligations arising from leases with terms of more than 12 months. The Company is required to adopt the new standard on January 1, 2019 using a modified retrospective approach. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations, and related disclosures.

In July 2015, the FASB issued an accounting standards update to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. This pronouncement is effective for reporting periods beginning after December 15, 2016. We currently are evaluating the potential impact the adoption of this standard will have on the Company’s financial position, results of operations, and related disclosures.

In May 2014, the FASB issued an accounting standards update to clarify the principles of recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and IFRS. The pronouncement is effective for reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We currently are evaluating the potential impact the adoption of this standard will have on the Company’s financial position, results of operations, and related disclosures.

3. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out) or market value. Cost elements included in inventory are material, labor, subcontract costs, and manufacturing overhead. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine reserve amounts, we regularly review inventory quantities on hand and values, and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

Inventories consist of the following at June 30, 2016 and December 31, 2015 and include reserves of $3,993 and $3,682, respectively:

	June 30, 2016	December 31, 2015
Raw materials	$ 11,034	$ 14,513
Work-in-process	7,580	8,112
Finished goods	14,798	12,320
Supplies	429	504
	$ 33,841	$ 35,449

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4. GOODWILL

All of the goodwill is recorded within our NobelClad segment. The changes to the carrying amount of goodwill during the period are summarized below:

Goodwill balance at December 31, 2015	$	17,190
Adjustment due to recognition of tax benefit of tax amortization of certain goodwill		(138)
Adjustment due to exchange rate differences		281
Goodwill balance at June 30, 2016	$	17,333

5. PURCHASED INTANGIBLE ASSETS

The following table presents details of our purchased intangible assets, other than goodwill, as ofJune 30, 2016:

	Gross	Accumulated Amortization	Net
Core technology	$ 18,758	$ (8,144)	$ 10,614
Customer relationships	37,384	(29,665)	7,719
Trademarks / Trade names	2,011	(1,805)	206
Total intangible assets	$ 58,153	$ (39,614)	$ 18,539

The following table presents details of our purchased intangible assets, other than goodwill, as ofDecember 31, 2015:

	Gross	Accumulated Amortization	Net
Core technology	$ 18,524	$ (7,528)	$ 10,996
Customer relationships	36,830	(27,701)	9,129
Trademarks / Trade names	1,988	(1,695)	293
Total intangible assets	$ 57,342	$ (36,924)	$ 20,418

The change in the gross value of our purchased intangible assets fromDecember 31, 2015 to June 30, 2016 was due to foreign currency translation and an adjustment due to recognition of tax benefit of tax amortization previously applied to certain goodwill related to the DynaEnergetics reporting unit. After the goodwill was written off at December 31, 2015, the tax amortization reduces other noncurrent intangible assets related to the historical acquisition.

6. CUSTOMER ADVANCES

On occasion, we require customers to make advance payments prior to the shipment of goods in order to help finance our inventory investment on large orders or to keep customers' credit limits at acceptable levels. As of June 30, 2016 and December 31, 2015, customer advances totaled $5,123 and $2,396, respectively, and originated from several customers.

7. DEBT

Lines of credit consisted of the following at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015 (as adjusted)
Syndicated credit agreement:		
U.S. Dollar revolving loan	$ 23,500	$ 27,500
Euro revolving loan	—	—
Long-term lines of credit	23,500	27,500
Less: debt issuance costs	592	674
Lines of credit	$ 22,908	$ 26,826

Syndicated Credit Agreement

We have a five-year $75,000 syndicated credit agreement ("credit facility"), which allows for revolving loans of $65,000 in US dollars and $10,000 in alternate currencies as well as a $100,000 accordion feature to increase the commitments in any of the loan classes subject to approval by applicable lenders. We also maintain a line of credit with a German bank for certain European operations. This line of credit provides a borrowing capacity of €4,000, of which €1,556 is available.

Borrowings under the $65,000 revolving loan can be in the form of Alternate Base Rate loans ("ABR" borrowings are based on the greater of adjusted Prime rates, adjusted CD rates, or adjusted Federal Funds rates) or one, two, three, or six month London Interbank Offered Rate ("LIBOR") loans. ABR loans bear interest at the defined ABR rate plus an applicable margin (varying from 0.25% to 1.50%) and LIBOR loans bear interest at the applicable LIBOR rate plus an applicable margin (varying from 1.25% to 2.75%).

Borrowings under the $10,000 Alternate Currency revolving loans can be in Canadian Dollars, Euros, Pound Sterling and any other currency that is freely transferable and convertible to U.S. Dollars. Alternative currency borrowings denominated in Canadian Dollars shall be comprised of Canadian Dealer Offered Rate ("CDOR") Loans or Canadian Prime Loans, at our option, and bear interest at the CDOR rate plus applicable margin (varying from 1.25% to 2.75%) or the applicable Canadian Prime Rate plus an applicable margin (varying from 0.25% to 1.50%), respectively. Alternative currency borrowings denominated in Euros shall be comprised of Euro Interbank Offered Rate ("EURIBOR") loans and bear interest at the EURIBOR rate plus an applicable margin (varying from 1.25% to 2.75%). Alternative currency borrowings denominated in any other alternate currency shall be comprised of Eurocurrency loans and bear interest at the LIBOR rate plus an applicable margin (varying from 1.25% to 2.75%).

Loan Covenants and Restrictions

Our existing loan agreements include various covenants and restrictions, certain of which relate to the payment of dividends or other distributions to stockholders; redemption of capital stock; incurrence of additional indebtedness; mortgaging, pledging or disposition of major assets; and maintenance of specified financial ratios. As of June 30, 2016, we were in compliance with all financial covenants and other provisions of our debt agreements.

8. BUSINESS SEGMENTS

Our business is organized into two segments: NobelClad and DynaEnergetics. NobelClad's revenues are generated principally from cladding two dissimilar metals together using an explosion-welding process to form plates or transition joints. The clad plates and transition joints are sold to customers that fabricate industrial equipment for various industries, including oil and gas, petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration. DynaEnergetics manufactures shaped charges, detonators and detonating cord, perforating guns, and bidirectional boosters for sale to customers that perform the perforation of oil and gas wells and to customers involved in oil and gas exploration activities.

The accounting policies of all of the segments are the same as those described in the summary of significant accounting policies included herein and in our Annual Report on Form 10-K for the year ended December 31, 2015. Our reportable segments are separately managed strategic business units that offer different products and services. Each segment's products are marketed to different customer types and require different manufacturing processes and technologies.

Segment information is presented for the three and six months ended June 30, 2016 and 2015 as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net sales:				
NobelClad	$ 26,407	$ 21,449	$ 51,459	$ 45,393
DynaEnergetics	14,910	23,292	30,390	40,167
Consolidated net sales	$ 41,317	$ 44,741	$ 81,849	$ 85,560

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Operating income (loss):				
NobelClad	$ 4,130	$ 986	$ 5,639	$ 2,807
DynaEnergetics	(2,901)	1,247	(1,981)	453
Segment operating income	1,229	2,233	3,658	3,260
Unallocated corporate expenses	(1,443)	(1,449)	(3,444)	(4,465)
Stock-based compensation	(608)	(847)	(1,121)	(2,084)
Other income (expense)	304	40	336	1,164
Interest expense	(397)	(263)	(561)	(445)
Interest income	1	1	2	4
Income (loss) before income taxes	$ (914)	$ (285)	$ (1,130)	$ (2,566)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Depreciation and amortization:				
NobelClad	$ 1,062	$ 944	$ 1,994	$ 2,101
DynaEnergetics	1,703	1,567	3,284	3,082
Segment depreciation and amortization	$ 2,765	$ 2,511	$ 5,278	$ 5,183

During the three and six months ended June 30, 2016 and 2015, no one customer accounted for more than 10% of total net sales.

9. RESTRUCTURING

During 2016 and 2015, we executed several programs to enhance operating efficiencies across our businesses, including closing distribution and production centers, consolidating manufacturing to more cost-effective locations, and reducing corporate headcount.

NobelClad Restructuring

Beginning in 2014 and continuing into 2015, NobelClad shifted the majority of clad metal plate production from facilities in Rivesaltes, France and Würgendorf, Germany to its manufacturing facility in Liebenscheid, Germany.

DynaEnergetics Restructuring

In the second quarter of 2016, DynaEnergetics reduced headcount in Troisdorf, Germany and Austin, Texas. During the third quarter of 2016, we will incur additional expenses to relocate perforating gun manufacturing operations from the current leased facility in Troisdorf, Germany to a new facility in Liebenscheid, Germany and to consolidate administrative offices to Houston, Texas.

In the first quarter of 2015, we launched several initiatives to enhance DynaEnergetics' operational efficiencies and align its production and distribution resources with the anticipated demands of the market. In January 2015, we closed two North American distribution centers. In February 2015, we announced the closure of a perforating gun manufacturing facility and distribution center in Edmonton, Alberta. North America perforating gun manufacturing was consolidated at DynaEnergetics existing gun facility in Whitney, Texas. We also exited several other distribution centers in Texas and Colombia, and the Colombia market is now served directly from our existing facilities in Texas. Two centralized distribution centers replaced the distribution centers closed.

Corporate Restructuring

In conjunction with the DynaEnergetics cost reductions announced in the second quarter of 2016, we eliminated certain positions and incurred restructuring charges associated with the accelerated vesting of stock awards.

In the first quarter of 2015, we restructured our corporate office by eliminating certain positions, and incurred restructuring charges associated with severance and accelerated vesting of stock awards.

