SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES AND EXCHANGE ACT OF 1934

June 14, 2000

Date of report (Date of Earliest Event Reported)

DYNAMIC MATERIALS CORPORATION

(Exact Name of Registrant as Specified in Charter)

DELAWARE	08328	84-0608431
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

551 Aspen Ridge Drive, Lafayette, Colorado 80026

(Address of Principal Executive Offices and Zip Code)

(303) 665-5700

Registrant's telephone number, including area code

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Item 5. OTHER EVENTS

On June 14, 2000, at Dynamic Materials Corporation's (the "Company") Special Meeting of stockholders a Stock Purchase Agreement (the "Agreement") with SNPE, Inc. ("SNPE"), was approved by a majority making SNPE a 50.8% stockholder of the Company. The stock purchase was consummated immediately following the Special Meeting activating a $5.8 million cash payment to the Company in exchange for 2,109,091 shares of the Company's common stock at a price of $2.75 per share. An additional $1.2 million cash payment was made under a five-year, 5% Convertible Subordinated Note convertible in whole or in part into common stock by SNPE at a conversion price of $6 per share. DMC will use the $7 million primarily to repay debt, finance working capital requirements and make selective capital investments. DMC also entered into a new credit facility agreement with SNPE, which provides up to $3.5 million in borrowings for working capital requirements through June 30, 2001. The Company will continue to maintain a letter of credit with its bank in support of $6.35 million in outstanding industrial development revenue bond debt.

On June 15, 2000, the Company issued a press release with regard to the closing of the Agreement between the Company and SNPE, attached hereto as Exhibit 99.1.

On June 21, 2000, the Registrant issued a press release with regard to the redemption of the rights issued pursuant to the Company's Rights Agreement, attached hereto as Exhibit 99.2.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

EXHIBIT NO.	DESCRIPTION
4.1	Registration Rights Agreement by and between Dynamic Materials Corporation and SNPE, Inc., dated as of June 14, 2000.
4.2	Convertible Subordinated Note in the amount of $1.2 million.
4.3	First Amendment to Rights Agreement between Dynamic Materials Corporation and Harris Trust and Savings Bank, dated as of June 13, 2000.
10.1	Credit Facility and Security Agreement by and between SNPE, Inc. and Dynamic Materials Corporation, dated as of June 14, 2000.

10.2	First Amendment to Reimbursement Agreement by and between Dynamic Materials Corporation and Keybank National Association, dated as of June 14, 2000.
10.3	Personal Services Agreement by and between Dynamic Materials Corporation and John G. Banker, dated as of June 16, 2000
99.1	Press release dated June 15, 2000
99.2	Press release dated June 21, 2000

SIGNATURES

Pursuant to 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

By: /s/ Richard A. Santa

Name: Richard A. Santa
Title: Vice President - Finance and Chief Financial Officer

June 21, 2000

Index to Exhibits

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REGISTRATION RIGHTS AGREEMENT

Dated as of June 14, 2000

between

DYNAMIC MATERIALS CORPORATION

and

SNPE, INC.

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REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of June 14,

2000, is made and entered into by and between Dynamic Materials Corporation, a Delaware corporation (the "Company"), and SNPE, Inc., a Delaware corporation (the "Holder").

WHEREAS, the Company is issuing to the Holder, on the date hereof, 2,109,091 shares (the "Shares") of Common Company stock of the Company, par value $.05 per share (the "Company Common Stock" (as defined in the Stock Purchase Agreement)) pursuant to a Stock Purchase Agreement dated as of January 20, 2000 between the Company and the Holder, as amended by Amendment No. 1 to the Stock Purchase Agreement, dated as of April 20, 2000 (the "Stock Purchase Agreement"); and

WHEREAS, concurrently with the issuance of the Shares, the Company is entering into this Agreement to define the rights that exist among the Holder on the one hand, and the Company, on the other, with respect to the registration of the Registrable Securities (as defined herein);

WHEREAS, contemporaneously with the purchase of the Shares under the Stock Purchase Agreement, the Holder will purchase from the Company a Convertible Subordinated Note (the "Note") in the aggregate principal amount of $1,200,000, convertible into additional shares of Company Common Stock ("Additional Shares") (collectively, the Shares and Additional Shares are the "Company Shares") and having such other terms as the parties have agreed (collectively, the 2,109,091 Shares of Company Common Stock and the Additional Shares are referred to herein as the "Shares");

NOW, THEREFORE, in consideration of the mutual premises, agreements and covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms shall have the following respective meanings (each such meaning to be equally applicable to the singular and plural forms thereof):

"Additional Shares" has the meaning set forth in the third "WHEREAS" clause of this Agreement.

"Agreement" means this Registration Rights Agreement.

"Commission" shall mean the Securities and Exchange Commission, and any other similar or successor agency of the United States federal government at the time administering the Securities Act or the Securities Exchange Act.

"Company" has the meaning assigned such term in the preamble hereto.

"Company Common Stock" has the meaning set forth in the first "WHEREAS" Clause.

"Company Shares" has the meaning set forth in the third "WHEREAS" clause.

"Demand" has the meaning assigned such term in Section 2.1.1.

"Demand Holder" has the meaning assigned such term in Section 2.1.1.

"Holder" has the meaning assigned such term in the preamble to this Agreement.

"Holder of Registrable Securities" shall mean a person who owns Registrable Securities or has the present right to acquire such Registrable Securities, whether or not such acquisition has actually been effected and disregarding any legal restrictions upon the exercise of such right.

"NASD" means the National Association of Securities Dealers, Inc.

"Notice Holder" has the meaning assigned such term in Section 2.1.1.

"Prospectus" means the prospectus (including any preliminary prospectus) included in any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering, registering for sale any of the Registrable Securities and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Registrable Securities" means the Shares and the Additional Shares received upon exercise of the option to convert any equity securities into which such Shares and the Additional Shares may be exchanged after giving effect to the terms of any reorganization, recapitalization, merger, consolidation or otherwise by any successor corporation to the Company, and which common stock or other equity securities have ordinary voting power for the election of directors (or equivalent); provided, that any security's status as a Registrable Security shall cease when the registration rights with respect to such security shall have terminated pursuant to Section 2.6.

"Registration Statement" means any registration statement of the Company which registers for sale under the Securities Act any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, all amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all documents and information incorporated by reference in such Registration Statement.

"Requisite Holder" means the holder, at anytime, of the outstanding Company Shares representing more than 50% of the aggregate number of Registrable Securities at the time outstanding.

"Rule 144" means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar United States federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Shares" has the meaning set forth in the Third "Whereas" clause of this Agreement.

"Shelf Demand" has the meaning set forth in Section 2.1.2.

"Shelf Registration" has the meaning set forth in Section 2.1.2.

ARTICLE II

REGISTRATION RIGHTS

SECTION 2.1. Registration on Demand.

2.1.1. Demand. For a period of five years following the date of this Agreement, upon the written request (a "Demand") of any Holder of Registrable Securities representing, in the aggregate, at least 50% of the Company Share or the right to acquire 50% of the Company Share on a fully-diluted basis (the "Notice Holder") that the Company effect the registration under the Securities Act of the number or the percentage of Registrable Securities specified by the Demand Holder, the Company shall deliver notice thereof to all Holders of Registrable Securities requesting that they specify, by written notice to the Company delivered within five (5) business days following receipt of such notice from the Company, the number of Registrable Securities they desire to include in such registration (each such holder providing such notice a "Demand Holder") and the Company shall, subject to the provisions hereof, use its best efforts to effect, as soon as practicable and in any event within 120 days after a Demand is received from the Notice Holder, the registration under the Securities Act of the Registrable Securities which the Company has been so requested to register by the Demand Holder; Thereafter, the Company's obligation hereunder shall be to use its best efforts to effect the registration of the Registrable Securities; provided, that the Company shall not have to effect more than two Demands under this Section 2.1.1.

2.1.2. Shelf Registration. At any time that the Company is eligible to use a short-form registration statement for registering securities for sale to the public at large, the Demand Holders may, at their option, request (the "Shelf Demand") that any registration statement effected pursuant to a Demand be effected on a delayed or continuous basis, pursuant to Rule 415 under the Securities Act (the "Shelf Registration"). The Company agrees to keep effective such registration statement (the "Shelf Registration Statement") until the earlier of (i) such date as of which all the Registrable Securities under the Shelf Registration Statement have been disposed of in the manner described in such registration statement, and (ii) 180 days after the date on which such Shelf Registration Statement is declared effective.

2.1.3. Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate registration form of the Commission as shall be selected by the Company. The Company shall include in any such registration statement all information which, in the opinion of counsel to the Company, is required to be included.

2.1.4. Effective Registration Statement. A registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective, (ii) if after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to the Holder and has not thereafter become effective, or (iii) if the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such registration are not satisfied or waived, other than by reason of a failure on

the part of the Holder or (iv) if a Shelf Registration Statement, if such registration statement has not been kept effective until the earlier of (A) such date as of which all of the Registrable Securities under such Shelf Registration Statement have been disposed of in the manner described in such registration statement and (B) 180 days after the date on which such Shelf Registration Statement is declared effective.

2.1.5. Limitations on Registration on Demand, Shelf Registrations. The Company shall not be required to prepare and file a registration statement pursuant to this Section 2.1 which would become effective within 180 days following the effective date of a registration statement (other than pursuant to registrations on Form S-4 or Form S-8 or any successor form or other forms not available for registering securities for sale to the public at large) filed by the Company with the Commission pertaining to an underwritten public offering of convertible debt securities or equity securities for cash and, unless such registration is solely for the account of the Company, the Holders are afforded the opportunity to include Registrable Securities in such registration pursuant to Section 2.2. Notwithstanding anything in this Section 2.1 to the contrary, in no event shall the Company be required to effect in the aggregate, more than two long-form demand registrations pursuant to this Section 2.1.

2.1.6. Holder's Ability to Withdraw Registration Statement. The Holder of a majority of the Registrable Securities to be included in such registration shall have the right to request that the Company not have a registration statement filed pursuant to a Demand declared effective. If the Demand Holder elects to pay or reimburse the Company for the Company's out-of-pocket expenses incurred in connection with such registration, such withdrawn registration statement shall not be counted for purposes of the requests for registration to which such Demanding Holder is entitled pursuant to Section 2.1.5 hereof.

2.1.7. Selection of Underwriter. If a registration under this Section 2.1 is effected in connection with an underwritten offering, the Holder of a majority of the Registrable Securities to be included in such registration shall select a managing underwriter or underwriters of recognized national standing reasonably acceptable to the Company to administer the offering.

2.1.8. Registration of Other Securities. A registration statement filed pursuant to the request of the Demand Holder may, subject to the provisions of Section 2.5 hereof, include (i) Registrable Securities of Holder not making a demand pursuant to this Section 2.1 and (ii) other securities of the Company with respect to which registration rights have been granted and may include securities of the Company being sold for the account of the Company.

2.1.9. Suspension. The Company may delay, suspend or withdraw the registration of the Registrable Securities required pursuant to this Section 2.1 or the preparation or furnishing of a supplemental or amended prospectus pursuant to Section 2.3(i) for a period not exceeding 120 days if the Company shall in good faith determine that any such registration would interfere with any pending financing transaction of the Company or would require the Company to include disclosure that would reasonably be expected to have a detrimental effect on any proposal, negotiations or plan by the Company to engage in any acquisition or disposition of assets or any merger, consolidation, tender offer, reorganization or similar transaction, or any other material corporate event contemplated by the Company. In addition, the Company shall not be required to register Registrable Securities on a date on which, under the general rules and regulations of the Commission as advised by counsel, the inclusion therein, by incorporation or by reference, of financial statements of the Company contained in the annual or quarterly report of the Company most recently filed with the Commission would not be permitted, provided that this exception shall not permit delay or suspension of registration beyond the filing of the next required annual or quarterly filing under the Securities Exchange Act.

SECTION 2.2. Incidental Registration. If the Company, at any time or on any one or more occasions after the date of this Agreement, proposes to register (other than pursuant to Section 2.1) any of its equity securities under the Securities Act for sale to the public, whether for its own account or for the account of other security holders or both (other than pursuant to registrations on Form S-4 or Form S-8 or any successor form or other forms not available for registering securities for sale to the public at large), the Company shall give not less than 30 days' nor more than 90 days' prior written notice to each Holder of Registrable Securities of its intention to do so. Upon the written request of any Holder of Registrable Securities given within 20 days after receipt of such notice from the Company, the Company will use its best efforts to cause the Registrable Securities requested to be registered to be so registered under the Securities Act. A request pursuant to this Section 2.2 shall state the number of Registrable Securities requested to be registered and the intended method of distribution thereof. In connection with any registration subject to this Section 2.2, the Holder shall enter into such underwriting, lock-up and other agreements, and shall execute and complete such questionnaires and other documents, as are customary in a secondary offering. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 prior to the effectiveness of such registration whether or not any Holder has elected to include any securities in such registration. Notwithstanding any other provision of this Agreement, if the representative of the underwriters advises the Company in writing that marketing factors require a

limitation on the number of shares to be underwritten, the number of shares to be included in the underwriting or registration shall be allocated as set forth in Section 2.5 hereof.

No registration effected under this Section 2.2 shall relieve the Company of its obligation to effect the registration required under Section 2.1.

SECTION 2.3. Registration Procedures. In connection with the registration of any Registrable Securities, the Company shall effect such registrations to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(a) prepare and file with the Commission within the time limits prescribed herein a Registration Statement with respect to such securities and use its best efforts to cause such Registration Statement to become effective and remain effective as provided herein;

(b) prepare and file with the Commission such amendments and post-effective amendments to each Registration Statement as may be necessary and use its best efforts to keep such Registration Statement continuously effective; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act, the Securities Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented; the Company shall not be deemed to have used its best efforts to keep a registration statement effective during a period if it voluntarily takes any action that results in a participating Holder's not being able to sell such Registrable Securities during such period, unless such action (i) is required under applicable law or (ii) is determined in good faith by the Board of Directors of the Company to be in the Company's best interest;

(c) notify the Holders of Registrable Securities and underwriters, if any, promptly (but in any event within two business days), and confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of the issuance (or, to the Company's best knowledge, the threat or contemplation) by the Commission of any stop order suspending the effectiveness of such Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, and (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose;

(d) use every reasonable effort to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, and, if any such order is issued, to obtain the withdrawal of any such order at the earliest possible moment;

(e) furnish to each seller and to each duly authorized broker or underwriter of each seller such number of authorized copies of a Prospectus, including copies of a preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other customary documents as such seller, broker or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such seller;

(f) use its best efforts to register or qualify (and to keep each such registration and qualification effective, including through new filings, renewals or amendments, during the period such registration statement is required to be kept effective) the securities covered by such Registration Statement under such securities or blue sky laws of such jurisdictions as each seller shall reasonably request, and do any and all other reasonable acts and things which may be necessary under such securities or blue sky laws to enable such seller to consummate the public sale or other disposition in such jurisdictions of the Registrable Securities to be sold by such seller, except that the Company shall not for any such purpose be required to qualify to do business as a foreign corporation, or to consent to the jurisdiction of any court or subject itself to suit in any jurisdiction wherein it is not qualified;

(g) before filing the Registration Statement or Prospectus or amendments or supplements thereto, furnish to counsel for each Holder of Registrable Securities included in such Registration Statement copies of all such documents proposed to be filed, all of which shall be subject to the review and comment of such counsel in the exercise of its reasonable

judgment;

(h) use its best efforts to cause such Registrable Securities covered by such Registration Statement to be registered with or approved by such other governmental agencies or authorities exercising jurisdiction over the Company as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(i) notify each seller of any such Registrable Securities covered by such Registration Statement, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the Company's becoming aware that the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and, at the written request of any such seller, promptly prepare and furnish to such seller and each underwriter a reasonable number of copies of a Prospectus supplemented or amended (whereupon all previous versions of the Prospectus shall not be used by such seller or underwriter and shall be promptly returned to the Company or destroyed) so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) comply with all applicable rules and regulations of the Commission, and make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve consecutive months beginning with the first day of the Company's first calendar quarter after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(k) use its best efforts to cause all such Registrable Securities covered by such Registration Statement to be listed or quoted on the principal securities exchange (including NASDAQ) on which similar securities issued by the Company are then listed or quoted, if the listing or quoting of such Registrable Securities is then permitted under the rules of such exchange;

(l) provide a transfer agent and registrar for all such Registrable Securities covered by such Registration Statement not later than the effective date of such Registration Statement;

(m) cooperate with the selling Holders of Registrable Securities and the underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends; and enable such Registrable Securities to be issued in such denominations and registered in such names as the underwriters, if any, or holders may reasonably request at least two business days prior to any sale of Registrable Securities in a firm commitment underwritten public offering, or at least ten business days prior to any other such sale;

(n) enter into such reasonable and customary agreements (including an underwriting agreement containing, among other things, indemnification arrangements in customary form) and take such other reasonable and customary actions as the Requisite Holder shall reasonably request in order to expedite or facilitate the registration and disposition of such Registrable Securities;

(o) obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters;

(p) upon execution and delivery of such confidentiality agreements as the Company shall reasonably request (which agreements shall not restrict any such person's obligations under applicable securities laws), make available for inspection by any seller of such Registrable Securities covered by such Registration Statement, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by any such seller or any such underwriter, pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement, all as necessary to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; and

(q) permit any Holder of Registrable Securities which Holder, in the sole reasonable judgment of such Holder, exercised in good faith, might be deemed to be a controlling person of the Company to participate through

counsel in the preparation of such Registration Statement and, if specifically requested by such counsel, in discussions between the Company and the Commission or its staff with respect to such Registration Statement, to require the insertion therein of material, furnished in writing, which in the written opinion of such counsel is necessary to include in order to avoid a likelihood of potential liability for any such Holder of Registrable Securities or such counsel.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

SECTION 2.4. Expenses. All expenses incurred in effecting the registrations (whether or not such registrations are consummated) provided for in this Article II, including without limitation all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, expenses of any audits incident to or required by any such registration (including the costs of any comfort letter) and expenses of complying with the securities or blue sky laws of any jurisdictions pursuant to Subsection 2.3(f) hereof, the costs and expenses associated with the filing required to be made by the NASD (including, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel as may be required by the rules and regulations of the NASD, provided such fees and expenses are not paid by the underwriter), transfer taxes, fees of transfer agents and registrars, costs of insurance (but excluding underwriting discounts and commissions to the extent they relate to Registrable Securities), duplicating fees, delivery expenses, and expenses incurred in connection with the listing of the securities on any securities exchange, shall be paid by the Company, and the Company shall pay all reasonable fees and disbursements of one counsel for the Holder of Registrable Securities for the performance of the normal and customary functions of counsel for selling shareholders in each such registration.

SECTION 2.5. Marketing Restrictions. If (i) any Holder of Shares or Registrable Securities requests registration of Registrable Securities under Section 2.1 or 2.2, (ii) the offering proposed to be made is to be an underwritten public offering and (iii) the managing underwriters of such public offering furnish a written opinion that the total amount of securities to be included in such offering would exceed the maximum amount of securities (the "Maximum Amount") (as specified in such opinion) which can be marketed at a price reasonably related to the then current market value of such securities and without materially and adversely affecting such offering, then the rights of the Company, the Holder of Registrable Securities and the holders of other securities having the right to include such securities in such registration to participate in such offering shall be as follows:

If such registration shall have been proposed (A) by the Company or (B) by the holders of other securities of the Company exercising demand registration rights, in the case of (A): (i) the Company shall be entitled to participate in such registration first; (ii) then the Holders of the Registrable Securities under this Agreement shall be entitled to participate; (iii) then the holders of other securities (pro rata based on the number of securities held by each other security holder) shall be entitled to participate; and, in the case of (B), (i) if the demand was proposed by the holders of other securities registrable, holders shall have the first priority to participate in such registration, (ii) then the Holders of the Registrable Securities under this Agreement, and (iii) then the other security holders of the Company (in each case, pro rata within each such group of security holders, based on the number of securities held by each such security holder). If such registration shall have been requested by the Demand Holder of Registrable Securities pursuant to Section 2.1 hereof, (i) such Holder of Registrable Securities shall be entitled to participate in such registration (ii) then the holders of other registrable Securities shall be entitled to participate in such registration (pro rata based on the number of securities held by each such security holder); and then (iii) the Company shall be entitled to participate in such registration, in each case with further pro rata allocations to the extent any such person has requested registration of fewer securities than such person is entitled to have registered so that the number of securities to be included in such registration will not exceed the Maximum Amount;

and no securities (issued or unissued) other than those registered and included in the underwritten offering shall be offered for sale or other disposition in a transaction which would require registration under the Securities Act (but excluding any issuance of shares pursuant to registrations on Form S-4 or Form S-8 or any successor form or other forms not available for registering capital

stock for sale to the public at large) until the expiration of 90 days after the effective date of the Registration Statement in which Registrable Securities were included pursuant to Section 2.2 or such shorter period as may be acceptable to the Company and the Holder of the Registrable Securities

SECTION 2.6. Termination of Rights. Notwithstanding the foregoing provisions of this Article II, the rights to registration shall terminate as to any particular Registrable Securities when (a) a Registration Statement covering such Registrable Securities has been declared effective and such Registrable Securities have been disposed of in accordance with such effective Registration Statement, (b) written opinion(s), to the effect that such Registrable Securities may be sold without registration under the Securities Act or applicable state law and without restriction as to the volume and timing of such sale, shall have been received from counsel for the Company reasonably acceptable to the Holder of a majority of such Registrable Securities, (c) after five years from the date of this Agreement or (d) such Registrable Securities have been sold through a broker, dealer or underwriter in a public distribution or a public securities transaction in which the transferee receives a certificate without a restrictive legend.

SECTION 2.7. Rule 144. The Company shall file the reports required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations promulgated thereunder and so long as the Company is obligated to file periodic reports under the Securities Exchange Act, will take such further actions as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144. Upon the request of any Holder of Registrable Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

SECTION 2.8. Indemnification. In the event of any registration of any Registrable Securities under the Securities Act pursuant to this Agreement, the Company will, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, the seller of any Registrable Securities covered by such Registration Statement, its directors and officers or general and limited partners (and the directors and officers thereof) and each other person, if any, who controls such seller within the meaning of the Securities Act (each, a "Person"), against any and all losses, claims, damages or liabilities, joint or several, and expenses (including fees of counsel and any amounts paid in any settlement approved by the Company (which approval shall not be unreasonably withheld or delayed)) to which such Person may become subject under the Securities Act, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof), or expenses arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such securities were registered under the Securities Act or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary, final or summary Prospectus (together with the documents incorporated by reference therein or filed with the Commission in connection therewith) and any amendment thereof or supplement thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) any violation by the Company of any federal or state law, rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration, and the Company will reimburse such Person on demand for any legal or any other expenses incurred by it in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided that the Company shall not be liable to any such Person in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding, whether commenced or threatened, in respect thereof) or expense arises out of or is based upon (i) any untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or amendment thereof or supplement thereto or in any such preliminary, final or summary Prospectus in reliance upon and in conformity with information furnished to the Company in writing by or on behalf of any such seller or any such director, officer, general or limited partner, underwriter, independent underwriter, director or officer or partner of such underwriter or independent underwriter or controlling person, expressly for use in the preparation thereof or (ii) the failure of any such seller or any such director, officer, general or limited partner, underwriter, independent underwriter or controlling person, to comply with any legal requirement applicable to it to deliver a copy of a Prospectus or any supplements or amendments thereto after the Company has made such documents available to such Persons. Such indemnity and reimbursement of expenses shall remain in full force and effect following the transfer of such securities by such seller.

(a) The Company, as a condition to including any Registrable Securities in any Registration Statement filed in accordance with this Agreement, shall have received an undertaking reasonably satisfactory to it from the prospective seller of such Registrable Securities and any underwriter or independent underwriter, to indemnify and hold harmless (in

the same manner and to the same extent as set forth in paragraph (a) of this Section 2.8) the Company and its directors and officers and all other prospective sellers and their directors, officers, general and limited partners and respective controlling Persons (within the meaning of the Securities Act) with respect to any statement or alleged statement in or omission or alleged omission from such Registration Statement, any preliminary, final or summary Prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or information has been furnished in writing to the Company or its representative by or on behalf of such seller or underwriter expressly for use in the preparation of such Registration Statement, preliminary, final or summary Prospectus or amendment or supplement; provided, however, that the aggregate amount which any such seller or prospective seller shall be required to pay pursuant to such undertaking shall be limited to the amount of the net proceeds received by such Person upon the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such claim. Such indemnity shall remain in full force and effect following the transfer of such securities by such seller.

(b) As soon as possible after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 2.8, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 2.8, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party; provided that the indemnifying party shall not be entitled to so participate or so assume the defense if, in the indemnified party's reasonable judgment, a conflict of interest between the indemnified party and the indemnifying party exists or may exist in respect of such claim. After notice from the indemnifying party to such indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 2.8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof unless the indemnifying party has failed to assume the defense of such claim or to employ counsel reasonably satisfactory to such indemnified party; provided that the indemnified parties shall have the right to employ one counsel (in each case together with appropriate local counsel) (such counsel to be selected by the Holder of a majority of the Registrable Securities included in such registration) to represent such indemnified parties if, in such indemnified parties' reasonable judgment, a conflict of interest between the indemnified parties and the indemnifying parties exists or may exist in respect of such claim, and in that event the fees and expenses of such separate counsel shall be paid as incurred by the indemnifying party; and provided, further, that if, in the reasonable judgment of any of the indemnified parties, a conflict of interest between such indemnified parties, and any other indemnified parties exists in respect of such claim, such indemnified parties shall be entitled to additional counsel or counsels and the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimants or plaintiffs to such indemnified party of an unconditional release from all liability in respect to such claim or litigation. No indemnifying party will be liable for any settlement effected without its prior written consent, which consent will not be unreasonably withheld or delayed.

(c) Indemnification similar to that specified in the preceding paragraphs of this Section 2.8 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any state securities and "blue sky" laws.

(d) If the indemnification provided for in this Section 2.8 is unavailable or insufficient to hold harmless an indemnified party under Section 2.8(a) or (b) of this Agreement, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in Section 2.8(a) or (b) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand in connection with statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or other omission or alleged omission to state a material fact relates to information supplied by the indemnifying party

or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statements or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 2.8(d) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this Section 2.8(d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this Section 2.8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim (which shall be limited as provided in Section 2.8(c) if the indemnifying party has assumed the defense of any such action in accordance with the provisions thereof) which is the subject of this Section 2.8(d). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Promptly after receipt by an indemnified party under this Section 2.8(d) of notice of the commencement of any action against such party in respect of which a claim for contribution may be made against an indemnifying party under this Section 2.8(d), such indemnified party shall notify the indemnifying party in writing of the commencement thereof if the notice specified in Section 2.8(c) has not been given with respect to such action; provided that the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise under this Section 2.8(d), except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. Notwithstanding anything in this Section 2.8(d) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 2.8(d) to contribute any amount in excess of the proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate.

(e) The provisions of this Section 2.8 shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain in full force and effect following the transfer of the Registrable Securities by any such party.

ARTICLE III

CHANGES IN COMPANY COMMON STOCK

If, and as often as, there is any change in the Company Common Stock or of any other securities into which such Company Common Stock has been converted or changed or by way of a combination or reclassification, or through a merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof so that the rights and privileges granted hereby to the Holder shall continue with respect to the Registrable Securities as so changed.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Holder of the Registrable Securities as of the date of this Agreement as follows:

(a) Due Authorization. The execution, delivery and performance of this Agreement by the Company has been duly authorized by all requisite action.

(b) Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company.

(c) No Violation. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein by the Company do not violate any provision of law, any order of any court or other agency of government, any organizational document of the Company or any provision of any material indenture, agreement or other instrument to which the Company or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company which violation, conflict, breach or default or lien, charge, restriction or encumbrance would have a material adverse effect on the business, condition (financial or otherwise) or results of operations of the Company taken as a whole.

(d) Government Action. No action has been taken and no statute, rule or regulation or order has been enacted, no injunction, restraining order or order of any nature has been issued by a federal or state court of competent

jurisdiction and no action, suit or proceeding is pending against or affecting or threatened against, the Company before any court or arbitrator or any governmental body, agency or official which, if adversely determined, would in any manner draw into question the validity of this Agreement. Other than filings required with the Commission and under state securities laws, no action or approval by, or filing or registration with, any court or governmental agency or body is required for the consummation of the transactions contemplated by this Agreement by the Company.

ARTICLE V

BENEFITS OF AGREEMENT

The obligations of the Company under this Agreement shall inure to the benefit of, and be enforceable by, the Holder and its successors and assigns without any further action on the part of any party hereto.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. Notices. All notices, requests, consents and other communications provided for herein shall be in writing and shall be effective upon delivery in person, faxed or telecopied, or mailed by certified or registered mail, return receipt requested, postage pre-paid, addressed as follows:

(i) if to the Company, to Dynamic Materials Corporation, 551 Aspen Ridge Drive, Lafayette, Colorado 80026, Attention: Secretary, fax: (303) 604-1897; with a copy to John McCabe, Esq., Davis, Graham & Stubbs LLP, 4410 Arapahoe Avenue, Suite 200, Boulder, Colorado 80303, fax: (303) 893-1379;

(ii) if to the Holder or any other Holder of Registrable Securities, at such address as may have been furnished to the Company in writing by such Holder;

or, in any case, at such other address or addresses as shall have been furnished in writing to the Company (in the case of a Holder of Registrable Securities) or to the Holder of Registrable Securities (in the case of the Company) in accordance with the provisions of this paragraph.

SECTION 6.2. Waivers; Amendments. No failure or delay of any Holder of Registrable Securities or the Company in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of such Holder and the Company are cumulative and not exclusive of any rights or remedies which it would otherwise have. The provisions of this Agreement may be amended, modified or waived with (and only with) the written consent of the Company and a majority of the Holders of Registrable Securities outstanding (exclusive of Registrable Securities then owned by the Company or any subsidiary thereof). No notice or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. The foregoing notwithstanding, this Agreement may not be amended in a manner adverse to the rights of any Holder without the consent of such Holder.

SECTION 6.3. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to principles of conflicts of law.

SECTION 6.4. Survival of Agreements; Representations and Warranties, etc. All warranties, representations and covenants made by the Company herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Holder of Registrable Securities and shall continue in full force and effect so long as this Agreement is in effect regardless of any investigation made by such Holder. All statements in any such certificate or other instrument shall constitute representations and warranties hereunder.

SECTION 6.5. Covenants to Bind Successors and Assigns. All the covenants, stipulations, promises and agreements in this Agreement contained by or on behalf of the parties hereto shall bind their successors and assigns, whether so expressed or not.

SECTION 6.6. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or

unenforceable provisions.

SECTION 6.7. Section Headings. The section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

SECTION 6.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 6.9. Termination. The obligations of the Company to register the Registrable Securities hereunder shall terminate in accordance with the terms of this Agreement.

SECTION 6.10. Complete Agreement. This document and the documents referred to herein contain the complete agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way, and any other agreements or understandings as to securities registration or similar rights among the parties hereto are hereby terminated.

SECTION 6.11. No Inconsistent Agreements. The Company has not previously, and will not hereafter, enter into any agreement with respect to its securities with any person which grants such person rights that are inconsistent with or superior to the rights granted to the Holder in this Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first set forth above.