Total restructuring and impairment charges incurred for these programs are as follows and are reported in the "restructuring expenses" line item in our consolidated statement of operations:

	Three months ended June 30, 2016			
	Severance	Contract Termination Costs	Equipment Moving Costs	Total
DynaEnergetics	$ 725	$ 16	$ 14	$ 755
Corporate	74	—	—	74
Total	$ 799	$ 16	$ 14	$ 829

	Three months ended June 30, 2015					
	Severance	Asset Impairment	Contract Termination Costs	Equipment Moving Costs	Other Exit Costs	Total
NobelClad	$ (42)	$ —	$ 29	$ 517	$ —	$ 504
DynaEnergetics	99	3	244	198	68	612
Corporate	—	—	—	—	—	—
Total	$ 57	$ 3	$ 273	$ 715	$ 68	$ 1,116

	Six months ended June 30, 2016			
	Severance	Contract Termination Costs	Equipment Moving Costs	Total
DynaEnergetics	$ 725	$ 16	$ 14	$ 755
Corporate	74	—	—	74
Total	$ 799	$ 16	$ 14	$ 829

	Six months ended June 30, 2015					
	Severance	Asset Impairment	Contract Termination Costs	Equipment Moving Costs	Other Exit Costs	Total
NobelClad	$ (3)	$ —	$ 40	$ 517	$ 4	$ 558
DynaEnergetics	245	205	244	230	70	994
Corporate	1,560	—	—	—	—	1,560
Total	$ 1,802	$ 205	$ 284	$ 747	$ 74	$ 3,112

During the six months ended June 30, 2016, the changes to the restructuring liability associated with these programs is summarized below:

	December 31, 2015	Expense (1)	Payments	Currency and Other Adjustments	June 30, 2016
Severance	$ 452	$ 725	$ (352)	$ (5)	$ 820
Contract termination costs	282	16	(111)	9	196
Equipment moving costs	—	14	(14)	—	—
Total	$ 734	$ 755	$ (477)	$ 4	$ 1,016

(1) Severance expense excludes $74 of non-cash charges for accelerated vesting of stock awards.

10. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The Company records an accrual for contingent liabilities when a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. When no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued.

In June 2015, U.S. Customs and Border Protection (“U.S. Customs”) sent us a Notice of Action that proposed to classify certain of our imports as subject to anti-dumping duties pursuant to a 2010 anti-dumping duty (“AD”) order on Oil Country Tubular Goods (“OCTG”) from China. A companion countervailing duty (“CVD”) order on the same product is in effect as well. The Notice of Action covered one entry of certain raw material steel mechanical tubing made in China and imported into the U.S. from Canada by our DynaEnergetics segment during 2015 for use in manufacturing perforating guns.

In July 2015, we sent a response to U.S. Customs outlining the reasons our mechanical tubing imports do not fall within the scope of the AD order on OCTG from China and should not be subject to anti-dumping duties. U.S. Customs proposed to take similar action with respect to other entries of this product and requested an approximately $1,100 cash deposit or bond for AD/CVD duties.

In August 2015, we posted the bond of approximately $1,100 to U.S. Customs. Subsequently, U.S. Customs declined to conclude on the Company's assertion that the mechanical tubing the Company has been importing is not within the scope of the AD order on OCTG from China. As a result, on September 25, 2015 the Company filed a request for a scope ruling with the U.S. Department of Commerce ("Commerce Department").

On February 15, 2016, the Company received the Commerce Department’s scope ruling, which determined certain imports, primarily used for gun carrier tubing, are included in the scope of the AD/CVD orders on OCTG from China and thus is subject to AD/CVD duties.

On March 11, 2016, the Company filed an appeal with the U.S. Court of International Trade related to the Commerce Department’s scope ruling. In its financial statements for the year ended December 31, 2015, the Company recorded a $6.4 million reserve for AD/CVD duties and interest that the Company expects to pay if it is unsuccessful in its appeal. For the six months ended June 30, 2016, the Company recorded $80 of interest on its reserve for AD/CVD duties.

The Company will incur legal defense costs and could also be subject to additional interest and penalties. Accruals for potential penalties are not reflected in our financial statements as of June 30, 2016 as they are neither probable nor estimable at this time.

11. SUBSEQUENT EVENTS

In July 2016, DynaEnergetics purchased a new manufacturing facility in Liebenscheid, Germany for $2,188 and will relocate perforating gun manufacturing operations from its current leased facility in Troisdorf, Germany during the third quarter of 2016. Additionally, on July 15, 2016, DynaEnergetics consolidated its North American administrative office to Houston, Texas from Austin, Texas. During the second half of 2016, DynaEnergetics will incur restructuring expenses of approximately $750 related to the completion of these activities.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical consolidated financial statements and notes, as well as the selected historical consolidated financial data that are included in our Annual Report filed on Form 10-K for the year ended December 31, 2015.

Unless stated otherwise, all currency amounts are presented in thousands of U.S. dollars (000s).

Overview

Dynamic Materials Corporation ("DMC") operates a diversified family of technical product and process businesses serving the energy, industrial and infrastructure markets. Our businesses operate globally through an international network of manufacturing, distribution and sales facilities. Our business is organized into two segments: NobelClad and DynaEnergetics.

NobelClad

NobelClad manufactures clad metal plates and transition joints, which are made from clad plates, for sale to customers that fabricate industrial equipment for various industries, including oil and gas, petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. While a large portion of the demand for our clad metal products is driven by new plant construction and large plant expansion projects, maintenance and retrofit projects at existing chemical processing, petrochemical processing, oil refining, and aluminum smelting facilities also account for a significant portion of total demand. These industries tend to be cyclical in nature and timing of new order inflow remains difficult to predict. We use backlog as a primary means to measure the immediate outlook for our NobelClad business. We define "backlog" at any given point in time as all firm, unfulfilled purchase orders and commitments at that time. Generally speaking, we expect to fill most backlog orders within the following 12 months. From experience, most firm purchase orders and commitments are realized. Our NobelClad backlog decreased to $34,479 at June 30, 2016 from $41,832 at December 31, 2015.

The largest component of NobelClad's cost of products sold is the cost of metals and alloys used to manufacture clad metal plates. Because NobelClad's metal products are primarily produced for custom projects and conform to requirements set forth in customers' purchase orders, it holds a limited metal inventory and purchases its raw materials based on contract specifications. Under most contracts, any raw material price increases are passed on to NobelClad's customers. In a declining price market for metals, NobelClad experiences corresponding declines in revenue.

DynaEnergetics

DynaEnergetics manufactures shaped charges, detonators and detonating cord, perforating guns, and bidirectional boosters for sale to customers that perform the perforation of oil and gas wells and to customers involved in oil and gas exploration activities.

These products are sold to large, mid-sized, and small oilfield service companies in the U.S., Europe, Canada, South America, Africa, the Middle East, and Asia. DynaEnergetics also sells directly to end-users. The market for perforating products, which are used during the well completion process, generally corresponds with oil and gas exploration and production activity. Exploration activity over the last several years has led to increasingly complex well completion operations, which in turn, has increased the demand for high quality and technically advanced perforating products.

Cost of products sold for DynaEnergetics includes the cost of metals , explosives and other raw materials used to manufacture shaped charges, detonating products and perforating guns as well as employee compensation and benefits, depreciation of manufacturing facilities and equipment, manufacturing supplies and other manufacturing overhead expenses.

Factors Affecting Results

During the six months ended June 30, 2016, the following factors most affected our performance

- DynaEnergetics experienced a further decline in customer activity, unfavorable product mix, and severe pricing pressure in the oil and gas well-completions sector, which is the segment's primary end market.
- NobelClad completed shipments of specialized plates for a large semiconductor capital equipment project in East Asia, and expects to complete shipments on a large project in the food and agricultural inputs industry in the third quarter.

- Restructuring expenses of $829 were recorded primarily related to severance for headcount reductions in Troisdorf, Germany and Austin, Texas in the DynaEnergetics segment.
- Selling, general, and administrative expenses of $8.9 million for the second quarter were reduced from $10.5 million in the second quarter last year.
- Net debt was reduced 34% to $14.1 million from $21.2 million at December 31, 2015.
- The Company continued its investments in R&D, as well as technology, product and market development initiatives.

Consolidated Results of Operations

Three months ended June 30, 2016 compared with three months ended June 30, 2015

	Three months ended June 30,			
	2016	2015	$ change	% change
Net sales	$ 41,317	$ 44,741	$ (3,424)	(8)%
Gross profit	9,908	12,585	(2,677)	(21)%
Gross profit margin	24.0%	28.1%		
COSTS AND EXPENSES:				
General and administrative expenses	4,389	5,561	(1,172)	(21)%
% of net sales	10.6%	12.4%		
Selling and distribution expenses	4,497	4,958	(461)	(9)%
% of net sales	10.9%	11.1%		
Amortization of purchased intangible assets	1,015	1,013	2	— %
% of net sales	2.5%	2.3%		
Restructuring charges	829	1,116	(287)	(26)%
Operating loss	(822)	(63)	(759)	1,205 %
Other income (expense), net	304	40	264	660 %
Interest income (expense), net	(396)	(262)	(134)	51 %
Loss before income taxes	(914)	(285)	(629)	221 %
Income tax provision (benefit)	(148)	1,034	(1,182)	(114)%
Net loss	(766)	(1,319)	553	(42)%
Adjusted EBITDA	$ 3,307	$ 4,411	$ (1,104)	(25)%

Net sales The decrease compared with 2015 was due to a 36% decrease in DynaEnergetics partially offset by a 23% increase in NobelClad. DynaEnergetics continued to experience deteriorating demand in its end markets while NobelClad results were favorably impacted by the shipment of a large project related to specialized explosion clad plates to be used in the fabrication of equipment for a semiconductor material production facility in East Asia.

Gross profit The decrease in gross profit and gross profit margin compared with 2015 was due to unfavorable price and product mix in DynaEnergetics partially offset by improved margins in NobelClad from favorable project mix, including the semiconductor-related project mentioned above.

General and administrative expenses The decrease compared with 2015 primarily was due to lower salaries and benefits as a result headcount reductions, a decline in stock-based compensation, and lower spending on outside services.

Selling and distribution expenses The decrease compared with 2015 principally was due to lower bad debt expense, a decrease in outside sales agent commissions and the impact of closing multiple distribution centers in DynaEnergetics as part of its previously announced restructuring programs.

Restructuring charges For the three months ended June 30, 2016 the components of restructuring charges were as follows:

	Severance and benefits	Contract termination	Equipment moving and other exit costs	Total
DynaEnergetics restructuring	$ 725	$ 16	$ 14	$ 755
Corporate restructuring	74	—	—	74
Total restructuring charges	$ 799	$ 16	$ 14	$ 829

DynaEnergetics restructuring relates to severance for headcount reductions in Troisdorf, Germany and Austin, Texas Corporate restructuring relates to the accelerated vesting of stock awards in connection with the elimination of certain positions within DynaEnergetics.

For the three months ended June 30, 2015 the components of restructuring charges were as follows:

	Severance and benefits	Asset impairments	Contract termination	Equipment moving and other exit costs	Total
NobelClad restructuring	$ (42)	$ —	$ 29	$ 517	$ 504
DynaEnergetics restructuring	99	3	244	266	612
Total restructuring charges	$ 57	$ 3	$ 273	$ 783	$ 1,116

NobelClad's restructuring relates to shifting of the majority of clad metal plate production from facilities in Rivesaltes, France and Würgendorf, Germany to its manufacturing facility in Liebenscheid, Germany.