DYNAMIC MATERIALS CORPORATION

By: /s/ Joseph Allwein

Name: Joseph Allwein
Title: President

SNPE, Inc.

By: /s/ Bernard Fontana

Name: Bernard Fontana
Title: President

WITNESS
SNPE, S.A.

By: /s/ Michel Philippe

Name: Michel Philippe
Title: Senior Vice President of Financial and Legal Affairs

CONVERTIBLE SUBORDINATED NOTE

US $1,200,000 June 14, 2000
Denver, Colorado

FOR VALUE RECEIVED, the undersigned, DYNAMIC MATERIALS CORPORATION, a Delaware corporation (the "Company"), promises to pay to the order of SNPE, INC., a Delaware corporation (the "Holder"), at the office of the Holder located at 5 Vaughn Drive, Suite 111, Princeton, New Jersey 08540, on June 14, 2005, (the "Maturity Date") the principal amount of ONE MILLION TWO-HUNDRED THOUSAND U.S. DOLLARS (U.S. $1,200,000).

1. Interest. The Company promises to pay interest on the unpaid principal amount hereof at a rate of five percent (5%) per annum. The Company will pay interest quarterly in arrears on each March 30, June 30, September 30, and December 30 commencing June 30, 2000 and on the Maturity Date (whether as stated, by acceleration or otherwise). Interest on this Note will accrue from and including the most recent date to which interest has been paid or, if no interest has been paid, from and including the date of original issuance of this Note through but excluding the date on which interest is paid. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Upon the occurrence and during the continuation of an Event of Default (as defined in Section 5 hereof) and after the Maturity Date (whether as stated, by acceleration or otherwise) this Note shall bear interest on the unpaid principal amount hereof from time to time outstanding, payable on demand by the Holder and upon payment in full hereof, at a rate equal to 2% above the rate otherwise applicable pursuant to this Section 1.

2. Method of Payment. The Company will pay principal and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. The Company may, however, pay principal and interest by its check payable in such money by mail to the Holder's registered address.

3. Subordination.

(a) Note Subordinated to Senior Indebtedness. The Company agrees, and the Holder by acceptance hereof likewise agrees, that the payment of the principal of and interest on this Note is subordinated, to the extent and in the manner provided in this Section 3, to the prior payment in full of all Senior Indebtedness.

This Section 3 shall constitute a continuing offer to all persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Indebtedness, and such provisions are made for the benefit of the holders of Senior Indebtedness, and such holders are made obligees hereunder and they and/or each of them may enforce such provisions.

As used in this Note, "Senior Indebtedness" means the principal of and interest on the outstanding Indebtedness of the Company under (a) the Loan Agreement between Fayette County Industrial Development Authority and the Company dated as of September 1, 1998 (as amended to the date hereof, and as it may be further amended on and after the date hereof the "Loan Agreement") entered into in connection with the Fayette County Industrial Authority Multi-Mode Variable Rate Industrial Development Revenue Bonds, Series 1998 (Dynamic Materials Corporation Project) (the "Bonds"), and (b) the letter of credit in the original principal amount of $6,997,135.00 issued by KeyBank National Association ("KeyBank") in favor of the trustee for holders of the Bonds and the related Reimbursement Agreement dated as of September 1, 1998 between KeyBank and the Company (as amended by the First Amendment to Reimbursement Agreement dated June 14, 2000, the "Reimbursement Agreement") to secure payment of the Bonds.

As used in this Note, "Indebtedness" of any person means any indebtedness, contingent or otherwise, in respect of borrowed money, whether short-term or long-term and whether recourse or non-recourse, all obligations with respect to letters of credit and bankers' acceptances or evidenced by bonds, notes, debentures or similar instruments, and all obligations to pay the deferred purchase price of any property (except trade payables), and shall also include, to the extent not otherwise included, any capitalized lease obligations, indebtedness (recourse or nonrecourse) secured by a lien to which the property or assets owned or held by such person are subject, whether or not the obligations secured thereby shall have been assumed, guarantees of items that would be included within this definition, and obligations in respect of currency agreements, interest swap obligations, obligations to reimburse the issuer of any letters of credit and obligations with respect to royalty or other similar arrangements for purchase in exchange of assets and any and all deferrals, renewals, extensions or modifications of same.

(b) Company Not to Make Payments with Respect to Note in Certain Circumstances.

(i) Upon the occurrence of an Event of Default under, and as defined

in, the Loan Agreement or the Reimbursement Agreement in respect of any Senior Indebtedness by lapse of time, acceleration (unless waived) or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior

Indebtedness, before any payment is made on account of the principal of or interest on this Note.

(ii) In the event that, notwithstanding the provisions of this Section 3(b), the Company shall make any payment on account of the principal of or interest on this Note after the occurrence of an Event of Default in respect of the Senior Indebtedness under the Loan Agreement or the Reimbursement Agreement, then, unless and until such Event of Default shall have been cured or waived or shall have ceased to exist, such payment shall be held by the recipient thereof for the benefit of, and shall be paid forthwith over and delivered to, the holders of Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The Company shall give prompt written notice to the Holder of any default in the payment of principal of or interest on any Senior Indebtedness.

Until such time as the Senior Indebtedness has been paid in full, the Holder shall not exercise its right to accelerate the maturity of the outstanding loans to the Company or to terminate its commitments to provide financing to the Company under, that certain Credit Facility and Security Agreement dated as of June 14, 2000 unless the Holder has furnished to the holders of such Senior Indebtedness not less than three (3) days' prior written notice of its intent to do so.

(c) Note Subordinated to Prior Payment of All Senior Indebtedness on Dissolution, Liquidation or Reorganization of the Company. Upon any distribution of assets of the Company in any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(i) the holders of all Senior Indebtedness shall first be entitled to receive payments in full of the principal thereof, premium, if any, and interest due thereon before the Holder is entitled to receive any payment on account of the principal of or interest on this Note;

(ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holder would be entitled except for the provisions of this Section 3, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of this Note, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of the Senior Indebtedness or their representative, or to the trustee under any indenture under which Senior Indebtedness may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness; and

(iii) in the event that notwithstanding the foregoing provisions of this Section 3(c), any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of this Note, shall be received by the Holder on account of principal of or interest on this Note before all Senior Indebtedness is paid in full, or effective provision made for its payment, such payment or distribution (subject to the provisions of Section 3(f) and 3(g)) shall be received and held for and shall be paid over to the holders of the Senior Indebtedness remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which such Senior Indebtedness may have been issued (pro rata as provided in subsection (c)(ii) above), for application to the payment of such Senior Indebtedness until all such Senior Indebtedness shall have been paid in

full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness.

The Company shall give prompt written notice to the Holder of any dissolution, winding up, liquidation or reorganization of the Company.

(d) Holder to be Subrogated to Rights of Holders of Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness, the Holder shall be subrogated equally and ratably to the rights of the holders of the Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness until all amounts owing on

this Note shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of the Senior Indebtedness by or on behalf of the Company or by or on behalf of the Holder by virtue of this Section 3 which otherwise would have been made to the Holder shall, as between the Company, its creditors other than holders of the Senior Indebtedness and the Holder be deemed to be payment by the Company to or on account of the Senior Indebtedness, it being understood that the provisions of this Section 3 are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

(e) Obligation of the Company Unconditional. Nothing contained in this Section 3 or elsewhere in this Note is intended to or shall impair, as between the Company, its creditors other than holders of Senior Indebtedness and the Holder, the obligation of the Company, which is absolute and unconditional, to pay to the Holder the principal of and interest on this Note as and when the same shall become due and payable in accordance with its terms, or is intended to or shall affect the relative rights of the Holder and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein prevent the Holder from exercising all remedies otherwise permitted by applicable law upon default under this Note, subject to the rights, if any, under this Section 3 of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy. Upon any distribution of assets of the Company referred to in this Section 3, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Holder, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 3.

Nothing contained in this Section 3 or elsewhere in this Note is intended to or shall affect the obligation of the Company to make, or prevent the Company from making, at any time except during the pendency of any dissolution, winding up, liquidation or reorganization proceeding, and except during the continuance of any default specified in Section 3(b) (not cured or waived), payments at any time of the principal of or interest on this Note.

(f) Subordination Rights Not Impaired by Acts or Omissions of Company or Holders of Senior Indebtedness. No right of any present or future holders of any Senior Indebtedness to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good

faith, by any such holder, or by any noncompliance by the Company with the terms of this Note, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Senior Indebtedness may extend, renew, modify or amend the terms of the Senior Indebtedness or any security therefor and release, sell or exchange such security and otherwise deal freely with the Company, all without affecting the liabilities and obligations of the parties to this Note.

(g) Section 3 Not to Prevent Events of Default. The failure to make a payment on account of principal or interest by reason of any provision in this Section 3 shall not be construed as preventing the occurrence of an Event of Default under Section 5.

4. Conversion of Note.

(a) Conversion Privilege. Subject to and upon compliance with the provisions of this Section 4, at the option of the Holder, this Note may, at any time until and including Maturity, be converted, in whole or in part, at 100% of the principal amount hereof (or portion hereof), into fully paid and non-assessable shares of common stock, par value $0.05 per share, of the Company (the "Company Common Stock"), at the conversion price in effect at the Date of

Conversion (as hereinafter defined).

(b) Exercise of Conversion Privilege. In order to exercise the conversion privilege, the Holder shall surrender this Note to the Company at any time during usual business hours at its office accompanied by written notice that the Holder elects to convert this Note or a stated portion thereof. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Company Common Stock shall be issued. As promptly as practicable after the receipt of such notice and the surrender of this Note as aforesaid, the Company shall, subject to the provisions of Section 4(h), issue and deliver at such office or agency to the Holder, or on its written order, a certificate or certificates for the number of full shares of Company Common Stock issuable on such conversion in accordance with the provisions of this Section 4 and cash, as provided in Section 4(c), in respect of any fraction of a share of Company Common Stock otherwise issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date (herein called the "Date of Conversion") on which such notice shall have been received by the Company and this Note shall have been surrendered as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Company Common Stock shall be issuable upon such conversion shall be deemed to have become on the Date of Conversion the holder or holders of record of the shares represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the person or persons in whose name or

names the certificate or certificates for such shares are to be issued as the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open but such conversion shall nevertheless be at the conversion price in effect at the close of business on the date when this Note shall have been so surrendered with the conversion notice. In the case of conversion of a portion, but less than all, of this Note, the Company shall execute and deliver to the Holder, at the expense of the Company, a Note in the form hereof in the aggregate principal amount of the unconverted portion of this Note. Except as otherwise expressly provided in this Note, no payment or adjustment shall be made for interest accrued on this Note (or portion thereof) converted or for dividends or distributions on any Company Common Stock issued upon conversion of this Note.

(c) Fractional Interests. No fractions of shares or scrip representing fractions of shares shall be issued upon any conversion of this Note. If any fraction of a share of Company Common Stock would, except for the provisions of this Section 4(c) be issuable on the conversion of this Note, the Company shall make payment in lieu thereof in an amount of cash equal to the value of such fraction computed on the basis of the current market price of the Company Common Stock on the last business day prior to the Date of Conversion.

(d) Conversion Price. The conversion price per share of Company Common Stock issuable upon conversion of this Note shall initially be $6 (the "Conversion Price").

(e) Adjustment of Conversion Price. The Conversion Price shall be subject to adjustment from time to time as follows:

(i) In case the Company shall (1) pay a dividend or make a distribution in shares of Company Common Stock, (2) subdivide its outstanding shares of Company Common Stock into a greater number of shares or (3) combine its outstanding shares of Company Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such action shall be adjusted so that the Holder, as holder of the Note thereafter surrendered for conversion, shall be entitled to receive the number of shares of Company Common Stock which it would have owned immediately following such action had the Note been converted immediately prior thereto. An adjustment made pursuant to this subsection (i) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision or combination.

(ii) In case the Company shall issue rights or warrants to all holders of Company Common Stock

entitling them to subscribe for or purchase shares of Company Common Stock at a price per share less than the current market price per share (as determined pursuant to subsection (iv) below) of the Company Common Stock on the record date mentioned below, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which the numerator shall be the number of shares of Company Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares which the aggregate offering price of the total

number of shares so offered for subscription or purchase would purchase at such current market price, and of which the denominator shall be the number of shares of Company Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Company Common Stock which are so offered for subscription or purchase. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(iii) In case the Company shall distribute to substantially all holders of Company Common Stock evidences of indebtedness or other assets (other than cash dividends), or shall distribute to substantially all holders of Company Common Stock rights or warrants to subscribe for securities (other than those referred to in subsection (ii) above), then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (iv) below) of the Company Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value) of the portion of the assets so distributed or of such subscription rights or warrants applicable to one share of Company Common Stock, and of which the denominator shall be such current market price per share of the Company Common Stock. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution.

(iv) For the purpose of any computation under subsections (ii) and (iii) above, the current market price per share of Company Common Stock on any date

shall be deemed to be the average of the current market prices on the NASDAQ [National Association of Securities Dealers Automated Quotation System] for the 30 consecutive trading days commencing 45 trading days before the date in question.

(v) In any case in which this Section 4(e) shall require that an adjustment be made immediately following a record date, the Company may elect to defer the effectiveness of such adjustment (but in no event until a date later than the effective time of the event giving rise to such adjustment), in which case the Company shall, with respect to any conversion of this Note or any portion thereof after such record date and before such adjustment shall have become effective (A) defer paying any cash payment pursuant to Section 4(c) or issuing to the Holder the number of shares of Company Common Stock issuable upon such conversion in excess of the number of shares of Company Common Stock issuable thereupon only on the basis of the Conversion Price prior to adjustment, and (B) not later than five business days after such adjustment shall have become effective, pay to the Holder the appropriate cash payment pursuant to Section 4(c) and issue to the Holder the additional shares of Company Common Stock issuable on such conversion.

(vi) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least $.10 per share of Company Common Stock; provided, that any adjustments which by reason of this subsection (vi) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section 4(e) to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 4(e), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or distribution of other assets (other than cash dividends) hereafter made by the Company to its stockholders shall not be taxable.

(vii) Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly mail to the Holder an Officers' Certificate setting forth (A) the Conversion Price after such adjustment, (B) a calculation of the adjustment and (C) a brief statement of the facts requiring such adjustment.

(f) Continuation of Conversion Privilege in Case of Reclassification, Change, Merger, Consolidation or Sale of Assets. If any of the following shall occur, namely: (a) any reclassification or change of outstanding shares of Company Common Stock issuable upon conversion of this Note (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (b) any consolidation or merger to which the Company is a party other than a merger in which the Company

is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of the Company Common Stock or (c) any sale or conveyance of all or substantially all of the property or business of the Company as an entirety, then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Holder, a note in substantially the form hereof providing that such Holder shall have the right to convert such note into the kind and amount of shares of stock and other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by the holder of the number of shares of Company Common Stock issuable upon conversion of this Note immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such newly issued note shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property receivable thereupon by a holder of shares of Company Common Stock includes shares of stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such newly issued note shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the holder of this Note as the Board of Directors shall reasonably consider necessary, in good faith, by reason of the foregoing. The provisions of this Section 4 shall similarly apply to successive consolidations, mergers, sales or conveyances.

Notice of the execution of each such newly issued note shall be mailed to the Holder.

(g) Notice of Certain Events. In case:

(i) the Company shall declare a dividend (or any other distribution) payable to the holders of Company Common Stock otherwise than in cash; or

(ii) the Company shall authorize the granting to the holders of Company Common Stock of rights to

subscribe for or purchase any shares of stock of any class or of any other rights; or

(iii) the Company shall authorize any reclassification or change of the Company Common Stock (other than a subdivision or combination of its outstanding shares of Company Common Stock), or any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or the sale or conveyance of all or substantially all the property or business of the Company; or

(iv) there shall be proposed any voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, the Company shall cause to be mailed to the Holder, at least 20 days before the date hereinafter specified (or the earliest of the dates hereinafter specified, in the event that more than one date is specified), a notice stating the date on which (1) a record is expected to be taken for the purpose of such dividend, distribution or rights, or if a record is not to be taken, the date as of which the holders of Company Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (2) such reclassification, change, consolidation, merger, sale, conveyance, dissolution, liquidation or winding-up is expected to become effective and the date, if any is to be fixed, as of which it is expected that holders of Company Common Stock of record shall be entitled to exchange their shares of Company Common Stock for securities or other property deliverable upon such reclassification, change, consolidation, merger, sale, conveyance, dissolution, liquidation or winding-up.

(h) Taxes on Conversion. The Company will pay any and all documentary, stamp or similar taxes payable to the United States of America or any political subdivision or taxing authority thereof or therein in respect of the issue or delivery of shares of Company Common Stock on conversion of this Note pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Company Common Stock in a name other than that of the Holder and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid. The Company extends no protection with respect to any other taxes imposed in connection with conversion of this Note.

(i) Company to Provide Stock. The Company shall reserve, free from pre-emptive rights, out of its authorized but unissued shares, sufficient shares to provide for the conversion of this Note, provided, that nothing contained herein shall be

construed to preclude the Company from satisfying its obligations in respect of the conversion of this Note by delivery of repurchased shares of Company Common Stock which are held in the treasury of the Company.

If any shares of Company Common Stock to be reserved for the purpose of conversion of the Note hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be validly issued or delivered upon conversion, then the Company covenants that it will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be, provided, however, that nothing in this Section 4(i) shall be deemed to affect in any way the obligations of the Company to convert this Note into Company Common Stock as provided in this Section 4.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the Company Common Stock, the Company will take all corporate action which may, in the opinion of counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of Company Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Company Common Stock which may be issued upon conversion of this Note will upon issuance be fully paid and non-assessable by the Company.

5. Defaults and Remedies.

In the case of the happening of any of the following events (each such event an, "Event of Default"):

(a) the payment of the principal of, or interest on, this Note is not paid within five business days of the date the same shall become due and payable, whether on the Maturity Date, at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(b) default shall be made with respect to any evidence of Indebtedness or liability for borrowed money of the Company (other than this Note) if the effect of such default is to accelerate the maturity of such Indebtedness or liability or to permit the holder or obligee thereof to cause any Indebtedness to become due prior to its stated maturity, or any such Indebtedness shall not be paid as and when due and payable;

(c) (i) the Company shall commence a voluntary case under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto or any similar state law for the relief of debtors (each, a "Bankruptcy Law"); (ii) any case, proceeding or other action against the Company or any guarantor of the Company's obligations hereunder shall be commenced seeking to have an order for relief

entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any Bankruptcy Law or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (A) results in the entry of an order for relief against it which is not controverted within 10 days after the entry thereof or (B) shall remain undismissed for a period of 60 days; (iii) the Company shall be adjudicated a bankrupt or insolvent by, or any order for relief under any Bankruptcy Law shall be granted by, a court of competent jurisdiction; (iv) the Company shall make a general assignment for the benefit of creditors; or (v) any corporate action shall be taken by the Company to effect any of the foregoing;

(d) one or more judgments or decrees is entered against the Company (involving a liability of $50,000 or more) or any attachment, levy or restraining notice against its property for an amount of $50,000 or more (in either case, in excess of the amount covered by insurance as to which the insurance company has acknowledged coverage) which remains unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 30 days;

then, and in any such Event of Default, and at any time thereafter during the continuation of such Event of Default, the Holder by written notice to the Company may declare this Note to be forthwith due and payable, whereupon this Note shall become forthwith due and payable, both as to principal and interest, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. Notwithstanding the foregoing, payment of principal of and interest on this Note to the Holder upon such declaration shall remain subject to the subordination provisions herein contained.

6. Prepayment.

The Company reserves the right to repay in whole or in part the principal of and accrued interest on this Note without premium or penalty at any time beginning on or after the date hereof and prior to the maturity hereof.

7. Assignment.

Whenever used in this Note, the term "the Holder" shall be deemed to include the respective successors and assignees of the Holder. Except as set forth below, each of the Company and the Holder agrees that it will not assign or negotiate its obligations or rights hereunder without the prior written consent of the other party hereto and any assignment or negotiation shall be void unless so consented to. Subject to the foregoing, this Note shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns. Notwithstanding the foregoing, the Holder may assign

this Note without the consent of the Company to an affiliate of Holder. For purposes of the foregoing, the term "affiliate" means any person controlling, controlled by or under common control with Holder.

8. Severability.

In the event any one or more of the provisions of this Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

9. Amendment.

This Note may not be changed, amended or modified except by agreement in writing signed by each of the Company and Holder.

10. GOVERNING LAW.

THE PROVISIONS OF THIS NOTE SHALL BE CONSTRUED AND INTERPRETED AND ALL RIGHTS AND OBLIGATIONS HEREUNDER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF.

11. Headings.

The section headings in this Note are for convenience only and are not intended to effect the construction of the provisions of this Note.

IN WITNESS WHEREOF, the Company has caused this Convertible Subordinated Note to be executed on the date first written above.

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard A. Santa

Name: Richard A. Santa
Title: Vice President-Finance,
Chief Financial Officer

FIRST AMENDMENT TO RIGHTS AGREEMENT

This FIRST AMENDMENT TO RIGHTS AGREEMENT, dated as of June 13, 2000, between DYNAMIC MATERIALS CORPORATION, a Delaware corporation (the "Company"), and HARRIS TRUST & SAVINGS BANK, an Illinois banking corporation, as rights agent (the "Rights Agent") (the Company and the Rights Agent are herein collectively referred to as the "Parties").

RECITALS

The Company and the Rights Agent are parties to that certain Rights Agreement, dated as of January 8, 1999 (the "Rights Agreement").

The Company and SNPE, Inc., a Delaware corporation ("SNPE"), are parties to that certain Stock Purchase Agreement, dated as of January 20, 2000 (the "Stock Purchase Agreement"), under which (i) SNPE has agreed to purchase and the Company has agreed to sell 2,109,091 shares of the Company's common stock and (ii) the Company has agreed to issue a promissory note to the order of SNPE in the amount of $1,200,000, which note is convertible into shares of the Company's common stock.

Pursuant to Section 7.8 of the Stock Purchase Agreement, the Company has agreed to amend the Rights Agreement to provide that the transactions contemplated by the Stock Purchase Agreement and other acquisitions of the Company's common stock contemplated by the Stock Purchase Agreement will not cause the Rights (as defined in the Rights Agreement) to become exercisable.

Pursuant to Section 27 of the Rights Agreement, the Company has delivered to the Rights Agent a certificate executed by an appropriate officer of the Company stating that this Amendment is in compliance with the terms thereof, and the Rights Agent has determined that it will not require the delivery of an opinion of counsel as set forth in the penultimate sentence of Section 27, prior to granting its consent to this Amendment.

Pursuant to the authority granted under Section 27 of the Rights Agreement, the Parties agree to amend the Rights Agreement as set forth hereinbelow.

AGREEMENT

In consideration of the premises and covenants herein contained and for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Acquiring Person. Section 1(a) of the Rights Agreement is hereby amended as follows:

A. A new Section 1(a)(ii) is added as follows:

(ii) SNPE, Inc., a Delaware corporation ("SNPE") (and any successor thereto, but no purchaser or assignee thereof or purchaser or assignee of any Common Shares of the Company held by SNPE), with regard to (v) the Common Shares of the Company owned by SNPE immediately prior to the closing of the Stock Purchase Agreement, (w) 2,109,091 Common Shares of the Company issued to SNPE pursuant to the Stock Purchase Agreement, (x) the convertible subordinated note pursuant to the Stock Purchase Agreement made by the Company to the order of SNPE, dated as of June 14, 2000 (the "Note"), which Note is convertible into 200,000 Common Shares of the Company at a conversion price of $6.00 per share, subject to adjustment, (y) the issuance of Common Shares of the Company pursuant to the conversion of the Note, and (z) the purchase of any Common Shares of the Company by SNPE that SNPE deems necessary to maintain SNPE's Beneficial Ownership of the Common Shares in an amount not less than 50.1% of the Common Shares of the Company then outstanding (excluding for purposes of such calculation the number of Common Shares of the Company which SNPE shall be entitled to receive upon conversion of the Note), (shares acquired by SNPE as described in subparagraphs (v), (w), (x), (y) and (z) above being referred to collectively as the "Permitted Shares"). Notwithstanding the foregoing, SNPE shall not become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by SNPE to more than 50.1% of the Common Shares of the Company then outstanding; provided, however, that if SNPE shall become the Beneficial Owner of 50.1% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company, and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company other than Permitted Shares, then SNPE shall be deemed an "Acquiring Person." If the Board of Directors of the Company determines in good faith that SNPE has inadvertently acquired Common Shares of the Company in excess of the Permitted Shares and if SNPE divests itself as promptly as practical of beneficial ownership of a sufficient number of Common Shares so

that SNPE would no longer be an Acquiring Person, then SNPE shall not be deemed to have become an Acquiring Person for any purpose in this Agreement.

B. The subsection currently numbered Section 1(a)(ii) is hereby renumbered as subsection Section 1(a)(iii), and all references thereto are changed accordingly.

2. Distribution Date. Section 3(a) of the Rights Agreement is hereby amended as follows:

A. Each reference in Section 3(a) of the Rights Agreement to "an Exempt Person or Heartland" shall be deleted and replaced with the following: "an Exempt Person, Heartland, or SNPE."

B. Section 3(a)(iii) is hereby deleted in its entirety. The comma after the term "Acquisition Date" at the end of Section 3(a)(i) is hereby deleted and replaced with the word "or," and the word "or" at the end of Section 3(a)(ii) is deleted and replaced with a period after the phrase "then outstanding."

3. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this First Amendment to Rights Agreement as of the date first written above.

DYNAMIC MATERIALS CORPORATION,
a Delaware corporation

By: /s/ Joseph P. Allwein

Name: Joseph P. Allwein
Title: President

HARRIS TRUST & SAVINGS BANK,
an Illinois banking corporation,
as Rights Agent

By: /s/ Bernetta Young-Gray

Name: Bernetta Young-Gray
Title: Trust Officer

CREDIT FACILITY

AND SECURITY AGREEMENT

between

SNPE, INC., as lender,

and

DYNAMIC MATERIALS CORPORATION, as borrower

dated as of June 14, 2000

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CREDIT FACILITY AND SECURITY AGREEMENT

THIS AGREEMENT is made by and between the Company (as herein defined), as borrower, and SNPE (as herein defined), as lender, as of June 14, 2000.

WHEREAS, the Company and KeyBank National Association, a national banking association (the "Bank"), entered into an Amended and Restated Credit Facility and Security Agreement dated as of November 30, 1998 which, as amended by that certain First Amendment to Amended and Restated Credit Facility and Security Agreement (the "First Amendment") dated December 31, 1998 (the First Amendment and the Amended and Restated Credit Facility and Security Agreement shall be hereinafter collectively referred to as the "Credit Agreement"), provided for loans up to Fourteen Million Dollars ($14,000,000) (the "Loans"), consisting of an Acquisition Line with a maximum credit limit of Five Million Seven Hundred Thousand Dollars ($5,700,000) (the "Acquisition Line"), an Accommodation Line with a maximum credit limit of Two Million Three Hundred Thousand Dollars ($2,300,000) (the "Accommodation Line"), and a Working Capital Credit Line with a maximum credit limit of Six Million Dollars ($6,000,000) (the "Working Capital Line"). The Acquisition Line, Accommodation Line and Working Capital Line are secured, in part, by the Company's eligible accounts receivable and inventory; and

WHEREAS, on or about October 15, 1999, the Bank and the Company entered into a Deferral and Waiver Agreement, pursuant to which Lender agreed, conditioned upon certain undertakings and covenants of the Company, to waive certain financial covenant violations and to defer certain principal payments under the Loans to December 30, 1999; and

WHEREAS, on or about December 30, 1999, the Bank and the Company executed a First Amendment to Deferral and Waiver Agreement (the "First Waiver"), and on or about March 27, 2000, the Bank and the Company executed a Second Amendment to Deferral and Waiver Agreement (the "Second Waiver"), and on or about May 2, 2000, the Bank and the Company executed a Third Amendment to Deferral and Waiver Agreement (the "Third Waiver") pursuant to which the Bank agreed, conditioned upon certain undertakings and covenants of the Company, to further waive certain financial covenant violations and to further defer certain principal payments under the Loans to March 30, 2000 with respect to the First Waiver and to the earlier of (i) May 15, 2000 and (ii) the closing of the Stock Purchase Agreement (as defined below) with respect to the Second Waiver and to the earlier of (i) June 30, 2000 and (ii) the closing of the Stock Purchase Agreement with respect to the Third Waiver; and

WHEREAS, on or about January 20, 2000, the Company and SNPE, Inc., a Delaware corporation ("SNPE"), entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), pursuant to which SNPE will purchase on June 14, 2000, (i) approximately 2,100,000 shares of the stock of the Company for approximately Five Million Eight Hundred Thousand Dollars ($5,800,000), resulting in SNPE having an ownership interest equal to approximately a fifty and eight-tenths percent (50.8%) in the Company and (ii) a One Million Two Hundred Thousand Dollar ($1,200,000) subordinated note convertible into Company stock (collectively, the "Acquisition");

WHEREAS, in addition to the Credit Agreement, the Company and the Bank entered into a Reimbursement Agreement dated as of September 1, 1998 (the "Reimbursement Agreement") pursuant to which the Bank agreed to issue a letter of credit in favor of the trustee to secure payment of certain Fayette County Industrial Development Authority Multi-Mode Variable Rate Industrial Revenue Bonds, Series 1998 (Dynamic Materials Corporation Project), to permit the construction of certain facilities of the Company related to its Bonding Division; and

WHEREAS, the obligations of the Company to the Bank under the Reimbursement Agreement were cross-collateralized and cross-defaulted with its obligations to the Bank under the Credit Agreement; and

WHEREAS, the Company has agreed to use the majority of the proceeds from the Acquisition, together with proceeds from the Loans to be made hereunder, to repay the outstanding loans of the Bank under the Credit Facility, and has requested that SNPE provide to it short-term financing pending the entry with another commercial lender into a longer-term credit relationship on mutually agreeable terms; and

WHEREAS, the Bank has agreed to release and/or modify certain of the collateral securing the loans under the Credit Facility and to amend the Reimbursement Agreement;

NOW THEREFORE, in consideration of the covenants and agreements contained herein, the Company and SNPE hereby mutually agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. General. Any accounting term used but not specifically defined herein shall be construed in accordance with GAAP. The definition of each

agreement, document, and instrument set forth in Section 1.2 hereof shall be deemed to mean and include such agreement, document, or instrument as amended, restated, or modified from time to time.

Section 1.2. Defined Terms. As used in this Agreement:

"Account" shall mean (a) any account as defined in the UCC, and (b) any right to payment for Goods sold or leased or for services rendered which is not evidenced by an Instrument or Chattel Paper, whether or not it has been earned.

"Account Debtor" shall mean the Person who is obligated on an Account Receivable.

"Account Receivable" shall mean:

(a) any account receivable, Account, Chattel Paper, Contract Right, General Intangible Document, or Instrument owned, acquired, or received by a Person,

(b) any other indebtedness owed to or receivable owned, acquired, or received by a Person of whatever kind and however evidenced, and

(c) any right, title, and interest in a Person's Goods which were sold, leased, or furnished by that Person and gave rise to either (a) or (b) above, or both of them, including, without limitation (i) any rights of stoppage in transit of a Person's sold, leased, or furnished Goods, (ii) any rights to reclaim a Person's sold, leased, or furnished Goods, and (iii) any rights a Person has in such sold, leased, or furnished Goods that have been returned.