DynaEnergetics' restructuring relates to the consolidation of perforating gun manufacturing centers, the closure of distribution centers, and the reduction of administrative workforce at the corporate offices in Troisdorf, Germany.

Operating loss The increase compared with 2015 was due to a decrease in DynaEnergetics operating income partially offset by higher operating income at NobelClad and lower corporate unallocated and stock-based compensation expenses. Corporate unallocated and stock-based compensation expenses are not allocated to our business segments.

Other income (expense), net The increase compared with 2015 primarily was due to an increase in unrealized foreign currency gains. Our subsidiaries frequently enter into inter-company and third party transactions that are denominated in currencies other than their functional currency. Changes in exchange rates with respect to these transactions will result in unrealized gains or losses if unsettled at end of the reporting period or realized foreign currency transaction gains or losses at settlement of the transaction.

Interest income (expense), net The increase compared with 2015 was due to interest on the accrued anti-dumping duties within the DynaEnergetics segment.

Income tax provision (benefit) We recorded an income tax benefit of $148 for the second quarter of 2016 compared with income tax expense of $1,034 for the second quarter of 2015. We currently are unable to recognize tax benefits associated with losses incurred in certain jurisdictions due to valuation allowances recorded against our deferred tax assets in those jurisdictions.

Net loss As a result of the factors discussed above, net loss for three months ended June 30, 2016 was $766, or $0.05 per diluted share, compared with a net loss of $1,319, or $0.10 per diluted share, for the same period in 2015.

Adjusted EBITDA The decrease compared with 2015 primarily was due to a larger operating loss compared to 2015 as well as a tax benefit in the current period compared with a tax provision in 2015.

Adjusted EBITDA is a non-GAAP (generally accepted accounting principles) measure that we believe provides an important indicator of our ongoing operating performance. We define EBITDA as net income plus or minus net interest, taxes, depreciation and amortization. Adjusted EBITDA excludes from EBITDA stock-based compensation, restructuring and impairment charges and, when appropriate, other items that management does not utilize in assessing DMC's operating performance (as further described in the following financial schedules).

EBITDA and Adjusted EBITDA, as well as income measures that exclude restructuring expenses (ex-items), are non-GAAP financial measures. Management uses these non-GAAP measures in its operational and financial decision-making, believing that it is useful to eliminate certain items in order to focus on what it deems to be a more reliable indicator of ongoing operating performance. As a result, internal management reports used during monthly operating reviews feature Adjusted EBITDA and certain management incentive awards are based, in part, on the amount of Adjusted EBITDA achieved during the year.

The presence of non-GAAP financial measures in this report is not intended to be considered in isolation or as a substitute for, or superior to, DMC's GAAP information, and investors are cautioned that the non-GAAP financial measures are limited in their usefulness and may be unique to DMC, should not be considered as a supplement to DMC's GAAP financial measures and do not reflect any positive or negative trends in DMC's performance. Because not all companies use identical calculations, DMC's presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies.

The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Three months ended June 30,	
	2016	2015
Net loss	$ (766)	$ (1,319)
Interest expense	397	263
Interest income	(1)	(1)
Provision for income taxes	(148)	1,034
Depreciation	1,750	1,498
Amortization of purchased intangible assets	1,015	1,013
EBITDA	2,247	2,488
Restructuring charges	829	1,116
Stock-based compensation	535	847
Other (income) expense, net	(304)	(40)
Adjusted EBITDA	$ 3,307	$ 4,411

Six months ended June 30, 2016 compared with six months ended June 30, 2015

	Six months ended June 30, 2016	Six months ended June 30, 2015	$ change	% change
Net sales	$ 81,849	$ 85,560	$ (3,711)	(4)%
Gross profit	20,293	23,288	(2,995)	(13)%
Gross profit margin	24.8%	27.2%		
COSTS AND EXPENSES:				
General and administrative expenses	9,837	11,599	(1,762)	(15)%
% of net sales	12.0%	13.6%		
Selling and distribution expenses	8,520	9,836	(1,316)	(13)%
% of net sales	10.4%	11.5%		
Amortization of purchased intangible assets	2,014	2,030	(16)	(1)%
% of net sales	2.5%	2.4%		
Restructuring charges	829	3,112	(2,283)	(73)%
Operating loss	(907)	(3,289)	2,382	(72)%
Other income (expense), net	336	1,164	(828)	(71)%
Interest income (expense), net	(559)	(441)	(118)	27 %
Loss before income taxes	(1,130)	(2,566)	1,436	(56)%
Income tax provision	49	1,130	(1,081)	(96)%
Net loss	(1,179)	(3,696)	2,517	(68)%
Adjusted EBITDA	$ 6,321	$ 6,577	$ (256)	(4)%

Net sales The decrease compared with 2015 was due to a 24% decrease in DynaEnergetics partially offset by a 13% increase in NobelClad. The decline in DynaEnergetics was due to deteriorating demand in the oil and gas well-completions sector while the increase in NobelClad primarily was due to shipment of the semiconductor-related project in Q2 2016.

Gross profit The decrease in gross profit and gross profit margin compared with2015 primarily was due to unfavorable price and product mix in DynaEnergetics and a 10% increase in the proportion of sales in NobelClad relative to DynaEnergetics.

General and administrative expenses The decrease compared with 2015 primarily was due to a reduction in salaries and benefits from lower headcount during the period, lower stock-based compensation and a decrease in spending on outside services. The first half of 2015 also included incremental audit and legal expenses of $450 associated with the restatement of previously-issued financial statements included in our 2014 Form 10-K.

Selling and distribution expenses The decrease compared with 2015 principally was due to lower salaries and benefits, a decrease in outside sales agent commissions, and outside service costs.

Restructuring charges For the six months ended June 30, 2016 the components of restructuring charges were as follows:

	Severance and benefits	Contract termination	Equipment moving and other exit costs	Total
DynaEnergetics restructuring	$ 725	$ 16	$ 14	$ 755
Corporate restructuring	74	—	—	74
Total restructuring charges	$ 799	$ 16	$ 14	$ 829

DynaEnergetics restructuring relates to severance for headcount reductions in Troisdorf, Germany and Austin, Texas Corporate restructuring relates to the accelerated vesting of stock awards in connection with to the elimination of certain positions within DynaEnergetics.

For the six months ended June 30, 2015 the components of restructuring charges were as follows:

	Severance and benefits	Asset impairments	Contract termination	Equipment moving and other exit costs	Total
NobelClad restructuring	$ (3)	$ —	$ 40	$ 521	$ 558
DynaEnergetics restructuring	245	205	244	300	994
Corporate restructuring	1,560	—	—	—	1,560
Total restructuring charges	$ 1,802	$ 205	$ 284	$ 821	$ 3,112

NobelClad's restructuring relates to shifting of the majority of clad metal plate production from facilities in Rivesaltes, France and Würgendorf, Germany to its manufacturing facility in Liebenscheid, Germany.

DynaEnergetics' restructuring relates to the consolidation of perforating gun manufacturing centers, the closure of distribution centers, and the reduction of administrative workforce at its corporate offices in Troisdorf, Germany.

Corporate restructuring relates to severance payments and the accelerated vesting of stock awards associated with the elimination of certain positions in our corporate office.

Operating income The decrease compared with 2015 was due to a decline in DynaEnergetics' operating income partially offset by lower corporate unallocated and stock-based compensation expenses and a increase in NobelClad's operating income. Corporate unallocated and stock-based compensation expenses are not allocated to our business segments.

Other income (expense), net The decrease compared with 2015 primarily was due to an increase in realized foreign currency losses in 2016. Our subsidiaries frequently enter into inter-company and third party transactions that are denominated in currencies other than their functional currency. Changes in exchange rates with respect to these transactions will result in unrealized gains or losses if unsettled at end of the reporting period or realized foreign currency transaction gains or losses at settlement of the transaction.

Interest income (expense), net The increase compared with 2015 was due to interest expense recorded on the accrued anti-dumping duties within the DynaEnergetics segment.

Income tax provision We recorded income tax expense of $49 for the six months ended June 30, 2016 compared with income tax expense of $1,130 for the six months ended June 30, 2015. We currently are unable to recognize tax benefits associated with losses incurred in certain jurisdictions due to valuation allowances recorded against our deferred tax assets in those jurisdictions.

Net loss As a result of the factors discussed above, net loss for six months ended June 30, 2016 was $1,179, or $0.08 per diluted share, compared with a net loss of $3,696, or $0.27 per diluted share, for the same period in 2015.

Adjusted EBITDA The decrease compared with 2015 primarily was due to lower income tax provision and restructuring charges partially offset by a smaller net loss compared to 2015,

See explanation of the use of Adjusted EBITDA under the comparison of the three months ended June 30, 2016 with the same period of 2015. The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Six months ended June 30, 2016	2015
Net loss	$ (1,179)	$ (3,696)
Interest expense	561	445
Interest income	(2)	(4)
Provision for income taxes	49	1,130
Depreciation	3,264	3,153
Amortization of purchased intangible assets	2,014	2,030
EBITDA	4,707	3,058
Restructuring charges	829	3,112
Stock-based compensation	1,121	1,571
Other (income) expense, net	(336)	(1,164)
Adjusted EBITDA	$ 6,321	$ 6,577

Business Segment Financial Information

We primarily evaluate performance and allocate resources based on segment revenues, operating income and adjusted EBITDA as well as projected future performance. Segment operating income is defined as revenues less expenses identifiable to the segment. Segment operating income will reconcile to consolidated income before income taxes by deducting unallocated corporate expenses, including stock-based compensation, net other expense, net interest expense, and income tax provision.

NobelClad

Three months ended June 30, 2016 compared with three months ended June 30, 2015

	Three months ended June 30, 2016	2015	$ change	% change
Net sales	$ 26,407	$ 21,449	$ 4,958	23 %
Gross profit	6,648	3,980	2,668	67 %
Gross profit margin	25.2 %	18.6 %		
COSTS AND EXPENSES:				
General and administrative expenses	863	1,086	(223)	(21%)
Selling and distribution expenses	1,559	1,309	250	19 %
Amortization of purchased intangible assets	96	95	1	1 %
Restructuring expenses	—	504	(504)	(100)%
Operating income	4,130	986	3,144	319 %
Adjusted EBITDA	$ 5,192	$ 2,434	$ 2,758	113 %

Net sales The increase compared with 2015 reflects the timing differences with respect to when orders enter our backlog and the subsequent shipment of these orders. During the second quarter of 2016, NobelClad shipped a large order related to specialized explosion clad plates to be used in the fabrication of equipment for a semiconductor material production facility in East Asia.