"Affiliate" shall mean, with respect to a specified Person, any other Person: (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with such Person, (b) which beneficially owns or holds with power to vote five percent (5 %) or more of any class of the voting stock of such Person, (c) five percent or more of the voting stock of which other Person is beneficially owned or held by such Person, or (d) who is an officer or director of such Person.

"Acquisition" shall have the meaning set forth in the recitals hereto.

"Applicable Federal Funds Rate" means the Federal Funds Rate calculated as of the first Business Day following each March 31, June 30, September 30, and December 31 (each, a "Determination Date"), which shall be used in calculating any interest due under this Agreement until the next Determination Date.

"Bonding Division" means the business unit of the Company engaged in the manufacture of explosion bonded clad metal products primarily for the petrochemical and chemical processing industries referred to as the "Explosive Metal Working Group", "Explosive Manufacturing", "Metal Cladding", or "Shock Synthesis" in the Company's annual report on form 10-K filed on March 30, 2000 for the period ended December 31, 1999.

"Borrower" shall mean the Company.

"Business Condition" shall mean the financial condition, business and assets of a Person.

"Business Day" shall mean a day other than Saturday, Sunday or any other day on which commercial banks are required or authorized to close by law in the State of Colorado or the State of New Jersey.

"Capital Expenditures" shall mean any and all amounts invested, expended or incurred by a Person in respect of the purchase, improvement renovation or expansion of any land and depreciable or amortizable property of such Person (including expenditures required to be capitalized in accordance with GAAP but excluding expenditures relating to the Company's Pennsylvania Industrial Development Revenue Bond Project).

"Cash Collateral Account" shall mean a commercial Deposit Account designated "cash collateral account" and which SNPE may, upon not less than 30 days' written notice to the Company, request the Company to establish in favor of SNPE at a designated commercial bank, from which account SNPE shall have the exclusive right to withdraw funds until all Obligations are paid, performed, satisfied, enforced, and observed in full.

"Cash Security" shall mean all cash, Instruments, Deposit Accounts, and other cash equivalents, whether matured or unmatured, whether collected or in the process of collection, upon which Company presently has or may hereafter have any claim, that are presently or may hereafter be existing or maintained with, issued by, drawn upon, or in the possession of Bank.

"Chattel Paper" shall mean "chattel paper" as defined in the UCC.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning described in Section 3.1 hereof.

"Commonly Controlled Entity" shall mean a Person, whether or not incorporated, which is under common control with the Company within the meaning of Section 414(b) or (c) of the Code.

"Company" shall mean Dynamic Materials Corporation, a Delaware corporation, with its principal office located at 551 Aspen Ridge Dr., Lafayette, Colorado 80026, and its successors.

"Contract Right" shall mean (a) any contract right, and (b) any right to payment under a contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper.

"Convertible Subordinated Note" shall mean that certain note in the aggregate principal amount of One Million Two Hundred Thousand Dollars ($1,200,000) executed by the Company in favor of SNPE, a copy of which is attached to the Stock Purchase Agreement.

"Credit Limit" shall mean Three Million and Five Hundred Thousand Dollars ($3,500,000), as provided in Section 2.1.

"Credit Loan" shall mean a revolving Loan described in Section 2.1(b) of this Agreement.

"Deposit Account" shall mean (a) any deposit account, and (b) any demand, time, savings, passbook, or a similar account maintained with a bank, savings and loan association, credit union, or similar organization, other than an account evidenced by a certificate of deposit.

"Disclosure Schedules" shall mean the disclosure schedules attached to and made a part of the Stock Purchase Agreement.

"Document" shall mean (a) any document, (b) any document of title, including a bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of Goods, and any other document which in the regular course of business or financing is treated as adequately evidencing that the Person in possession of it is entitled to receive, hold, and dispose of the document and the Goods it covers, and (c) any receipt covering Goods stored under a statute requiring a bond against withdrawal or a license for the issuance of receipts in the nature of warehouse receipts even though issued by a Person who is the owner of the Goods and is not a warehouseman.

"Environmental Law" shall mean any federal, state, or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability upon a Person in connection with the use, release or disposal of any hazardous toxic or dangerous substance, waste or material.

"Equipment" shall mean "equipment" (as defined in the UCC) and fixtures (as defined in the UCC) including, without limitation, all machinery, equipment, furniture, furnishings, fixtures, and packaging production equipment, parts, material handling, supplies, and motor vehicles (titled or untitled) of every kind and description, now or hereafter owned by the Company.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" shall mean any one or more of the occurrences described in ARTICLE IX hereof.

"Federal Funds Rate" shall mean for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day.

"GAAP" shall mean generally accepted accounting principles as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, consistently applied.

"General Intangible" shall mean (a) any "general intangible" (as defined in the UCC), and (b) any personal property (including things in action) other than Goods, Accounts, Contract Rights, Chattel Paper, Documents, Instruments, and money.

"Goods" shall mean (a) any "goods" (as defined in the UCC), and (b) all things which are movable at the time the security interest granted to SNPE under the Agreement attaches or which are fixtures but does not include money, Instruments, Documents, Accounts, Chattel Paper, General Intangibles, or Contract Rights.

"Hazardous Materials" shall mean any substance or material defined or designated as a hazardous or toxic waste, hazardous or toxic material, hazardous

or toxic substance, or other similar term, by any United States federal, state or local environmental statute, regulation or ordinance.

"Indebtedness" shall mean for any Person (i) all obligations to repay borrowed money, direct or indirect, incurred, assumed, or guaranteed, (ii) all obligations for the deferred purchase price of capital assets excluding trade payables, (iii) all obligations under conditional sales or other title retention agreements, and (iv) all lease obligations which have been or should be capitalized on the books of such Person.

"Instrument" shall mean "instruments" (as defined in the UCC).

"Inventory" shall mean all "inventory" (as defined in the UCC) now owned or hereafter acquired by the Company, including, without limitation, all Goods, merchandise, work-in-process, raw materials, finished Goods, and inventory held for lease to other Persons; all other materials, supplies, and tangible personal property of any kind, nature, or description held for sale or lease or for display or demonstration; and all documents of title or other Documents pertaining thereto, and all proceeds of the foregoing.

"Letter of Credit Loan" shall mean the loan to Company from Bank, in the original principal amount of $6,997,135, subject to reduction upon payments by the Company to the Bank, evidenced by the issuance of a letter of credit to provide a credit enhancement for bond financing and which loan is secured by a lien on certain assets relating to the Company's Bonding Division located at Mount Braddock and Dunbar, Pennsylvania.

"Lien" shall mean any mortgage, security interest, lien, charge, encumbrance on, pledge or deposit of, or conditional sale or other title retention agreement with respect to any property or asset.

"Loan" or "Loans" shall mean any of the loan advances to the Company extended by SNPE in accordance with ARTICLE II hereof.

"Loan Documents" shall mean this Agreement, the Note and any other documents relating thereto.

"Margin Stock" shall have the meaning given to it under Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time.

"Material Adverse Effect" shall mean material adverse effect on (i) the ability of the Company and any Subsidiaries taken as a whole to fulfill their obligations under any of the Loan Documents or (ii) the Business Condition of the Company and any Subsidiaries taken as a whole.

"Material Agreements" shall mean any agreement to which the Company is a party which provides for the receipt or expenditure by the Company or any Subsidiary of more than $500,000.00 in any 12-month period other than sales orders in the ordinary course of business.

"Maturity Date" shall mean June 30, 2001.

"Multiemployer Plan" shall mean a Plan described in ERISA which covers employees of the Company and employees of any other Person, which together would be treated as a single employer for purposes of ERISA.

"Note" shall mean the promissory note of the Company in substantially the form of Exhibit A hereto.

"Obligations" shall mean any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred, or executed by Company to, in favor of, or with SNPE.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to subtitle A of Title IV or ERISA.

"Penalty Rate" shall have the meaning assigned to it in Section 2.3(b).

"Permitted Investment" shall mean the Company's:

(a) investments existing on the date hereof as disclosed in the Disclosure Schedule;

(b) extensions of credit in the nature of Accounts Receivable, or notes receivable arising from the Company's sale or lease of goods or services in the ordinary course of business;

(c) investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(d) investments (excluding debt obligations) received in connection with the bankruptcy or reorganization of the Company's customers or suppliers and in

settlement of delinquent obligations of, and other disputes with, such customers or suppliers arising, form transactions in the ordinary course of business;

(e) investments consisting of (i) compensation of Company employees, officers or directors so long as the Company's Board of Directors lawfully determines that such compensation is in the Company's best interest, (ii) travel advances, employee relocation loans and other employee loans and advances lawfully made in the ordinary course of business, and (iii) loans lawfully made to Company's employees, officers or directors relating to the purchase of equity securities of Company;

(f) investments in marketable U.S. Treasury and Agency obligations;

(g) investments in certificates of deposit and bankers' acceptances issued or created by any domestic commercial bank;

(h) investments in instruments issued or enhanced by a member bank of the Federal Reserve System;

(i) investments in debt obligations issued by a corporation, or state or municipal entity rated Bb or better in accordance with a rating system employed by either Moody's Investor's Service, Inc. or Standard & Poor's Corporation;

(j) investments that have been approved in writing by SNPE; or

(k) investments of types not enumerated in subparts (a) through (i) aggregating not in excess of $500,000.

"Permitted Lien" shall mean the following:

(a) Liens existing as of the date of this Agreement and disclosed in the Disclosure Schedule;

(b) Liens for taxes or governmental assessments, charges, or levies the payment of which is not at the time required by any provision of this Agreement or any other Loan Document unless such Liens are not delinquent or are being contested in good faith by appropriate proceedings;

(c) Liens that secure the Company's Indebtedness for the purchase price of any real or personal property and that only encumber the property purchased, improvements or accessions thereto, and proceeds thereof;

(d) Liens securing capital lease obligations;

(e) Liens on Equipment leased by the Company pursuant to an operating lease in the ordinary course of business (including proceeds thereof and accessions thereto) incurred solely for the purpose of financing the lease of such Equipment (including Liens arising from UCC financing statements regarding leases permitted by this provision);

(f) Easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and other similar Liens affecting real property not interfering in any material respect with the ordinary conduct of the business of the Company;

(g) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of Goods;

(h) Liens imposed by law, such as Liens of landlords, carriers, warehousemen, mechanics, and materialmen arising in the ordinary course of business for sums not yet due or being contested by appropriate proceedings promptly initiated and diligently conducted, provided the Company has set aside proper amounts, determined in accordance with GAAP, for the payment of all such Liens;

(i) Liens incurred or deposits made in the ordinary course of business in conjunction with worker's compensation, unemployment insurance, and other types of social security, or to secure the performance of tenders, statutory obligations, and surety and appeal bonds, or to secure the performance and return of money bonds and other similar obligations, but excluding Indebtedness;

(j) Liens in respect of judgments or awards with respect to which the Company shall, in good faith, be prosecuting an appeal or proceeding for review and with respect to which a stay of execution upon such appeal or proceeding for review shall have been obtained;

(k) Liens in favor of the Bank pursuant to the Letter of Credit Loan;

(l) Liens approved in writing by SNPE; and

(m) Liens incurred in connection with the extension, renewal, refunding, refinancing, modification, amendment or restatement of Indebtedness secured by Liens of the type described in clauses (a), (c), (d) and (k) above, provided that any extension, renewal or replacement Lien shall be limited to the property

encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

"Person" shall mean any natural person, corporation (which shall be deemed to include business trust), association, limited liability company, partnership, joint venture, political entity, or political subdivision thereof.

"Plan" shall mean any plan (other than a Multiemployer Plan) defined in ERISA in which the Company or any Subsidiary is, or has been at any time during the preceding two (2) years, an "employer" or a "substantial employer" as such terms are defined in ERISA.

"Proceeds" means any "proceeds" (as defined in the UCC).

"Related Expenses" means any and all reasonable costs, liabilities, and expenses (including without limitation, losses, damages, penalties, claims, actions, reasonable attorney's fees, legal expenses, judgments, suits, and disbursements) incurred by, imposed upon, or asserted against, SNPE in any attempt by SNPE:

(a) to obtain, preserve, perfect, or enforce any security interest evidenced by (i) the Agreement, or (ii) any other pledge agreement, mortgage deed, deed of trust, hypothecation agreement, guaranty, security agreement, assignment, or security instrument executed or given by Company to or in favor of SNPE;

(b) to obtain payment, performance, and observance of any and all of the Obligations;

(c) to maintain, insure, audit, collect, preserve, repossess, and dispose of any of the Collateral; or

(d) any such expenses incidental or related to subparts (a) through (c) above.

"Reportable Event" shall have the meaning assigned to that term in Section 4043 of ERISA for which the requirement of 30 days' notice to the PBGC has not been waived by the PBGC.

"Single Employer Plan" shall mean any Plan as defined in Section 4001(a)(15) of ERISA.

"Subordinated Debt" shall mean Indebtedness of a Person which is subordinated (i) to the Obligations, and (ii) in a manner satisfactory to the Bank, to the Company's obligations under the Letter of Credit Loan, including, but not limited to, the Convertible Subordinated Note.

"Subsidiary" shall mean any Person of which more than fifty percent (50%) of (i) the voting stock entitling the holders thereof to elect a majority of the Board of Directors, managers, or trustees thereof, or (ii) the interest in the capital or profits of such Person, which at the time is owned or controlled, directly or indirectly, by the Company or one or more other Subsidiaries.

"UCC" shall mean the Uniform Commercial Code in effect in the State of New York from time to time.

The foregoing definitions shall be applicable to the singulars and plurals of the foregoing defined terms. All accounting and financial terms used in this Section and in this Agreement and not otherwise defined shall be determined in accordance with GAAP consistently applied.

ARTICLE II

CREDIT FACILITIES

Section 2.1. Amount and Terms of the Credit Facility.

Working Capital Line. SNPE hereby agrees, subject to the terms and conditions of this Agreement, to make advances available to the Company from time to time on and after the date of this Agreement through and including the Maturity Date, in an aggregate principal amount not to exceed $3,500,000; provided, however, that SNPE agrees to increase the maximum amount available to not more than $4,500,000 subject to (i) receipt of a written request by DMC made not less than five Business Days prior to the date on which DMC anticipates needing the additional funds, which request shall contain a detailed description of the use of proceeds for such additional loans, and (ii) receipt by DMC of written approval of such increase by SNPE. Subject to Sections 2.5 and 2.6 below, until the Maturity Date, the Company may borrow, repay, and reborrow the Loans up to the maximum amount thereof.

Section 2.2. Loan Evidenced by Note. The Loans made hereunder shall be evidenced by the Note, attached to which shall be attached a ledger reflecting the principal amount of all advances outstanding and all amounts repaid. The ledger shall be presumptive evidence of the principal owing and unpaid on such Note.

Section 2.3. Interest Rates.

(a) The Company shall pay interest on the unpaid principal amount of each Loan made by SNPE hereunder from the date of such Loan until such principal amount shall be paid in full, at the Applicable Federal Funds Rate plus 1.5%.

(b) Upon the occurrence of any Event of Default and so long as such Event of Default is continuing (excepting therefrom an Event of Default created by the Company's failure to deliver its financial statements in accordance with Section 8.1 of this Agreement), the unpaid principal amount of the Loans, and accrued interest thereon, or any fees or any and other sum payable hereunder, shall thereafter until paid in full bear interest at a rate per annum equal to the Applicable Federal Funds Rate plus 6% (the "Penalty Rate").

Section 2.4. Interest Payments. The Company shall pay to SNPE quarterly interest on the unpaid principal balance of the Loans on March 31, June 30, September 30 and December 31 of each year (with the first interest payment being due on September 30, 2000). On the Maturity Date, all amounts of accrued and unpaid interest shall be immediately due and payable.

Section 2.5. Principal Payments.