Gross profit The increase in gross profit and gross profit margin compared with2015 primarily was due to more favorable margins on its mix of projects in the second quarter of 2016 compared with the same period in 2015 and lower manufacturing overhead expenses driven by the consolidation of its European manufacturing facilities.

General and administrative expenses The decrease compared with 2015 primarily was attributable to lower outside services as well as lower salaries and wages.

Selling and distribution expenses The increase compared with 2015 primarily was attributable to higher outside sales agent commissions driven by an increase in net sales.

Restructuring expense Restructuring expenses in 2015 related to shifting the majority of clad metal plate production from facilities in Rivesaltes, France and Würgendorf, Germany to our manufacturing facility in Liebenscheid, Germany.

Operating income The increase in operating income was driven by higher gross profit from favorable project mix, lower general and administrative expenses, and no restructuring charges in 2016.

Adjusted EBITDA The increase compared with 2015 was due to a significant increase in operating income. See explanation of the use of Adjusted EBITDA under "Consolidated Results of Operations." The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Three months ended June 30,	
	2016	2015
Income from operations	$ 4,130	$ 986
Adjustments:		
Restructuring	—	504
Depreciation	966	849
Amortization of purchased intangibles	96	95
Adjusted EBITDA	$ 5,192	$ 2,434

Six months ended June 30, 2016 compared with six months ended June 30, 2015

	Six months ended June 30,			
	2016	2015	$ change	% change
Net sales	$ 51,459	$ 45,393	$ 6,066	13 %
Gross profit	10,616	8,529	2,087	24 %
Gross profit margin	20.6 %	18.8 %		
COSTS AND EXPENSES:				
General and administrative expenses	1,848	2,336	(488)	(21 %)
Selling and distribution expenses	2,938	2,637	301	11 %
Amortization of purchased intangible assets	191	191	—	— %
Restructuring expenses	—	558	(558)	(100)%
Operating income	5,639	2,807	2,832	101 %
Adjusted EBITDA	$ 7,633	$ 5,466	$ 2,167	40 %

Net sales The increase compared with 2015 reflects the timing differences with respect to when orders enter our backlog and the subsequent shipment of these orders. During the second quarter of 2016, NobelClad shipped the semiconductor-related project discussed previously.

Gross profit The increase in gross profit and gross profit margin compared with2015 primarily was due to more favorable margins on its mix of projects during thesix months ended June 30, 2016 compared with the same period in 2015. Gross profit also benefited from lower manufacturing overhead expenses from the consolidation of European manufacturing facilities.

General and administrative expenses The decrease compared with 2015 primarily was attributable to lower salaries and wages and outside service costs.

Selling and distribution expenses The increase compared with 2015 primarily was due to higher outside sales agent commissions.

Restructuring expense Restructuring expenses in 2015 related to shifting the majority of clad metal plate production from facilities in Rivesaltes, France and Würgendorf, Germany to our manufacturing facility in Liebenscheid, Germany.

Operating income The increase in operating income was driven by higher gross profit from favorable project mix, lower general and administrative expenses, and no restructuring charges in 2016.

Adjusted EBITDA The increased compared with 2015 was due to an increase in operating income and no restructuring expenses during thesix months ended June 30, 2016. See explanation of the use of Adjusted EBITDA under "Consolidated Results of Operations." The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Six months ended June 30,	
	2016	2015
Income from operations	$ 5,639	$ 2,807
Adjustments:		
Restructuring	—	558
Depreciation	1,803	1,910
Amortization of purchased intangibles	191	191
Adjusted EBITDA	$ 7,633	$ 5,466

DynaEnergetics

Three months ended June 30, 2016 compared with three months ended June 30, 2015

	Three months ended June 30,			
	2016	**2015**	**$ change**	**% change**
Net sales	$ 14,910	$ 23,292	$ (8,382)	(36)%
Gross profit	3,323	8,681	(5,358)	(62)%
Gross profit margin	22.3 %	37.3 %		
COSTS AND EXPENSES:				
General and administrative expenses	1,709	2,349	(640)	(27 %)
Selling and distribution expenses	2,841	3,554	(713)	(20)%
Amortization of purchased intangible assets	919	918	1	— %
Restructuring expenses	755	612	143	23 %
Operating income (loss)	(2,901)	1,247	(4,148)	(333)%
Adjusted EBITDA	$ (443)	$ 3,426	$ (3,869)	(113)%

Net sales The decrease compared with 2015 primarily was due to continued deterioration in demand in DynaEnergetics' end markets.

Gross profit The decrease in gross profit and gross profit margin compared with2015 was due to unfavorable product mix combined with lower pricing driven by ongoing reduction in oil and gas well completion activity.

General and administrative expenses The decrease compared with 2015 primarily was due to headcount reductions associated with our previously announced restructuring programs.

Selling and distribution expenses The decrease compared with 2015 was principally due to lower salaries and wages, including the impact of closing multiple distribution centers in 2015, combined with a decrease in outside sales agents' commission expense attributable to lower sales volume in territories in which DynaEnergetics does not have a captive sales force.

Restructuring expense DynaEnergetics' restructuring activity in 2016 relates to severance for headcount reductions in Troisdorf, Germany and Austin, Texas Corporate restructuring relates to the accelerated vesting of stock awards in connection with the elimination of certain positions within DynaEnergetics. Restructuring activity in 2015 relates to the closure of a number of distribution centers in North America and Colombia and the closure of a perforating gun manufacturing facility and distribution center in Edmonton, Alberta.

Operating income (loss) DynaEnergetics recorded an operating loss compared with operating income in2015 primarily due to significantly lower sales volume and gross profit margin partially offset by lower general and administrative and selling and distribution expenses.

Adjusted EBITDA The decrease compared with 2015 is primarily due to a current period operating loss compared to operating income for the same period in prior year. See explanation of the use of Adjusted EBITDA under "Consolidated Results of Operations." The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Three months ended June 30,	
	2016	**2015**
Income (loss) from operations	$ (2,901)	$ 1,247
Adjustments:		
Restructuring	755	612
Depreciation	784	649
Amortization of purchased intangibles	919	918
Adjusted EBITDA	$ (443)	$ 3,426

Six months ended June 30, 2016 compared with six months ended June 30, 2015

	Six months ended June 30,			
	2016	**2015**	**$ change**	**% change**
Net sales	$ 30,390	$ 40,167	$ (9,777)	(24)%
Gross profit	9,787	14,883	(5,096)	(34)%
Gross profit margin	32.2%	37.1%		
COSTS AND EXPENSES:				
General and administrative expenses	3,771	4,564	(793)	(17%)
Selling and distribution expenses	5,419	7,033	(1,614)	(23)%
Amortization of purchased intangible assets	1,823	1,839	(16)	(1)%
Restructuring expenses	755	994	(239)	(24)%
Operating income (loss)	(1,981)	453	(2,434)	(537)%
Adjusted EBITDA	$ 2,058	$ 4,529	$ (2,471)	(55)%

Net sales The decrease compared with 2015 primarily was due to deteriorating demand in DynaEnergetics' end markets.

Gross profit The decrease in gross profit and gross profit margin compared with2015 primarily was due to unfavorable product mix combined with pricing pressure driven by ongoing reduction in oil and gas well completion activity.

General and administrative expenses The decrease compared with 2015 primarily was due to headcount reductions associated with our previously announced restructuring programs.

Selling and distribution expenses The decrease compared with 2015 was principally due to lower salaries and wages including the impact of closing multiple distribution centers in 2015 combined with a decrease in outside sales agents commission expense.

Restructuring expense DynaEnergetics restructuring in 2016 relates to severance for headcount reductions in Troisdorf, Germany and Austin, Texas Restructuring activity in 2015 relates to the closure of a number of distribution centers in North America and Colombia and the closure of a perforating gun manufacturing facility and distribution center in Edmonton, Alberta.

Operating income (loss) DynaEnergetics recorded an operating loss compared with operating income in2015 primarily due to significantly lower sales volume and gross profit margin partially offset by lower general and administrative and selling and distribution expenses.

Adjusted EBITDA The decrease compared with 2015 is primarily due to lower operating income. See explanation of the use of Adjusted EBITDA under "Consolidated Results of Operations." The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBIDTA.

	Six months ended June 30,	
	2016	**2015**
Income (loss) from operations	$ (1,981)	$ 453
Adjustments:		
Restructuring	755	994
Depreciation	1,461	1,243
Amortization of purchased intangibles	1,823	1,839
Adjusted EBITDA	$ 2,058	$ 4,529

Liquidity and Capital Resources

We have historically financed our operations from a combination of internally generated cash flow, revolving credit borrowings, various long-term debt arrangements, and the issuance of common stock. We believe that cash flow from operations and funds available under our current credit facilities and any future replacement thereof will be sufficient to fund the working capital, debt interest service, dividend payments, and capital expenditure requirements of our current business operations for the foreseeable future. Nevertheless, our ability to generate sufficient cash flows from operations will depend upon our success in executing our strategies. If we are unable to (i) realize sales from our backlog; (ii) secure new customer orders; (iii) selling products at attractive margins; and (iv) continue to implement cost-effective internal processes, our ability to meet cash requirements through operating activities could be impacted. Additionally, continued challenging conditions in our core energy markets could impact our ability to meet cash requirements through operating activities. Furthermore, any restriction on the availability of borrowings under our credit facilities could negatively affect our ability to meet future cash requirements.

Debt facilities

We have a a five-year $75,000 syndicated credit agreement (“credit facility”), which allows for revolving loans of$65,000 in US dollars and $10,000 in alternate currencies as well as a $100,000 accordion feature to increase the commitments in any of the loan classes subject to approval by applicable lenders. We also maintain a line of credit with a German bank for certain DynaEnergetics operations. This line of credit provides a borrowing capacity of 4,000 Euros.

As of June 30, 2016, U.S. dollar revolving loans of$23,500 were outstanding under our credit facility. While we had approximately $51,500 of available revolving credit loan capacity as of June 30, 2016 under our various credit facilities, future borrowings are subject to compliance with financial covenants that could significantly limit such availability.