(a) Commencing October 1, 2000, outstanding Loans shall be repaid by DMC on demand on not less than 90 days' prior written notice by SNPE.

(b) On the Maturity Date, all amounts of principal outstanding hereunder shall be immediately due and payable.

Section 2.6. Prepayment.

(c) Voluntary Prepayment. The Company may prepay any Loan in whole, or in part, at any time or times.

(d) Prepayment Upon Significant Sale of Assets. Without notice or demand, if the Company sells, leases, transfers or otherwise disposes of any plant or any manufacturing facility or other assets in any transaction or series of transactions involving, in the aggregate, an amount exceeding Three Million Dollars ($3,000,000) then, at the request of SNPE, the Company shall immediately prepay the Loans in the full amount of the consideration (whether cash or otherwise) received by the Company in respect of such sale.

Section 2.7. Fees. The Company shall pay to SNPE a commitment fee of Ten Thousand Dollars ($10,000) upon the execution of this Agreement.

Section 2.8. Computation of Interest and Fees. Interest on Loans and unpaid fees, if any, shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed.

ARTICLE III

SECURITY AGREEMENT

Section 3.1. Grant of Security Interest. To secure the prompt payment and performance of the Obligations, and in addition to any other collateral or Liens securing the Obligations, the Company hereby grants to SNPE a continuing security interest in and to and a pledge of all of the tangible and intangible personal property and assets of the Company not required in connection with or otherwise used, produced by or resulting from the operations of the Bonding Division, whether now owned or existing or hereafter acquired or arising and wheresoever located including, without limitation (a) all Accounts Receivable, (b) all Inventory, (c) all Equipment, (d) all General Intangibles, (e) all Cash Security, (f) all Instruments, Documents, documents of title, policies and certificates of insurance, securities, Goods, choses in action, Chattel Paper, cash or other property, to the extent owned by the Company or in which the Company has an interest, (g) all personal property or assets owned by the Company which now or hereafter is at any time in the possession or control of SNPE or in transit by mail or carrier to or from SNPE or in the possession of any Person acting in SNPE's behalf, without regard to whether SNPE received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether SNPE had conditionally released the same, and any and all balances, sums, proceeds and credits of the Company with, and any claims of the Company against, SNPE, (h) all accessions to, substitutions for, and all replacements, products and Proceeds, profits and rents of the herein above-referenced property of the Company described in this Section including, but not limited to, proceeds of insurance policies insuring such property, (i) all books, records, and other property including, but not limited to, credit files, programs, printouts, computer software (to the extent not disallowed by any agreement between the Company and third parties), programs, and disks, magnetic tape and other magnetic media, and other materials and records) of the Company pertaining to any such above-referenced property of the Company, (j) all real property, improvements, fixtures, appurtenances, leasehold interests and any other property of similar kind or character, and (k) all "investment property" (as defined in the UCC) (the property identified in clauses (a) through (k) being referred to as the "Collateral"), subject, in each case, only

to any prior Permitted Lien. Assets of the Company which shall not constitute Collateral under this Agreement, but which shall be subject to Permitted Liens of the Bank, are identified on Exhibit B hereto. Notwithstanding the foregoing, the Collateral shall not include (i) that certain sublease (the "Sublease") dated July 22, 1996 between the Company and E.I. duPont de Nemours and Company ("DuPont"), and (ii) those assets located on the property covered by the Sublease or those assets used directly or indirectly in connection with the services provided by the Company to DuPont (as assigned to Mypodiamond, Inc.) under that certain Tolling/Services Agreement for Industrial Diamonds dated July 22, 1996, all of which assets are located at the Company's facility in Dunbar, Pennsylvania.

Section 3.2. Grant of License. Subject to any prior Permitted Liens, the Company hereby grants to SNPE a fully-paid, royalty-free, worldwide right and license to, upon the occurrence of an Event of Default, (a) use, or sell or otherwise transfer, any and all of the Company's Inventory; (b) use or sell any such work-in-process, raw materials or completed or finished products, and (c) accept any and all orders or shipments of products ordered by the Company from manufacturers and use or sell any such products.

Section 3.3. Perfection. The Company shall execute such financing statements provided for by applicable law, and otherwise take such other action and execute such assignments or other instruments or documents, in each case as SNPE may reasonably request, to evidence, perfect, or record SNPE's security interest in the Collateral or to enable SNPE to exercise and enforce its rights and remedies under this Agreement with respect to any Collateral. The Company hereby authorizes SNPE to execute and file any such financing statement or continuation statement on the Company's behalf. The parties acknowledge that a carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement to the extent permitted by law.

Section 3.4. General Representations as to Collateral. The Company represents that the Disclosure Schedule sets forth: (a) the principal place of business of the Company and the office where its chief executive offices and accounting offices are located, (b) the office where Company keeps its records concerning the Accounts Receivable and General Intangibles, (c) the location of the Company's registered office, (d) each location at which is located any Inventory, Equipment or other tangible Collateral of the Company, including, without limitation, the location of any warehouse, bailee or consignee at which Collateral is located, and (e) all trade names, assumed names, fictitious names and other names used by the Company during the five (5) years prior to the date hereof.

Section 3.5. Title to Collateral; Liens; Transfers. The Company has good, clear and merchantable title to and ownership of the Collateral, free and clear of all Liens, except for Permitted Liens. Except as otherwise provided herein or in any other Loan Document, and except as to Permitted Liens and sales of Inventory in the ordinary course of business, the Company shall not encumber, pledge, mortgage, grant a security interest in, assign, sell, lease or otherwise dispose of or transfer, whether by sale, merger, consolidation, liquidation, dissolution or otherwise, any of the Collateral.

Section 3.6. Changes Affecting Perfection. The Company shall not, without giving SNPE thirty (30) days prior notice thereof: (a) make any change in any location where the Company's Equipment or material amounts of the Company's Inventory is maintained or locate any of the Company's Equipment or material amounts of the Company's Inventory at any new locations, (b) make any change in the location of its chief executive office, principal place of business or the office where Company's records pertaining to its Accounts and General Intangibles are kept (c) add any new places of business or close any of its existing places of business, (d) make any change in Company's name or adopt any trade names, assumed names or fictitious names or otherwise add any name under which the Company does business, or (e) make any other change (other than sales of Inventory in the ordinary course of business) which might affect the perfection or priority of SNPE's Lien in the Collateral.

Section 3.7. Power of Attorney for Insurance. Upon request of SNPE, the Company shall promptly deliver to SNPE true copies of all reports made to insurance companies. The Company hereby irrevocably makes, constitutes, and appoints SNPE (and all officers, employees, or agents designated by SNPE) as its true and lawful attorney-in-fact and agent, with full power of substitution, such that SNPE shall have the right and authority, upon the occurrence and during the continuance of an Event of Default which has not been waived in writing by SNPE as required by this Agreement, to make and adjust claims under such policies of insurance, receive and endorse the name of the Company on, any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and make all determinations and decisions with respect to such policies of insurance, subject, in each case to any prior rights of the Bank under its credit facility and security agreement with the Company. The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable. Without waiving or releasing any obligation, Potential Default or Event of Default by the Company under this Agreement, SNPE may (but shall not be required to) at any time or times thereafter maintain such action with respect thereto as SNPE deems advisable. All sums disbursed by SNPE

in connection therewith (including, but not limited to, reasonable attorneys' and paralegals' fees and disbursements, court costs, expenses and other charges relating thereto) shall be payable on demand, and until paid by the Company to SNPE, with interest thereon at the Penalty Rate, and shall be additional Obligations under this Agreement secured by the Collateral.

Section 3.8. Protection of Collateral; Reimbursement. All insurance expenses and all expenses of protecting, storing, warehousing, insuring, handling, maintaining, and shipping any Collateral, any and all excise, property, sales, use, or other taxes imposed by any state, Federal, or local authority on any of the Collateral, or in respect of the sale thereof, or otherwise in respect of the Company's business operations which, if unpaid, could result in the imposition of any Lien upon the Collateral, shall be borne and paid by the Company. If the Company fails to promptly pay any portion thereof when due, except as may otherwise be permitted under this Agreement or under any of the other Loan Documents, SNPE, at its option, may, but shall not be required to, pay the same. All sums so paid or incurred by SNPE for any of the foregoing and any and all other sums for which the Company may become liable under this Agreement and all reasonable costs and expenses (including reasonable attorneys' fees and paralegals' fees, legal expenses, and court costs, expenses and other charges related thereto) which SNPE may incur in enforcing or protecting its Liens on or rights and interests in the Collateral or any of its rights or remedies under this Agreement or any other agreement between the parties to this Agreement or in respect of any of the transactions to be had under this Agreement shall be repayable within five (5) Business Days of demand and if not paid within said five (5) Business Day period, which amount shall also accrue interest, until paid by the Company to SNPE with interest thereon at a rate per annum equal to the Penalty Rate, shall be additional Obligations under this Agreement secured by the Collateral. Unless otherwise provided by law, neither SNPE nor any Affiliate of SNPE shall be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other Person whomsoever.

Section 3.9. Inspection; Verification. During regular business hours and with prior notice to the Company, SNPE (by any of its officers, employees, agents, representatives, or designees) shall have the right to inspect the Company's Collateral and to inspect and audit all books, records, journals, orders, receipts, or other correspondence related thereto (and to make extracts or copies thereof as SNPE may desire) and to inspect the premises upon which any of the Collateral is located for the purpose of verifying the amount, quality, quantity, value, and condition of, or any other matter relating to, the Collateral, provided, however, that upon the occurrence and during the continuance of an Event of Default, SNPE may exercise such access and other rights at any time SNPE deems such action necessary or desirable. In addition to inspections as outlined above, SNPE or its designee shall have the right to make test verifications of the Accounts Receivable and other Collateral and physical verifications of the Inventory and other tangible items of the Collateral in any manner and through any commercially reasonable medium that SNPE considers advisable, and the Company agrees to furnish all such assistance and information as SNPE may require in connection therewith. The Company shall pay the costs for each of one such inspection and one such verification in each 12-month period; provided, however, that if an Event of Default has occurred and is continuing, the Company shall pay the costs of all such inspections and verifications.

Section 3.10. Assignments, Records and Schedules of Accounts. If requested by SNPE, on or before the thirtieth (30th) calendar day of each month from and after the date of this Agreement, the Company shall deliver to SNPE, in form and substance acceptable to SNPE, a summary aged trial balance of the Company's Accounts Receivables dated as of the last day of the preceding month (and upon SNPE's request, a detailed aged trial balance, of all then existing Accounts Receivable specifying the names, face value and dates of invoices for each Account Debtor obligated on an Account Receivable so listed). In addition, upon SNPE's request, the Company shall furnish SNPE with copies of proof of delivery and the original copy, if available, of all documents relating to the Accounts Receivable including, but not limited to, repayment histories and present status reports, and such other matters and information relating to the status of then existing Accounts Receivable as SNPE shall reasonably request. If, upon the occurrence of an Event of Default, SNPE so requests, the Company shall execute and deliver to SNPE, on forms supplied by SNPE and at such intervals as SNPE may from time to time require, written assignments of all of its Accounts after shipment of the subject goods, together with copies of invoices and/or invoice registers related thereto.

Section 3.11. Reporting Regarding Inventory. If requested by SNPE, the Company shall report inventory figures no later than thirty (30) days after the end of each month based upon month-end balances reconciled to the period end balance sheet. The Company's Inventory shall be reported based upon reconciliation of the financial statements to the perpetual inventory system or a regular physical count as the case may be, and: (a) the values shown on reports of Inventory shall be at the lower of cost or market value determined in accordance with the Company's usual cost accounting system, consistently applied, and (b) no later than thirty (30) days after the end of each month, or more frequently, if SNPE shall so request, the Company shall submit to SNPE an inventory report, the Company's perpetual inventory records and its general

ledger, broken down into such detail and with such categories as SNPE shall require.

Section 3.12. Other Collateral Reports. If requested by SNPE, the Company shall furnish SNPE with, on or before the thirtieth (30th) day of each month from and after the date of this Agreement, a report listing the schedule of backlog of orders being processed by the Company, and such other reports regarding other Collateral as SNPE from time to time reasonably may request.

ARTICLE IV

SPECIFIC REPRESENTATIONS, WARRANTIES AND COVENANTS RELATING TO COLLATERAL

Section 4.1. Disputes and Claims Regarding Accounts. The Company shall notify SNPE promptly of all material disputes and claims and settle or adjust them at no expense to SNPE, but no material discount, credit or allowance outside the ordinary course of business or material adverse extension, compromise or settlement shall be granted to any customer or Account Debtor in respect of an Account Receivable and no returns of merchandise outside the ordinary course of business shall be accepted by the Company in settlement or satisfaction of an Account Receivable which settlement or satisfaction would have a Material Adverse Effect, without SNPE's consent which consent shall not be unreasonably withheld.

Section 4.2. Deposit Accounts. Other than: (a) the Cash Collateral Account (if required by SNPE), and (b) those other Deposit Accounts disclosed on the Schedule 4.2 attached hereto and consented to by SNPE, neither the Company nor any of its Subsidiaries maintains a Deposit Account or trust account for the purpose of collecting and depositing Collections and/or Remittances or otherwise holding monies of the Company.

Section 4.3. Compliance with Terms of Accounts; General Intangibles. The Company will perform and comply in all material respects with all obligations in respect of Accounts Receivable, Chattel Paper, General Intangibles and under all other contracts and agreements to which it is a party or by which it is bound relating to the Collateral where failure to so comply would result in any material impairment in the value of the Collateral, unless the validity thereof is being contested in good faith by appropriate proceedings and such proceedings do not involve the material danger of the sale, forfeiture or loss of the Collateral which is the subject of such proceedings or the priority of the lien in favor of SNPE thereon.

Section 4.4. No Waivers, Extensions, Amendments. The Company will not, without SNPE's prior written consent, which consent shall not be unreasonably withheld or delayed, grant any extension of the time of payment of any of the Accounts, Chattel Paper or Instruments, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof, or allow any credit or discount whatsoever thereon, other than in the ordinary course of business; provided, however, that no such written consent shall be required for the Company to grant any such extension for or to compromise or settle any of such Accounts, Chattel Paper or Instruments if such action is consistent with the Company's business practices in the ordinary course.

Section 4.5. Location of Collateral. All of the locations of the Company and its Subsidiaries and all locations of the Collateral are set forth in the Disclosure Schedule. Other than as otherwise set forth in the Disclosure Schedule, as amended or supplemented by written notice to SNPE: (a) the Company does not keep, and shall not keep, any Collateral owned by it on any property not owned in fee simple by the Company, and (b) each of the Subsidiaries of the Company does not keep, and shall not keep, any Collateral owned by it on any property not owned in fee simple by the Company except to the extent permitted by this Agreement.

Section 4.6. Lien Priority. From and after the date of this Agreement, by reason of the filing of financing statements and termination statements in all requisite government offices, this Agreement and the Loan Documents will create and constitute a valid and perfected first priority security interest (except as otherwise expressly permitted by this Agreement and/or subject to Permitted Liens) in and Lien on that portion of the Collateral which can be perfected by such filing or delivery, which security interest will be enforceable by SNPE against the Company and all third parties as security for payment of all Obligations.

Section 4.7. Lien Waivers; Landlord, Bailee and Consignee Waivers, Warehouse Receipts. The Company will not create, permit or suffer to exist and will defend the Collateral against and take such other action as is necessary to remove, any Lien, claim or right, in or to the Collateral, other than the Permitted Liens. The Company shall defend the right, title and interest of SNPE in and to any of the Company's rights to the Collateral and in and to the Proceeds and products thereof against the claims and demands of all Persons. In the event any Collateral of the Company comprising personal property subject to the security interest or Lien in favor of SNPE is at any time located on any real property not owned by the Company, the Company will obtain and maintain in

effect at all times while any such Collateral is so located valid and effective lien waivers, in form and substance reasonably satisfactory to SNPE whereby each owner, landlord, consignee, bailee and mortgagee having an interest in such real property shall disclaim any interest in such Collateral, as the case may be, and shall agree to allow SNPE reasonable access to such real property in connection with any enforcement of the security interest granted hereunder.