There are two significant financial covenants under our credit facility, the leverage ratio and debt service coverage ratio requirements. The leverage ratio is defined in the credit facility as Consolidated Funded Indebtedness at the balance sheet date as compared to Consolidated EBITDA, which is defined as earnings before provisions for income taxes, interest expense, depreciation and amortization, extraordinary, non-recurring charges and other non-cash charges, for the previous twelve months. For the six months ended June 30, 2016 and the year ended December 31, 2015, Consolidated EBITDA approximated the “Adjusted EBITDA” that we reported for the respective periods. Under our credit facility, the maximum leverage ratio permitted by our credit facility is 3.75 to 1.0. The actual leverage ratio for the trailing twelve months ended June 30, 2016 was 1.88 to 1.0.

The debt service coverage ratio, as defined in the credit facility, means, for any period, the ratio of Consolidated EBITDA less the sum of cash dividends, cash income taxes and capital expenditures to Debt Service Charges. Consolidated EBITDA is defined above and Debt Service Charges equals the sum of cash interest expense and scheduled principal payments of Consolidated

Funded Indebtedness. Under our credit facility, the minimum debt service coverage ratio permitted by our credit facility is 1.35 to 1.0. The actual debt service coverage ratio for the trailing twelve months ended June 30, 2016 was 8.20 to 1.0.

Our existing loan agreements include various covenants and restrictions, certain of which relate to the payment of dividends or other distributions to stockholders, redemption of capital stock, incurrence of additional indebtedness, mortgaging, pledging or disposition of major assets, and maintenance of specified financial ratios. As of June 30, 2016, we were in compliance with all financial covenants and other provisions of our debt agreements.

Other contractual obligations and commitments

Our long-term debt balance decreased to $23,500 at June 30, 2016 from $27,500 at December 31, 2015. Our other contractual obligations and commitments have not materially changed since December 31, 2015.

Cash flows from operating activities

Net cash provided by operating activities was $8,442 for the six months ended June 30, 2016. This compares to net cash used in operating activities of $4,717 for the same period in 2015. The year-over-year increase in operating cash flows of $13,159 was primarily driven by a $13,216 decrease in net working capital. We experienced favorable net working capital changes of $2,950 in the six months ended June 30, 2016 compared with unfavorable changes in net in working capital of $10,266 in the same period of 2015. Favorable changes in our first half 2016 working capital included a $7,120 decrease in accounts receivable due to lower sales and the timing of collections, a $2,717 increase in customer advances related to customer prepayments in NobelClad, and a $2,300 reduction in inventory. These favorable changes in working capital were partially offset by a $5,901 decrease in accounts payable from a decline in purchases and a $3,454 increase in prepaid expenses.

Net cash used in operating activities was $4,717 for the six months ended June 30, 2015. We experienced unfavorable net working capital changes of $10,266 in the 2015 period, including an increase in inventories, receivables, and prepaid expenses of $4,755, $1,272, and $1,261, respectively, and a decrease of $2,184 in customer advances. These unfavorable changes partially were offset by an increase in accounts payable of $2,454. The increase in net working capital was driven by a ramp up of inventory associated with a new product introduction in DynaEnergetics, cash payments related to restructuring activities and a decrease in customer advances in NobelClad.

Cash flows from investing activities

Net cash flows used in investing activities for the six months ended June 30, 2016 were $1,160 and primarily consisted of capital expenditures.

Net cash flows used in investing activities for the six months ended June 30, 2015 totaled $2,496 and consisted almost entirely of capital expenditures.

Cash flows from financing activities

Net cash flows used in financing activities for the six months ended June 30, 2016 totaled $4,385, which included net repayments on bank lines of credit of $4,000 and payment of quarterly dividends of $571.

Net cash flows provided by financing activities for the six months ended June 30, 2015 totaled $9,333, which included net borrowings on bank lines of credit of $11,245, payment of quarterly dividends of $1,125, and payment of deferred debt issuance costs of $1,042.

Payment of Dividends

On May 11, 2016, our board of directors declared a quarterly cash dividend of $0.02 per share which was paid on July 15, 2016. The dividend totaled $289 and was payable to shareholders of record as of June 30, 2016. We also paid a quarterly cash dividend of $0.02 per share in the first quarter of 2016 and 0.04 per share in the first and second quarters of 2015.

We may continue to pay quarterly dividends in the future subject to capital availability and periodic determinations that cash dividends are in compliance with our debt covenants and are in the best interests of our stockholders, but we cannot assure you that such payments will continue. Future dividends may be affected by, among other items, our views on potential future capital requirements, future business prospects, debt covenant compliance, changes in federal income tax laws, or any other factors that our board of directors deems relevant. Any decision to pay cash dividends is and will continue to be at the discretion of our Board of Directors.

Critical Accounting Policies

Our critical accounting policies have not changed from those reported in our Annual Report filed on Form 10-K for the year ended December 31, 2015.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no events that materially affect our quantitative and qualitative disclosure about market risk from that reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 4. Controls and Procedures

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, a material weakness in our controls over deferred income tax accounting was identified during the course of the 2014 external audit of the accounts and related controls. As a result of the significance of the accounting errors resulting from the deficient controls, we restated 2012 and 2013 financial statements included in our Form 10-K for the year ended December 31, 2014.

In 2015, we took steps to remediate the material weakness, including:

- Hired a new Global Tax Director.
- Engaged third-party tax advisors to assist with designing and implementing processes and procedures to compile, reconcile and review income tax accounts.
- Provided income tax training and development to tax personnel.

Although we implemented new processes and procedures in 2015, we concluded that the material weakness was not remediated as of December 31, 2015 as the existing controls were not in place for an adequate period of time to ensure proper operation and additional controls are required to be implemented for our income tax accounting. During the remainder of 2016, the Company will continue the internal control process and documentation improvements and testing related to deferred income tax and related income tax expense accounts in order to conclude on the remediation efforts.

The remediation efforts are subject to ongoing senior management review, as well as Audit Committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take and our initiatives may not prove to be successful in remediating this material weakness. Management believes the already implemented actions, along with any additional controls will effectively remediate the material weakness. As we continue to evaluate and work to improve our internal control over financial reporting, management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. Management will continue to review and make necessary changes to the overall design of our internal controls.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is accurately recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2016, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based on that evaluation, which includes the material weakness identified at December 31, 2014 and not remediated as of December 31, 2015 as discussed above, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level. There have been no other changes in our internal controls during the quarter ended June 30, 2016 or in other factors that could materially affect our internal controls over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. As a result of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure controls and procedures are met.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no significant changes in the risk factors identified as being attendant to our business in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6.

Exhibits

10.1 Dynamic Materials Corporation 2006 Stock Incentive Plan *(Approved by stockholders on September 21, 2006),* as amended by Amendment No. 1 dated March 11, 2013 *(Effective upon May 23, 2013 stockholder approval)* and Amendment No. 2 *(Effective upon May 12, 2016 stockholder approval)*

31.1 Certification of the President and Chief Executive Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Senior Vice President and Chief Financial Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Senior Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from the Quarterly Report on Form 10-Q of Dynamic Materials Corporation. for the quarter endedJune 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statement of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.*

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* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed

not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNAMIC MATERIALS CORPORATION
(Registrant)

Date: July 28, 2016	/s/ Michael Kuta
	Michael Kuta, Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

Exhibit 10.1

Dynamic Materials Corporation 2006 Stock Incentive Plan
(Approved by stockholders on September 21, 2006)

As amended by

Amendment No. 1 dated March 11, 2013
(Effective upon May 23, 2013stockholder approval)

and

Amendment No. 2
(Effective upon May 12, 2016 stockholder approval)

1) **ESTABLISHMENT, OBJECTIVES AND DURATION.**

a) Establishment of the Plan. Dynamic Materials Corporation (hereinafter referred to as the "Company"), hereby establishes an incentive compensation plan to be known as The "Dynamic Materials Corporation 2006 Stock Incentive Plan" (hereinafter referred to as the "Plan"). The Plan permits the granting of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Stock-Based Awards. The Plan is effective as of September 21, 2006 (the "Effective Date"), subject to the approval of the Plan by the stockholders of the Company at the 2006 Annual Meeting. Definitions of capitalized terms used in the Plan are contained in the attached Glossary, which is an integral part of the Plan.

b) Objectives of the Plan. The objectives of the Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Participants and to optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals and that link the personal interests of Participants to those of the Company's stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants who make or are expected to make significant contributions to the Company's success and to allow Participants to share in the success of the Company.

c) Duration of the Plan. No Award may be granted under the Plan after the day immediately preceding the tenth (10th) anniversary of the Effective Date, or such earlier date as the Board shall determine. The Plan will remain in effect with respect to outstanding Awards until no Awards remain outstanding.

2) Administration of the Plan.

a) The Committee. The Plan shall be administered by the Compensation Committee of the Board or such other committee (the "Committee") as the Board shall select consisting of two (2) or more members of the Board each of whom is intended to be a "non-employee director" within the meaning of Rule 16b-3 (or any successor rule) of the Exchange Act, an "outside director" under regulations promulgated under Section 162(m) of the Code, and an "independent director" under the NASDAQ Marketplace Rules. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

b) Authority of the Committee. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Committee hereunder), and except as otherwise provided by the Board, the Committee shall have full and final authority in its discretion to take all actions determined by the Committee to be necessary in the administration of the Plan, including, without limitation, discretion to:

i) select the Employees, Directors and Consultants to whom Awards may from time to time be granted hereunder;

ii) determine whether and to what extent Awards are granted hereunder;

iii) determine the size and types of Awards granted hereunder;

iv) approve forms of Award Agreement for use under the Plan;

v) determine the terms and conditions of any Award granted hereunder;

vi) establish performance goals for any Performance Period and determine whether such goals were satisfied;

vii) amend the terms of any outstanding Award granted under the Plan, provided that, except as otherwise provided in Section 18, no such amendment shall reduce the Exercise Price of outstanding Options or the grant price of outstanding SARs without the approval of the stockholders of the Company, and provided further, that any amendment that would adversely affect the Participant's rights under an outstanding Award shall not be made without the Participant's written consent;

viii) construe and interpret the terms of the Plan and any Award Agreement entered into under the Plan, and to decide all questions of fact arising in its application; and

ix) take such other action, not inconsistent with the terms of the Plan, as the Committee deems appropriate.

As permitted by Applicable Laws, the Committee may delegate its authority as identified herein, including the power and authority to make Awards to Participants who are not "insiders" subject to Section 16(b) of the Exchange Act, pursuant to such conditions and limitations as the Committee may establish.

c) Effect of Committee's Decision. All decisions, determinations and interpretations of the Committee shall be final, binding and conclusive on all persons, including the Company, its Subsidiaries, its stockholders, Employees, Directors, Consultants and their estates and beneficiaries.

3) **SHARES SUBJECT TO THE PLAN; EFFECT OF GRANTS; INDIVIDUAL LIMITS.**

a) Number of Shares Available for Grants. Subject to adjustment as provided in Section 18 hereof, the maximum number of Shares that may be issued pursuant to Awards under the Plan shall be 2,617,500. The Shares to be issued pursuant to the Awards may be authorized but unissued Shares or treasury Shares.

b) Individual Limits. Subject to adjustment as provided in Section 18 hereof, the following rules shall apply with respect to Awards:

i) Options and SARs: The maximum of Shares to which Options and SARs may be granted in any 36-month period to any one Participant shall be 425,000 Shares. If the Options are Incentive Stock Options, the maximum aggregate number of Shares that may be granted with respect thereto in any 12-month to any one Participant shall be 150,000 Shares.

ii) Restricted Stock, Restricted Stock Units, Performance Shares and Other Stock-Based Awards: The maximum aggregate number of Shares of Restricted Stock and Shares with respect to which Restricted Stock Units, Performance Shares and Other Stock-Based Awards may be granted in any 36-month period to any one Participant shall be 425,000 Shares.

iii) Performance Units: The maximum aggregate compensation that can be paid pursuant to Performance Units awarded in any one fiscal year to any one Participant shall be $5,000,000 or a number of Shares having an aggregate Fair Market Value not in excess of such amount.

c) Availability of Shares. To the extent that an Award under the Plan is canceled, expired, forfeited, settled in cash, settled by issuance of fewer Shares than the number underlying the Award, or otherwise terminated without delivery of shares to the Participant, the Shares retained or returned to the Company will again be counted for purposes of determining the maximum number of Shares available for award under the Plan under Section 3(a).

4) **ELIGIBILITY AND PARTICIPATION.**

a) Eligibility. Persons eligible to participate in the Plan include all Employees, Directors and Consultants.

b) Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees, Directors and Consultants, those to whom Awards shall be granted and shall determine the nature and amount of each Award. The Committee may establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions and to afford Participants favorable treatment under such laws; provided, however, that no Award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan.

5) **TYPES OF AWARDS.**

a) Type of Awards. Awards under the Plan may be in the form of Options (both Nonqualified Stock

Options and/or Incentive Stock Options), SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Stock-Based Awards.

b) Designation of Award. Each Award shall be designated in the Award Agreement.

6) **OPTIONS.**

a) Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

b) Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine including, but not limited to, the Option vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, and payment contingencies. The Award Agreement also shall specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock

Option. Options that are intended to be Incentive Stock Options shall be subject to the limitations set forth in Section 422 of the Code.

c) Exercise Price. Except for Options adjusted pursuant to Section 18 herein, and replacement Options granted in connection with a merger, acquisition, reorganization or similar transaction, the Exercise Price for each grant of an Option shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Subsidiary, the Exercise Price for each grant of an Option shall not be less than one hundred ten percent (110%) of the Fair Market Value of a Share on the date the Option is granted.

d) Term of Options. The term of an Option granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten (10) years. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

e) Exercise of Options. Options granted under this Section 6 shall be exercisable at such times and be subject to such restrictions and conditions as set forth in the Award Agreement and as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant; provided, however, that except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, no Option may be exercisable prior to one (1) year from the date of grant.

f) Payments. Options granted under this Section 6 shall be exercised by the delivery of a written notice to the Company, setting forth the number of Shares with respect to which the Option is to be exercised and specifying the method of the Exercise Price. The Exercise Price of an Option shall be payable to the Company: (i) in cash or its equivalent, (ii) by tendering (either actually or constructively by attestation) Shares having an aggregate Fair Market Value at the time of exercise equal to the Exercise Price, (iii) in any other manner then permitted by the Committee, or (iv) by a combination of any of the permitted methods of payment. The Committee may limit any method of payment, other than that specified under (i), for administrative convenience, to comply with Applicable Laws or otherwise.

g) Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Section 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

h) Termination of Employment or Service. Each Participant's Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment or, if the Participant is a Director or Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options, and may reflect distinctions based on the reasons for termination of employment or service.

7) **STOCK APPRECIATION RIGHTS.**

a) Grant of SARs. Subject to the terms and provisions of the Plan, SARs may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SAR.

b) Award Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

c) Grant Price. The grant price of a Freestanding SAR shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant of the SAR, and the grant price of a Tandem SAR shall equal the Exercise Price of the related Option; provided, however, that these limitations shall not apply to Awards that are adjusted pursuant to Section 18 herein.

d) Term of SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten (10) years.

e) Exercise of Tandem SARs. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. To the extent exercisable, Tandem SARs may be exercised for all or part of the Shares subject to the related Option. The exercise of all or part of a Tandem SAR shall result in the forfeiture of the right to purchase a number of Shares under the related Option equal to the number of Shares with respect to which the SAR is exercised. Conversely, upon exercise of all or part of an Option with respect to which a Tandem SAR has been granted, an equivalent portion of the Tandem SAR shall similarly be forfeited.

Notwithstanding any other provision of the Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (i) the Tandem SAR shall expire no later than the expiration of the underlying ISO; (ii) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Exercise Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Exercise Price of the ISO.

f) Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them and sets forth in the Award Agreement; provided, however, that except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, no Freestanding SARs may be exercisable prior to one (1) year from the date of grant.

g) Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

i) the difference between the Fair Market Value of a Share on the date of exercise over the grant price; by

ii) the number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

h) Termination of Employment or Service. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment or, if the Participant is a Director or Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all SARs, and may reflect distinctions based on the reasons for termination of employment or service.

8) **RESTRICTED STOCK.**

a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, Restricted Stock may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

b) Award Agreement. Each Restricted Stock grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine.

c) Period of Restriction and Other Restrictions. Except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, an Award of Restricted Stock shall have a minimum Period of Restriction of three (3) years, which period may, at the discretion of the Committee, lapse on a pro-rated, graded, or cliff basis (as specified in an Award Agreement); provided, however, that in the Committee's sole discretion, up to twenty percent (20%) of the Shares available for issuance as Full-Value Awards under the Plan may have a shorter Period of Restriction, but in no case less than one (1) year. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, a requirement that the issuance of Shares of Restricted Stock be delayed, restrictions based upon the achievement of specific performance goals, additional time-based restrictions, and/or restrictions under Applicable Laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock. The Company may retain in its custody any certificate evidencing the Shares of Restricted Stock and place thereon a legend and institute stop-transfer orders on such Shares, and the Participant shall be obligated to sign any stock power requested by the Company relating to the Shares to give effect to the forfeiture provisions of the Restricted Stock.

d) Removal of Restrictions. Subject to Applicable Laws, Restricted Stock shall become freely transferable by the Participant after the last day of the Period of Restriction applicable thereto. Once Restricted Stock is released from the restrictions, the Participant shall be entitled to receive a certificate evidencing the Shares.

e) Voting Rights. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by Applicable Laws, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares during the Period of Restriction.

f) Dividends and Other Distributions. Except as otherwise provided in a Participant's Award Agreement, during the Period of Restriction, Participants holding Shares of Restricted Stock shall receive all regular cash Dividends paid with respect to all Shares while they are so held, and, except as otherwise determined by the Committee, all other distributions paid with respect to such Restricted Stock shall be credited to Participants subject to the same restrictions on transferability and forfeitability as the Restricted Stock with respect to which they were paid and paid at such time following full vesting as are paid the Shares of Restricted Stock with respect to which such distributions were made.

g) Termination of Employment or Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain unvested Restricted Stock following termination of the Participant's employment or, if the Participant is a Director or Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Awards of Restricted Stock, and may reflect distinctions based on the reasons for termination of employment or service.

9) **RESTRICTED STOCK UNITS.**

a) Grant of Restricted Stock Units. Subject to the terms and provisions of the Plan, Restricted Stock Units may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

b) Award Agreement. Each grant of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the applicable Period of Restriction, the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

c) Value of Restricted Stock Units. The initial value of a Restricted Stock Unit shall equal the Fair Market Value of a Share on the date of grant; provided, however, that this restriction shall not apply to Awards that are adjusted pursuant to Section 18 herein.

d) Period of Restriction. Except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, an Award of Restricted Stock Units shall have a minimum Period of Restriction of three (3) years, which period may, at the discretion of the Committee, lapse on a pro-rated, graded, or cliff basis; provided, however, that in the Committee's sole discretion, up to twenty percent (20%) of the Shares available for issuance as Full-Value Awards under the Plan may have a shorter Period of Restriction, but in no case less than one (1) year.

e) Form and Timing of Payment. Except as otherwise provided in Section 19 herein or a Participant's Award Agreement, payment of Restricted Stock Units shall be made at a specified settlement date that shall not be earlier than the last day of the Period of Restriction. The Committee, in its sole discretion, may pay earned Restricted Stock Units by delivery of Shares or by payment in cash of an amount equal to the Fair Market Value of such Shares (or a combination thereof). The Committee may provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

f) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

g) Termination of Employment or Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive a payout respecting an Award of Restricted Stock Units following termination of the Participant's employment or, if the Participant is a Director or Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Restricted Stock Units, and may reflect distinctions based on the reasons for termination of employment or service.