Section 4.8. Maintenance of Insurance. The Company will maintain with financially sound and reputable companies, insurance policies: (a) insuring the real property portion of the Collateral, the Equipment, the Inventory, and all equipment subject to any lease, against loss by fire, explosion, theft, flood (if any such properties are located in a federally designated flood hazard area) and such other casualties as are usually insured against by companies engaged in the same or similar businesses, and (b) insuring the Company and SNPE against liability for personal injury and property damage relating to such real property, Equipment, Inventory and equipment covered by any equipment lease, such policies to be in such form and in such amounts and coverage as may be reasonably satisfactory to SNPE, with losses payable to the Company and SNPE as their respective interests may appear. All insurance with respect to the real property, Equipment and Inventory shall: (i) provide that no cancellation, reduction in amount, change in coverage or expiration thereof, shall be effective until at least thirty (30) days after written notice to SNPE thereof and (ii) be satisfactory in all respects to SNPE.

Section 4.9. Maintenance of Equipment. The Company will keep and maintain each item of Equipment necessary for the operation of the Company's business in good operating condition, ordinary wear and tear excepted, and the Company will provide all maintenance and service, and all repairs necessary for such purpose.

Section 4.10. Limitations on Dispositions of Inventory and Equipment. The Company will not sell, transfer, lease or otherwise dispose of any of the Inventory or Equipment, or attempt, offer or contract to do so, except for (a) dispositions of Inventory in the ordinary course of business, and (b) so long as no Event of Default has occurred, the disposition of obsolete or worn out Equipment in the ordinary course of business and other dispositions of Equipment permitted by this Agreement.

Section 4.11. General Appointment as Attorney-in-Fact. The Company hereby irrevocably constitutes and appoints SNPE and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time following the occurrence of an Event of Default and for such time as such Event of Default is continuing, in SNPE's reasonable discretion, for the purpose of carrying out the terms of this Agreement, without notice (except as specifically provided herein) to or assent by the Company, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to effect the terms of this Agreement, including, without limiting the generality of the foregoing, the power and right, on behalf of the Company, to do the following, upon notice to the Company: (a) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance, called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof, and otherwise to itself perform or comply with, or otherwise cause performance or compliance with, any of the covenants or other agreements of the Company contained in this Agreement which the Company has failed to perform or with which the Company has not complied, (b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of component jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (c) to defend any suit, action or proceeding brought against the Company with respect to any Collateral; (d) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Bank may deem appropriate; (e) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Bank were the absolute owner thereof for all purposes; and (f) to do, at SNPE's option and the Company's expense, at any time, or from time to time, all acts and things which SNPE deems necessary, to protect, preserve or realize upon the Collateral, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do, subject, in each case, to any prior rights of holders of Permitted Liens. This power of attorney is a power coupled with an interest and shall be irrevocable.

Section 4.12. SNPE Not Liable. The powers conferred on SNPE hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. SNPE shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its own gross negligence or willful misconduct.

Section 4.13. Authority to Execute Transfers. Without limitation of any authorization granted to SNPE hereunder, the Company also hereby authorizes SNPE, upon the occurrence of an Event of Default, to execute, in connection with the exercise by SNPE of its remedies hereunder, any endorsements, assignments or

other instruments of conveyance or transfer with respect to the Collateral, subject, in each case, to any prior rights granted by the Company, with the consent of SNPE, of holders of Permitted Liens.

Section 4.14. Performance by SNPE of the Company's Obligations. If the Company fails to perform or comply with any of its agreements contained herein and SNPE shall itself perform or comply, or otherwise cause performance or compliance with, such agreement, the expenses of SNPE incurred in connection with such performance or compliance together with, interest thereon at the interest rate provided for in Section 2.5(b) hereof in effect from time to time, shall be payable by the Company to SNPE within five (5) Business Days following demand.

Section 4.15. Costs of Collection. All reasonable costs of collection of the Company's Accounts Receivable, including out-of-pocket expenses, administrative and record-keeping costs, and reasonable attorneys' fees, shall be the sole responsibility of the Company, whether the same are incurred by SNPE or the Company, and SNPE, in its sole discretion, may charge the same against the Company and/or any account maintained by the Company with SNPE and the same shall be deemed part of the Obligations hereunder. The Company hereby indemnifies and holds SNPE harmless from and against any loss or damage with respect to any collection or remittance from an Account Debtor which is dishonored or returned for any reason. If any collection or remittance from an Account Debtor is dishonored or returned unpaid for any reason, SNPE, in its sole discretion, may charge the amount of such dishonored or returned collection or remittance directly against the Company and/or any account maintained by the Company with SNPE and such amount shall be deemed part of the Obligations hereunder. SNPE shall not be liable for any loss or damage resulting from any error, omission, failure or negligence on the part of SNPE under this Agreement, except losses or damages resulting from SNPE's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

Section 4.16. Notice to Account Debtors. Subject to any rights of any Lien holder in connection with its Permitted Liens, the Company hereby authorizes SNPE, upon the occurrence and during the continuance of an Event of Default, in accordance with the powers conferred upon SNPE pursuant to any applicable provision of this Agreement, to: (a) notify any or all Account Debtors that the Accounts Receivable have been assigned to SNPE, for the benefit of SNPE, and that SNPE has a security interest therein, and (b) direct such Account Debtors to make all payments due from them to the Company upon the Accounts Receivable directly to SNPE; provided, however, that SNPE shall not exercise any of its rights under this sentence unless: (i) the Company has failed to so notify or direct any such Account Debtor following a request from SNPE to the Company for such notification or direction, or (ii) SNPE reasonably believes that the Company has failed to so notify or direct any such Account Debtor. SNPE shall promptly furnish the Company with a copy of any such notice sent. Any such notice, in SNPE's sole discretion, may be sent on the Company's stationery, in which event the Company shall co-sign such notice with SNPE.

Section 4.17. Appointment of Attorney-in-Fact. The Company hereby irrevocably appoints SNPE (and all persons designated by SNPE) as the Company's true and lawful attorney (and agent-in-fact) authorized, upon the occurrence and during the continuance of an Event of Default in the Company's or SNPE's name, to (i) demand payment of the Accounts Receivable, (ii) enforce payment of the Accounts Receivable, by legal proceedings or otherwise, (iii) exercise all of the Company's rights and remedies with respect to the collection of the Accounts and any other Collateral, (iv) settle, adjust, compromise, extend, or renew the Accounts Receivable, (v) settle, adjust, or compromise any legal proceedings brought to collect the Accounts Receivable, (vi) if permitted by applicable law, sell or assign the Accounts Receivable and other Collateral upon such terms, for such amounts, and at such time or times as SNPE deems advisable, (vii) discharge and release the Accounts Receivable and any other Collateral, (viii) take control, in any manner, of any item of payment or proceeds relating to any Collateral, (ix) prepare, file, and sign the Company's name on a proof of claim in bankruptcy or similar document against any Account Debtor, (x) prepare, file, and sign the Company's name on any notice of Lien, assignment, or satisfaction of Lien or similar document in connection with the Accounts Receivable, (xi) do all acts and things necessary, in the Bank's discretion, to fulfill the Company's obligations under this Agreement, (xii) endorse the name of the Company upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of SNPE on account of the Obligations, (xiii) endorse the name of the Company upon any Chattel Paper, document, Instrument, invoice, freight bill, bill of lading, or similar document or agreement relating to the Accounts Receivable, Inventory and any other Collateral, (xiv) use the Company's stationery and sign the name of the Company to verifications of the Accounts Receivable and notices thereof to Account Debtors, (xv) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts Receivable, Inventory, and any other Collateral to which the Company has access, and (xvi) notify post office authorities to change the address for delivery of the Company's mail to an address designated by SNPE, receive and open all mail addressed to the Company, and, after removing all collections and remittances and other proceeds of Collateral, forward the mail to the Company. The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by

virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

ARTICLE V

GENERAL REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to SNPE (which representations and warranties will survive the delivery of the Note and all extensions of credit under this Agreement) that:

Section 5.1. Organization; Corporate Power.

(e) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated;

(f) The Company has the corporate power and authority to own its properties and assets and to carry on its business as now being conducted; (g) The Company is qualified to do business in every jurisdiction in which the ownership or leasing of its property or the doing of business requires such qualification and the failure of such qualification would have a Material Adverse Effect; and

(h) The Company has the corporate power to execute, deliver, and perform its obligations under the Loan Documents and to borrow hereunder.

Section 5.2. Authorization of Loan. The execution, delivery, and performance of the Loan Documents and the Loans by Company have been duly authorized by all requisite corporate action and have been reviewed and approved by the Bank and SNPE.

Section 5.3. No Conflict. The execution, delivery, and performance of the Loan Documents will not (a) violate any provision of any law, rule or regulation, the Articles of Incorporation of Company, or By-Laws of Company, (b) violate any order of any court or other agency of any federal or state government or any provision of any material indenture, agreement or other instrument to which Company is a party or by which it or any of its properties or assets are bound, (c) conflict with, result in a breach of, or constitute (with passage of time or delivery of notice, or both), a default under any such material indenture, agreement, or other instrument, or (d) result in the creation or imposition of any Lien, other than a Permitted Lien, or other encumbrance of any nature whatsoever upon any of the properties or assets of the Company except in favor of SNPE.

Section 5.4. Execution of Loan Documents. The Loan Documents have been duly executed and are valid and binding obligations of the Company fully enforceable in accordance with their respective terms.

Section 5.5. Financial Condition. The following information with respect to the Company has heretofore been furnished to SNPE:

(i) Audited annual financial statements of the Company for the period ended December 31, 1999;

(j) Unaudited, internally prepared financial statements of the Company for the three-month period ending March 31, 2000;

(k) Unaudited, internally prepared balance sheets and income statements for the month of April, 2000; and

(l) Pro forma financial statements of the Company for the year ended December 31, 2000, including a consolidated opening balance sheet and a consolidated statement of profit and loss of the Company.

Each of the financial statements referred to above in this Section 5.5 was prepared in accordance with GAAP (subject in the case of interim statements, to the absence of footnotes and normal year-end adjustments) applied on a consistent basis, except as stated therein. Each of the financial statements referred to above in this Section 5.5 fairly presents the financial condition or pro forma financial condition, as the case may be, of the Company and is complete and correct in all material respects and no Material Adverse Effect has occurred since the date thereof.

Section 5.6. Liabilities; Liens. The Company has made no investment in, advance to, or guarantee of, the obligations of any Person nor are the Company's assets and properties subject to any claims, liabilities, Liens, or other encumbrances, except as disclosed in the financial statements and related notes thereto referred to in Section 5.5 hereof.

Section 5.7. Litigation. There is no action, suit, examination, review, or proceeding by or before any governmental instrumentality or agency now pending (including any claims alleging infringement of intellectual property rights of others) or, to the knowledge of the Company, threatened against the Company or against any property or rights of the Company, which, if adversely determined, would materially impair the right of the Company to carry on its business as now being conducted, would materially adversely affect the financial condition of

the Company, or would draw into question the legal existence of the Company or the validity authorization or enforceability of any of the Loan Documents, except for the litigation, if any, described in the notes to the financial statements referred to in Section 5.5 hereof.

Section 5.8. Payment of Taxes. Except as set forth in the Disclosure Schedule, the Company has accurately prepared and timely filed, or caused to be filed, all Federal, state, local, and foreign tax returns required to be filed, and has paid, or caused to be paid, all taxes as are shown on such returns, or on any assessment received by the Company, to the extent that such taxes become due, except as otherwise contested in good faith. The Company has set aside proper amounts on its books, determined in accordance with GAAP, for the payment of all taxes for the years that have not been audited by the respective tax authorities or for taxes being contested by the Company.

Section 5.9. Absence of Adverse Agreements. The Company is not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any corporate or partnership restriction which would be reasonably likely to have a Material Adverse Effect.

Section 5.10. Regulatory Status. Neither the making nor the performance of this Agreement, nor any extension of credit hereunder, requires the consent or approval of any governmental instrumentality or political subdivision thereof, any other regulatory or administrative agency, or any court of competent jurisdiction.

Section 5.11. Federal Reserve Regulations: Use of Loan Proceeds. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans will be used, directly or indirectly, for a purpose which violates any law, rule or regulation of any governmental body, including without limitation the provisions of Regulations G, U, or X of the Board of Governors of the Federal Reserve System, as amended. No part of the proceeds of the Loans will be used, directly or indirectly, to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

Section 5.12. Subsidiaries. The Company has no Subsidiaries.

Section 5.13. ERISA. The Company and any Commonly Controlled Entity do not maintain or contribute to any Plan which is not in substantial compliance with ERISA. Neither the Company nor any Commonly Controlled Entity maintains, contributes to, or is required to make or accrue a contribution or has within any of the six preceding years maintained, contributed to or been required to make or accrue a contribution to any Plan subject to regulation under Title IV of ERISA, any Plan that is subject to the minimum funding requirements of Section 412 of the Code or Section 302 of ERISA, or any Multiemployer Plan.

Section 5.14. Solvency. The Company is not insolvent as defined in any applicable state or federal statute, nor will the Company be rendered insolvent by the execution and delivery of this Agreement or the Note. The Company is not engaged or about to engage in any business or transaction for which the assets retained by it shall be an unreasonably small capital, taking into consideration the obligations to SNPE incurred hereunder. The Company does not intend to, nor does it believe that it will, incur debts beyond its ability to pay them as they mature.

Section 5.15. Disclosure Schedule. The Disclosure Schedule accurately and completely lists the location of all real property owned or leased by the Company. The Company enjoys quiet possession under all material leases of real property to which it is a party as a lessee, and all of such leases are valid, subsisting and, in full force and effect. Except as specified in the Disclosure Schedule, none of the real property occupied by the Company is located within any federal, state or municipal flood plain zone. Except as set forth in the Disclosure Schedule, all of the material properties used in the conduct of the Company's business (i) are in good repair, working order and condition (reasonable wear and tear excepted) and reasonably suitable for use in the operation of the Company's business; and (ii) are currently operated and maintained, in all material respects, in accordance with the requirements of applicable governmental authorities.

Section 5.16. Accuracy of Representations and Warranties. None of the Company's representations or warranties set forth in this Agreement or in any document or certificate furnished pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary to make any statement of fact contained herein or therein, in light of the circumstances under which it was made not misleading.

Section 5.17. No Investment Company. The Company is not an "investment company" or a Company "controlled' by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended, which is required to register thereunder.

Section 5.18. Approval. Except as set forth in the Disclosure Schedule, all

approvals required of the Company from all Persons, including, without limitation, SNPE, Inc. and all governmental authorities with respect to the Loan Documents have been obtained.

Section 5.19. Licenses, Registrations, Compliance with Laws, etc. The Disclosure Schedule accurately and completely describes all permits, governmental licenses, registrations and approvals, material to carrying out of the Company's businesses as presently conducted and required by law or the rules and regulations of any federal, foreign governmental, state, county or local association, corporation or governmental agency, body, instrumentality or commission having jurisdiction over the Company, including but not limited to the United States Environmental Protection Agency, the United States Department of Labor, the United States Occupational Safety and Health Administration, the United States Equal Employment Opportunity Commission, the Federal Trade Commission and the United States Department of Justice and analogous and related state and foreign agencies. All existing material authorizations, licenses and permits are in full force and effect, are duly issued in the name of, or validly assigned to the Company and the Company has full power and authority to operate thereunder. There is no material violation or material failure of compliance or, to the Company's knowledge, allegation of such violation or failure of compliance on the part of the Company with any of the foregoing permits, licenses, registrations, approvals, rules or regulations and there is no action, proceeding or investigation pending or to the knowledge of the Company threatened nor has the Company received any notice of such which might result in the termination or suspension of any such permit, license, registration or approval which in any case could have a Material Adverse Effect.