10) **PERFORMANCE SHARES.**

a) Grant of Performance Shares. Subject to the terms and provisions of the Plan, Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

b) Award Agreement. Each grant of Performance Shares shall be evidenced by an Award Agreement that shall specify the applicable Performance Period(s) and Performance Measure(s), the number of Performance Shares granted, and such other provisions as the Committee shall determine; provided, however, that except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, in no case shall a Performance Period be for a period of less than one (1) year.

c) Value of Performance Shares. The initial value of a Performance Share shall equal the Fair Market Value of a Share on the date of grant; provided, however, that this restriction shall not apply to Awards that are adjusted pursuant to Section 18 herein.

d) Form and Timing of Payment. Except as otherwise provided in Section 19 herein or a Participant's Award Agreement, payment of Performance Shares shall be made at a specified settlement date that shall not be earlier than the last day of the Performance Period. The Committee, in its sole discretion, may pay earned Performance Shares by delivery of Shares or by payment in cash of an amount equal to the Fair Market Value of such Shares (or a combination thereof). The Committee may provide that settlement of Performance Shares shall be deferred, on a mandatory basis or at the election of the Participant.

e) Voting Rights. A Participant shall have no voting rights with respect to any Performance Shares granted hereunder.

f) Termination of Employment or Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive a payout respecting an Award of Performance Shares following termination of the Participant's employment or, if the Participant is a Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Participants, and may reflect distinctions based on the reasons for termination of employment or service

11) **PERFORMANCE UNITS.**

a) Grant of Performance Units. Subject to the terms and conditions of the Plan, Performance Units may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

b) Award Agreement. Each grant of Performance Units shall be evidenced by an Award Agreement that shall specify the number of Performance Units granted, the Performance Period(s) and Performance Measure(s), the performance goals and such other provisions as the Committee shall determine; provided, however, that except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, in no case shall a Performance Period be for a period of less than one (1) year.

c) Value of Performance Units. The Committee shall set performance goals in its discretion that, depending on the extent to which they are met, will determine the number and/or value of Performance Units that will be paid out to the Participants.

d) Form and Timing of Payment. Except as otherwise provided in Section 19 herein or a Participant's Award Agreement, payment of earned Performance Units shall be made following the close of the applicable Performance Period. The Committee, in its sole discretion, may pay earned Performance Units in cash or in Shares that have an aggregate Fair Market Value equal to the value of the earned Performance Units (or a combination thereof). The Committee may provide that settlement of Performance Units shall be deferred, on a mandatory basis or at the election of the Participant.

e) Voting Rights. A Participant shall have no voting rights with respect to any Performance Units granted hereunder.

f) Termination of Employment or Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive a payout respecting an Award of Performance Units following termination of the Participant's employment or, if the Participant is a Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Performance Units and may reflect distinctions based on reasons for termination of employment or service.

12) **OTHER STOCK-BASED AWARDS.**

a) Grant. The Committee shall have the right to grant other Awards that may include, without limitation, the grant of Shares based on attainment of performance goals established by the Committee, the payment of Shares as a bonus or in lieu of cash based on attainment of performance goals established by the Committee, and the payment of Shares in lieu of cash under other Company incentive or bonus programs.

b) Period of Restriction. Except as otherwise provided in a Participant's Award Agreement upon a termination of employment or pursuant to Section 19 in the event of a Change in Control or Subsidiary Disposition, Awards granted pursuant to this Section 12 shall have a minimum Period of Restriction of three (3) years, which period may, at the discretion of the Committee, lapse on a pro-rated, graded, or cliff basis (as specified in an Award Agreement); provided, however, that in the Committee's sole discretion, up to twenty percent (20%) of the Shares available for issuance as Full-Value Awards under the Plan may have a shorter Period of Restriction, but in no case less than one (1) year. Notwithstanding the above, an Award of payment Shares in lieu of cash under other Company incentive or bonus programs shall not be subject to the minimum Period of Restriction limitations described above.

c) Payment of Other Stock-Based Awards. Subject to Section 12(b) hereof, payment under or settlement of any such Awards shall be made in such manner and at such times as the Committee may determine. The Committee may provide that settlement of Other Stock-Based Awards shall be deferred, on a mandatory basis or at the election of the Participant.

d) Termination of Employment or Service. The Committee shall determine the extent to which the Participant shall have the right to receive Other Stock-Based Awards following termination of the Participant's employment or, if the Participant is a Director or Consultant, service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in an agreement entered into with each Participant, but need not be uniform among all

Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination of employment or service.

13) **DIVIDEND EQUIVALENTS**. At the discretion of the Committee, Awards granted pursuant to the Plan may provide Participants with the right to receive Dividend Equivalents, which may be paid currently or credited to an account for the Participants, and may be settled in cash and/or Shares, as determined by the Committee in its sole discretion, subject in each case to such terms and conditions as the Committee shall establish.

14) **PERFORMANCE-BASED EXCEPTION.**

a) The Committee may specify that the attainment of one or more of the Performance Measures set forth in this Section 14 shall determine the degree of granting, vesting and/or payout with respect to Awards that the Committee intends will qualify for the Performance-Based Exception. The performance goals to be used for such Awards shall be chosen from among the following performance measures (the "Performance Measures"): total shareholder return, stock price, net customer sales, volume, gross profit, gross margin, operating profit, operating margin, management profit, earnings from continuing operations before income taxes, earnings from continuing operations, earnings per share from continuing operations, net operating profit after tax, net earnings, net earnings per share, return on assets, return on investment, return on equity, return on invested capital, cost of capital, average capital employed, cash value added, economic value added, cash flow, cash flow from operations, working capital, working capital as a percentage of net customer sales, asset growth, asset turnover, market share, customer satisfaction, and employee satisfaction. The targeted level or levels of performance with respect to such Performance Measures may be established at such levels and on such terms as the Committee may determine, in its discretion, on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries, business segments or functions, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. Awards that are not intended to qualify for the Performance-Based Exception may be based on these or such other performance measures as the Committee may determine.

b) Unless otherwise determined by the Committee, measurement of performance goals with respect to the Performance Measures above shall exclude the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring items, as well as the cumulative effects of tax or accounting changes, each as determined in accordance with generally accepted accounting principles or identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or other filings with the SEC.

c) Performance goals may differ for Awards granted to any one Participant or to different Participants.

d) Achievement of performance goals in respect of Awards intended to qualify under the Performance-Based Exception shall be measured over a Performance Period specified in the Award Agreement, and the goals shall be established not later than ninety (90) days after the beginning of the Performance Period or, if less than ninety (90) days, the number of days which is equal to twenty-five percent (25%) of the relevant Performance Period applicable to the Award.

e) The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals; provided, however, that Awards that are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee may, in its discretion, adjust such Awards downward).

15) **TRANSFERABILITY OF AWARDS**. Incentive Stock Options may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and shall be exercisable during a Participant's lifetime only by such Participant. Other Awards shall be transferable to the extent provided in the Award Agreement, except that no Award may be transferred for consideration.

16) **TAXES**. The Company shall have the power and right, prior to the delivery of Shares pursuant to an Award, to deduct or withhold, or require a participant to remit to the Company (or a Subsidiary), an amount (in cash or Shares) sufficient to satisfy any applicable tax withholding requirements applicable to an Award. Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any applicable tax withholding requirements. Subject to such restrictions as the Committee may prescribe, a Participant may satisfy all or a portion of any tax withholding requirements by electing to have the Company withhold Shares having a Fair Market Value equal to the amount to be withheld up to the minimum statutory tax withholding rate (or such other rate that will not result in a negative accounting impact).

17) **CONDITIONS UPON ISSUANCE OF SHARES.**

a) Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all Applicable Laws, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

18) **ADJUSTMENTS UPON CHANGES IN CAPITALIZATION**. In the event of any non reciprocal transaction between the Company and the shareholders of the Company that causes the per share value of shares underlying an Award to change, such as a stock dividend, stock split, spin off, rights offering, or recapitalization through a large, nonrecurring cash dividend, and in the event of any other change in corporate capitalization, such as a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, in its sole discretion, may cause there to be made an equitable adjustment to the number and kind shares that may be issued under the Plan, or to any individual under the Plan, and to the number and kind of shares or other property subject to and the exercise price (if applicable) of any then outstanding Awards, and such adjustment shall be conclusive and binding for all purposes of the Plan.

19) **CHANGE IN CONTROL, CASH-OUT AND TERMINATION OF UNDERWATER OPTIONS/SARS, AND SUBSIDIARY DISPOSITION.**

a) <u>Change in Control</u>. Except as otherwise provided in a Participant’s Award Agreement or pursuant to Section 19(b) hereof, upon the occurrence of a Change in Control, unless otherwise specifically prohibited under Applicable Laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

i) any and all outstanding Options and SARs granted hereunder shall become immediately exercisable unless such Awards are assumed, converted or replaced by the continuing entity; provided, however, that in the event of a Participant's termination of employment without Cause within twenty-four (24) months following consummation of a Change in Control, any replacement awards shall become immediately exercisable;

ii) any Period of Restriction or other restriction imposed on Restricted Stock, Restricted Stock Units, and Other Stock-Based Awards shall lapse unless such Awards are assumed, converted or replaced by the continuing entity; provided, however, that in the event of a Participant's termination of employment without Cause within twenty-four (24) months following consummation of a Change in Control, the Period of Restriction on any replacement awards shall lapse; and

iii) any and all Performance Shares, Performance Units and other Awards (if performance-based) shall vest on a pro rata monthly basis, including full credit for partial months elapsed, and will be paid (A) based on the level of performance achieved as of the date of the Change in Control, if determinable, or (B) at the target level, if not determinable. The amount of the vested Award may be computed under the following formula: total Award number of Shares times (number of full months elapsed in shortest possible vesting period divided by number of full months in shortest possible vesting period) times percent performance level achieved immediately prior to the specified effective date of the Change in Control.

With respect to paragraphs (i) and (ii) of Section 19(a) above, the Award Agreement may provide that any replacement awards will become immediately exercisable or any Period of Restriction shall lapse in the event of a termination of employment by the Participant for "good reason" as such term is defined in any employment agreement or severance agreement or policy applicable to such Participant.

b) Cash-Out and Termination of Underwater Options/SARs. The Committee may, in its sole discretion, provide that (i) all outstanding Options and SARs shall be terminated upon the occurrence of a Change in Control and that each Participant shall receive, with respect to each Share subject to such Options or SARs, an amount in cash equal to the excess of the Fair Market Value of a Share immediately prior to the occurrence of the Change in Control over the Option Exercise Price or the SAR grant price; and (ii) Options and SARs outstanding as of the date of the Change in Control may be cancelled and terminated without payment therefore if the Fair Market Value of a Share as of the date of the Change in Control is less than the Option Exercise Price or the SAR grant price.

c) Subsidiary Disposition. The Committee shall have the authority, exercisable either in advance of any actual or anticipated Subsidiary Disposition or at the time of an actual Subsidiary Disposition and either at the time of the grant of an Award or at any time while an Award remains outstanding, to provide for the automatic full vesting and exercisability of one or more outstanding unvested Awards under the Plan and the termination of restrictions on transfer and repurchase or forfeiture rights on such Awards, in connection with a Subsidiary Disposition, but only with respect to those Participants who are at the time engaged primarily in Continuous Service with the Subsidiary involved in such Subsidiary Disposition. The Committee also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the affected Participant's Continuous Service with that Subsidiary within a specified period following the effective date of the Subsidiary Disposition. The Committee may provide that any Awards so vested or released from such limitations in connection with a Subsidiary Disposition, shall remain fully exercisable until the expiration or sooner termination of the Award.

20) **AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN**.

a) Amendment, Modification and Termination. The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, however, that no amendment that requires stockholder approval in order for the Plan to continue to comply with the NASDAQ listing standards or any rule promulgated by the SEC or any securities exchange on which Shares are listed or any other Applicable Laws shall be effective unless such amendment shall be approved by the requisite vote of stockholders of the Company entitled to vote thereon within the time period required under such applicable listing standard or rule.

b) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 18 hereof) affecting the Company or the financial statements of the Company or of changes in Applicable Laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. With respect to any Awards intended to comply with the Performance-Based Exception, unless otherwise determined by the Committee, any such exception shall be specified at such times and in such manner as will not cause such Awards to fail to qualify under the Performance-Based Exception.

c) Awards Previously Granted. No termination, amendment or modification of the Plan or of any Award shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the participant holding such Award, unless such termination, modification or amendment is required by Applicable Laws and except as otherwise provided herein.

d) No Repricing. Except for adjustments made pursuant to Section 18, no amendment shall reduce the Exercise Price of outstanding Options or the grant price of outstanding SARs, nor may any outstanding Options or outstanding SARs be surrendered to the Company as consideration for the grant of new Options or SARs with a lower Exercise Price or grant price, without the approval of the stockholders of the Company.

e) Compliance with the Performance-Based Exception. If it is intended that an Award comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate such that the Awards maintain eligibility for the Performance-Based Exception. If changes are made to Code Section 162(m) or regulations promulgated thereunder to permit greater flexibility with respect to any Award or Awards available under the Plan, the Committee may, subject to this Section 20, make any adjustments to the Plan and/or Award Agreements it deems appropriate.

21) **RESERVATION OF SHARES.**

a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

22) **RIGHTS OF PARTICIPANTS.**

a) Continued Service. The Plan shall not confer upon any Participant any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

b) Participant. No Employee, Director or Consultant shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to be selected to receive future Awards.

23) **SUCCESSORS**. All obligations of the Company under the Plan and with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or other event, or a sale or disposition of all or substantially all of the business and/or assets of the Company and references to the "Company" herein and in any Award agreements shall be deemed to refer to such successors.

24) **LEGAL CONSTRUCTION.**

a) Gender, Number and References. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular and the singular shall include the plural. Any reference in the Plan to a Section of the Plan either in the Plan or any Award agreement or to an act or code or to any section thereof or rule or regulation thereunder shall be deemed to refer to such Section of the Plan, act, code, section, rule or regulation, as may be amended from time to time, or to any successor Section of the Plan, act, code, section, rule or regulation.

b) Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

c) Requirements of Law. The granting of Awards and the issuance of Shares or cash under the Plan shall be subject to all Applicable Laws and to such approvals by any governmental agencies or national securities exchanges as may be required.

d) Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction.

e) Non-Exclusive Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable.

f) Code Section 409A Compliance. To the extent applicable, it is intended that this Plan and any Awards granted hereunder comply with the requirements of Section 409A of the Code and the regulations and other guidance promulgated thereunder ("Section 409A"). Any provision that would cause the Plan or any Award granted hereunder to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A. Notwithstanding anything in this Plan or Award granted hereunder to the contrary, in no event will the Committee provide for the deferral of settlement or vesting of any award, on a mandatory basis or Participant elective basis, unless such deferral is documented in writing and administered in compliance with Section 409A. In no event shall the number, kinds, or exercise price of any Award granted hereunder be modified or extended if such modification or extension would result in a violation of Section 409A.

GLOSSARY OF DEFINED TERMS

1. **Definitions**. As used in the Plan, the following definitions shall apply:

"Applicable Laws" means the legal requirements relating to the administration of stock incentive plans, if any, under applicable provisions of federal securities laws, state corporate and securities laws, the Code, and the rules of any applicable stock exchange or national market system.

"Award" means, individually or collectively, Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Other Stock-Based Awards granted under the Plan.

"Award Agreement" means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award.

"Board" means the Board of Directors of the Company.

["Cause" means (i) the willful and continued failure of the Participant substantially to perform the Participant's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Participant by the Chief Executive Officer of the Company, a member of the Committee, or another authorized officer of the Company, which specifically identifies the manner in which the sender believes that the Participant has not substantially performed the Participant's duties; or (ii) the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.]

"Change in Control" means

a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, including any acquisition which, by reducing the number of shares outstanding, is the sole cause for increasing the percentage of shares beneficially owned by any such Person to more than the applicable percentage set forth above, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

a) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason within any period of 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

b) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “Business Combination”), in each case, unless, following such Business Combination, (i) more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) is represented by Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such Business Combination) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

c) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

“Code” means the Internal Revenue Code of 1986, as amended.

“Committee” means the Committee, as specified in Section 2(a), appointed by the Board to administer the Plan.

“Company” means Dynamic Materials Corporation and any successor thereto as provided in Section 23 herein.

“Consultant” means any consultant or advisor to the Company or a Subsidiary.

“Continuous Service” means that the provision of services to the Company or any Subsidiary in any capacity of Employee or Consultant is not interrupted or terminated. Continuous Service shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract.

“Director” means any individual who is a member of the Board of Directors of the Company or a Subsidiary who is not an Employee.

“Dividend” means the dividends declared and paid on Shares subject to an Award.

“Dividend Equivalent” means, with respect to Shares subject to an Award, a right to be paid an amount equal to the Dividends declared and paid on an equal number of outstanding Shares.

“Employee” means any employee of the Company or a Subsidiary.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

"Fair Market Value" means, as of any date, the value of a Share determined as follows:

a. Where there exists a public market for the Share, the Fair Market Value shall be (A) the closing sales price for a Share for the last market trading day prior to the time of the determination (or, if no sales were reported on that date, on the last trading date on which sales were reported) on the New York Stock Exchange, the NASDAQ National Market or the principal securities exchange on which the Share is listed for trading, whichever is applicable, or (B) if the Share is not traded on any such exchange or national market system, the average of the closing bid and asked prices of a Share on the NASDAQ Small Cap Market, in each case, as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

b. In the absence of an established market of the type described above, for the Share, the Fair Market Value thereof shall be determined by the Committee in good faith, and such determination shall be conclusive and binding on all persons.

"Freestanding SAR" means an SAR that is granted independently of any Options, as described in Section 7 herein.

"Full-Value Award" means Awards other than Options, SARs, or other Awards for which the Participant pays the grant date intrinsic value directly or by forgoing a right to receive a cash payment from the Company.

"Incentive Stock Option" or "ISO" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

"Nonqualified Stock Option" means an Option that is not intended to meet the requirement of Section 422 of the Code.

"Option" means an Incentive Stock Option or a Nonqualified Stock Option granted under the Plan, as described in Section 6 herein.

"Option Proceeds" means the cash received by the Company as payment of the Exercise Price upon exercise of an Option or a Prior Plan option plus the federal tax benefit that could be realized by the Company as a result of the Option of Prior Plan option exercise, which shall be determined by multiplying the amount that is deductible as a result of the Option or Prior Plan option exercise (currently equal to the amount upon which the Participant's withholding tax obligation is calculated) by the maximum federal corporate income tax rate for the year of exercise. To the extent that a Participant pays the Exercise Price and/or withholding taxes with Shares, Option Proceeds shall not be calculated with respect to the amount paid in such manner.

"Other Stock-Based Award" means a Share-based or Share-related Award granted pursuant to Section 12 herein.

"Participant" means a current or former Employee, Director or Consultant who has rights relating to an outstanding Award.

"Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

"Performance Measures" shall have the meaning set forth in Section 14(a).

“Performance Period” means the period during which a performance measure must be met.

“Performance Share” means an Award granted to a Participant, as described in Section 10 herein.

“Performance Unit” means an Award granted to a Participant, as described in Section 11 herein.

“Period of Restriction” means the period Restricted Stock, Restricted Stock Units or Other Stock-Based Awards are subject to a substantial risk of forfeiture and are not transferable, as provided in Sections 8, 9 and 12 herein.

“Plan” means the Dynamic Materials Corporation 2006 Stock Incentive Plan.

“Prior Plan” means the Dynamic Materials Corporation 1997 Equity Incentive Plan.

“Restricted Stock” means an Award granted to a Participant, as described in Section 8 herein.

“Restricted Stock Units” means an Award granted to a Participant, as described in Section 9 herein.

“SEC” means the United States Securities and Exchange Commission.

“Share” means a share of common stock of the Company, par value $1.00 per share, subject to adjustment pursuant to Section 18 herein.

“Stock Appreciation Right” or “SAR” means an Award granted to a Participant, either alone or in connection with a related Option, as described in Section 7 herein.

“Subsidiary” means any corporation in which the Company owns, directly or indirectly, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns, directly or indirectly, at least fifty percent (50%) of the combined equity thereof. Notwithstanding the foregoing, for purposes of determining whether any individual may be a Participant for purposes of any grant of Incentive Stock Options, the term “Subsidiary” shall have the meaning ascribed to such term in Code Section 424(f).

“Subsidiary Disposition” means the disposition by the Company of its equity holdings in any Subsidiary effected by a merger or consolidation involving that Subsidiary, the sale of all or substantially all of the assets of that Subsidiary or the Company’s sale or distribution of substantially all of the outstanding capital stock of such Subsidiary.

“Tandem SAR” means a SAR that is granted in connection with a related Option, as described in Section 7 herein.

“Voting Securities” means voting securities of the Company entitled to vote generally in the election of Directors.

Exhibit 31.1

CERTIFICATIONS

I, Kevin T. Longe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynamic Materials Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 28, 2016

/s/ Kevin T. Longe

Kevin T. Longe
President and Chief Executive Officer
of Dynamic Materials Corporation

Exhibit 31.2

CERTIFICATIONS

I, Michael Kuta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynamic Materials Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 28, 2016

/s/ Michael Kuta

Michael Kuta
Chief Financial Officer of Dynamic Materials Corporation

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dynamic Materials Corporation (the "Company") on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin T. Longe, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 28, 2016

/s/ Kevin T. Longe

Kevin T. Longe
President and Chief Executive Officer
of Dynamic Materials Corporation

A signed original of this written statement required by Section 906 has been provided to Dynamic Materials Corporation and will be retained by Dynamic Materials Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dynamic Materials Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Kuta, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 28, 2016

/s/ Michael Kuta

Michael Kuta
Chief Financial Officer of Dynamic Materials Corporation

A signed original of this written statement required by Section 906 has been provided to Dynamic Materials Corporation and will be retained by Dynamic Materials Corporation and furnished to the Securities and Exchange Commission or its staff upon request.