Section 5.20. Copyright. The Company has not violated any of the provisions of the Copyright Revision Act of 1976, 17 U.S.C. ss. 101, et seq. Except as set forth on the Disclosure Schedule, the Company has not filed any registration statements, notices and statements of account with the United States Copyright Office. The Disclosure Schedule accurately and completely sets forth all registered copyrights held by the Company and contains exceptions to the representations contained in this Section 5.20. To the Company's knowledge no inquiries regarding any such filings have been received by the Copyright Office.

Section 5.21. Environmental Compliance. Except as expressly set forth in the Disclosure Schedule or as would not reasonably be expected to have a Material Adverse Effect, neither the Company, nor, to the knowledge of management of the Company, any other Person has:

(m) ever caused, permitted, or suffered to exist any Hazardous Material to be spilled, placed, held, located or disposed of on, under, or about, any of the premises owned or leased by the Company (the "Premises"), or from the Premises into the atmosphere, any body of water, any wetlands, or on any other real property, nor does any Hazardous Material exist on, under or about the Premises, or in respect of Hazardous Material used or disposed of in compliance with law;

(n) ever used (whether by the Company or by any other Person) as a treatment storage or disposal (whether permanent or temporary) site for any Hazardous Waste as defined in 42 U.S.C.A.ss.6901, et seq. (the Resource -- --- Recovery and Conservation Act); and

(o) any knowledge of any notice of violation, lien or other notice issued by any governmental agency with respect to the environmental condition of the Premises or any other property occupied by the Company.

The Company is in compliance with all Environmental Laws and all other applicable federal, state and local health and safety laws, regulations, ordinances or rules, except to the extent that any noncompliance will not, in the aggregate, have a Materially Adverse Effect on the Company or the ability of the Company to fulfill its obligations under this Agreement or the Notes.

Section 5.22. Material Agreements, etc. The Disclosure Schedule accurately and completely lists all Material Agreements, all of which are presently in effect. All of the Material Agreements are legally valid, binding, and to the Company's knowledge, in fall force and effect and neither the Company nor, to the Company's knowledge, any other parties thereto are in material default thereunder.

Section 5.23. Patents, Trademarks and Other Property Rights. The Disclosure Schedule contains a complete and accurate schedule of all registered trademarks, registered copyrights and patents of the Company, and pending applications therefor, and all other intellectual property in which the Company has any rights other than "off-the-shelf" software which is generally available to the general public at retail. Except as set forth in the Disclosure Schedule, the Company owns, possesses, or has licenses to use all the patents, trademarks, service marks, trade names, copyrights and nongovernmental licenses, and all rights with respect to the foregoing, necessary for the conduct of its business as now conducted, without, to the Company's knowledge, any conflict with the rights others with respect thereto.

ARTICLE VI

GENERAL REPRESENTATIONS AND WARRANTIES OF SNPE

SNPE represents and warrants to the Company that:

Section 6.1. Organization; Corporate Power.

(p) SNPE is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated;

(q) SNPE has the corporate power and authority to own its properties and assets and to carry on its business as now being conducted;

(r) SNPE is qualified to do business in every jurisdiction in which the ownership or leasing of its property or the doing of business requires such qualification and the failure of such qualification would have a Material Adverse Effect; and

(s) SNPE has the corporate power to execute, deliver, and perform its obligations under the this Agreement.

Section 6.2. Authorization. The execution, delivery, and performance of this Agreement and the other Loan Documents and the making of the Loans to the Company have been duly authorized by all requisite corporate action of SNPE.

Section 6.3. No Conflict. The execution, delivery, and performance of this Agreement and Loan Documents by SNPE will not (a) violate any provision of any law, rule or regulation, the Certificate of Incorporation or By-Laws of SNPE, (b) violate any order of any court or other agency of any federal or state government or any provision of any material indenture, agreement or other instrument to which SNPE is a party or by which it or any of its properties or assets are bound or, (c) conflict with, result in a breach of, or constitute (with passage of time or delivery of notice, or both), a default under any such material indenture, agreement, or other instrument.

Section 6.4. Execution of Loan Documents. This Agreement and the other Loan Documents have been duly executed and are valid and binding obligations of SNPE fully enforceable in accordance with their respective terms.

Section 6.5. Regulatory Status. Neither the making nor the performance of this Agreement, nor any extension of credit hereunder, requires the consent or approval of any governmental instrumentality or political subdivision thereof, any other regulatory or administrative agency, or any court of competent jurisdiction.

ARTICLE VII

CONDITIONS TO CLOSING

Section 7.1. Closing of Loans. The obligation of SNPE to make the Loans shall be subject to satisfaction of the following conditions, unless waived in writing by SNPE: (a) all legal matters and Loan Documents incident to the transactions contemplated hereby shall be reasonably satisfactory, in form and substance, to SNPE's counsel; (b) SNPE shall have received (i) certificates by an authorized officer of Company, upon which SNPE may conclusively rely until superseded by similar certificates delivered to SNPE, certifying (A) all requisite action taken in connection with the transactions contemplated hereby, and (B) the names, signatures, and authority of Company's authorized signers executing the Loan Documents, and (ii) such other documents as SNPE may reasonably require to be executed by, or delivered on behalf of Company; (c) SNPE shall have received the Note, with all blanks appropriately completed, executed by an authorized signer of Company; (d) the Company shall have paid to SNPE the fee then due and payable in accordance with ARTICLE II of this Agreement; and (e) SNPE shall have received documentation identifying assets of the Company which are pledged to the Bank to support the Credit Agreement and the Loans hereunder.

Section 7.2. Each Advance. The obligation of SNPE to make each subsequent advance hereunder shall be subject to satisfaction of the following additional conditions that at the date of making such advance, and after giving effect thereto: (a) no Event of Default shall have occurred and be then continuing, (b) each representation and warranty set forth in this Agreement and in each of the other Loan Documents is true and correct as if then made, and (c) no event shall have occurred or failed to occur which has or is reasonably likely to have a Material Adverse Effect.

ARTICLE VIII

COVENANTS

As long as credit is available hereunder or until all principal of and interest on the Note have been paid in full:

Section 8.1. Accounting: Financial Statements and Other Information. The Company will maintain a standard system of accounting, established and administered in accordance with GAAP consistently followed throughout the periods involved, and will set aside on its books for each fiscal month the

proper amounts or accruals for depreciation, obsolescence, amortization, bad debts, current and deferred taxes, prepaid expenses, and for other purposes as shall be required by GAAP. The Company will deliver to SNPE:

(t) As soon as practicable after the end of each calendar month in each year and in any event within thirty (30) days thereafter, a consolidated and consolidating balance sheet of the Company as of the end of such month, and statements of income, changes in financial position, and shareholders' equity of the Company for such month, certified as complete and correct by the principal financial officer of the Company, subject to changes resulting from year-end adjustments,

(u) As soon as practicable after the end of each fiscal year, and in any event within ninety (90) days thereafter, a consolidated and consolidating balance sheet of the Company as of the end of such year, and statements of income, changes in financial position, and shareholders' equity of the Company for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by a report and an unqualified opinion of independent certified public accountants of recognized standing, selected by the Company and satisfactory to SNPE, which report and opinion shall be prepared in accordance with generally accepted auditing standards, together with a certificate by such accountants (i) briefly setting forth the scope of their examination (which shall include a review of the relevant provisions of this Agreement and stating that in their judgment such examination is sufficient to enable them to give the certificate, and (ii) stating whether their examination has disclosed the existence of any condition or event which constitutes an Event of Default under this Agreement, and, if their examination has disclosed such a condition or event, specifying the nature and period of existence thereof;

(v) promptly after the filing thereof, copies of the state and federal tax returns of the Company and all schedules thereto;

(w) promptly upon their distribution, copies of all financial statements, reports and proxy statements which the Company shall have sent to its stockholders, and promptly after the sending or filing thereof, copies of all regular and periodic reports which the Company shall file with the Securities and Exchange Commission or any national securities exchange; and

(x) With reasonable promptness, such other data and information as from time to time may be reasonably requested by SNPE.

Section 8.2. Insurance; Maintenance of Properties. The Company will maintain with financially sound and reputable insurers, insurance with coverage and limits as may be required by law or as may be reasonably required by SNPE. The Company will, upon request from time to time, furnish to SNPE a schedule of all insurance carried by it, setting forth in detail the amount and type of such insurance. The Company will maintain in good repair, working order, and condition, all properties used or useful in the business of the Company.

Section 8.3. Existence; Business. The Company will cause to be done all things necessary to preserve and keep in full force and effect its existence and rights, to conduct its business in a prudent manner, to maintain in full force and effect, and renew from time to time, its franchises, permits, licenses, patents, and trademarks that are necessary to operate its business. The Company will comply in all material respects with all valid laws and regulations now in effect or hereafter promulgated by any properly constituted governmental authority having jurisdiction; provided, however, that the Company shall not be required to comply with any law or regulation which it is contesting in good faith by appropriate proceedings as long as either the effect of such law or regulation is stayed pending the resolution of such proceedings or the effect of not complying with such law or regulation is not to jeopardize any franchise, license, permit patent, or trademark necessary to conduct the Company's business.

Section 8.4. Payment of Taxes. The Company will pay all taxes, assessments, and other governmental charges levied upon any of its properties or assets or in respect of its franchises, business, income, or profits before the same become delinquent, except that no such taxes, assessments, or other charges need be paid if contested by the Company in good faith and by appropriate proceedings promptly initiated and diligently conducted and if the Company has set aside proper amounts, determined in accordance with GAAP, for the payment of all such taxes, changes, and assessments.

Section 8.5. Litigation; Adverse Changes. The Company will promptly notify SNPE in writing of (a) any future event which, if it had existed on the date of this Agreement would have required qualification of any of the representations and warranties set forth in this Agreement or any of the other Loan Documents, and (b) any Material Adverse Effect.

Section 8.6. Notice of Default. The Company will promptly notify SNPE of any Event of Default hereunder and any demands made upon the Company by any Person for the acceleration and immediate payment of any Indebtedness owed to such Person.

Section 8.7. Inspection. The Company will make available for inspection by duly authorized representatives of SNPE, or its designated agent, the Company's books, records, and properties when reasonably requested to do so, and will furnish SNPE such information regarding its business affairs and financial condition within a reasonable time after written request therefor.

Section 8.8. Environmental Matters. The Company:

(y) Shall comply with all Environmental Laws, and

(z) Shall deliver promptly to SNPE (i) copies of any documents received from the United States Environmental Protection Agency or any state, county or municipal environmental or health agency, and (ii) copies of any documents submitted by Company to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning its operations.

Section 8.9. Sale of Assets. The Company will not, directly or indirectly, sell, lease, transfer, or otherwise dispose of any plant or any manufacturing facility or other assets (i) without receipt of full and adequate consideration therefor, or (ii) involving amounts in the aggregate exceeding $3,000,000 in any transaction or series of transactions without making the prepayment required by Section 2.6(b) hereof, if so required by SNPE.

Section 8.10. Liens. The Company will not, directly or indirectly, create, incur, assume, or permit to exist any Lien with respect to any property or asset of the Company now owned or hereafter acquired other than Permitted Liens.

Section 8.11. Indebtedness. The Company will not, directly or indirectly, create, incur, or assume Indebtedness, or otherwise become liable with respect to, any Indebtedness other than:

(aa) Indebtedness now or hereafter payable, directly or indirectly, by the Company to SNPE or any Affiliate of SNPE;

(bb) Indebtedness now or hereafter payable, directly or indirectly, by the Company to the Bank in connection with the Letter of Credit Loan;

(cc) Subordinated Debt of the Company;

(dd) To the extent permitted by this Agreement, Indebtedness for the lease or purchase price of any real or personal property, which is secured only by a Permitted Lien;

(ee) Unsecured Indebtedness and deferred liabilities incurred in the ordinary course of business;

(ff) Indebtedness for taxes, assessments, governmental charges, liens, or similar claims to the extent not yet due and payable;

(gg) Indebtedness of the Company existing as of the date of this Agreement, which is expressly disclosed on the Disclosure Schedule;

(hh) Other Indebtedness of the Company not covered under subparts (a) through (f) of this Section 8.11 not exceeding $100,000 in the aggregate outstanding at any time; and

(ii) Extensions, renewals, refundings, refinancings, modifications, amendments and restatements of any of the items listed in items (b) through (h) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon the Company.

Section 8.12. Investments; Loans. Except for Permitted Investments, the Company will not, directly or indirectly, (a) purchase or otherwise acquire or own any stock or other securities of any other Person, or (b) make or permit to be outstanding any loan or advance (other than trade advances in the ordinary course of business) or enter into any arrangement to provide funds or credit to any other Person.

Section 8.13. Guaranties. The Company will not guarantee, directly or indirectly, or otherwise become surety (including, without limitation, liability by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to, or otherwise invest in, any Person, or enter into any working capital maintenance or similar agreement) in respect of any obligation or Indebtedness of any other Person, except guaranties by endorsement of negotiable instruments for deposit, collection, or similar transactions in the ordinary course of business.

Section 8.14. Mergers; Consolidation. The Company will not merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it, or sell all or substantially all of its assets; except that the Company may permit any other Person to merge into or consolidate with it if (i) the Company shall be the corporation which survives such merger or results from such consolidation, (ii) immediately after the consummation of the transaction, and after giving effect thereto, the Company would be permitted by

the provisions of this ARTICLE VIII to incur additional Indebtedness, and (iii) before and immediately after the consummation of the transaction, and after giving effect thereto, no Event of Default, or event which with notice or lapse of time or both would become an Event of Default, exists or would exist.

Section 8.15. Capital Expenditures. The Company will not make Capital Expenditures in an aggregate amount in excess of $ 1,000,000 in any fiscal year without thirty (30) days' prior written notification to SNPE.

Section 8.16. Subordinated Debt. The Company will not make any payment upon any outstanding Subordinated Debt, except in such manner and amounts as may be expressly authorized in any subordination agreement presently or hereafter held by SNPE or as expressly set forth in the Convertible Subordinated Note.

Section 8.17. Senior Management. The Company will not replace its President, Chief Executive Officer or Chief Financial Officer without sixty (60) days' prior written notice to SNPE and will not accept the resignation of its President, Chief Executive Officer or Chief Financial Officer without providing written notice to SNPE, which notice will be given to SNPE as soon as reasonably possible after the Company has knowledge of the same, but in no event more than three (3) days following the date that the Company obtains such knowledge.

Section 8.18. Compliance with ERISA. With respect to the Company and any Commonly Controlled Entity, the Company will not permit the occurrence of any of the following events to the extent that any such events would result in a Material Adverse Effect on the Company, (a) withdraw from or cease to have an obligation to contribute to, any Multiemployer Plan, (b) engage in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Plan, (c) except for any deficiency caused by a waiver of the minimum funding requirement under Section 412 of the Code, as described above, incur or suffer to exist any material "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code) of the Company or any Commonly Controlled Entity, whether or not waived, involving any Single Employer Plan, (d) incur or suffer to exist any Reportable Event or the appointment of a trustee or institution of proceedings for appointment of a trustee for any Single Employer Plan if, in the case of a Reportable Event, such event continues unremedied for ten (10) days after notice of such Reportable Event pursuant to Sections 4043(a), (c) or (d) of ERISA is given, if in the reasonable opinion of SNPE any of the foregoing is likely to result in a Material Adverse Effect, (e) allow or suffer to exist any event or condition, which presents a material risk of incurring a material liability of the Company or any Commonly Controlled Entity to PBGC by reason of termination of any such Plan or (f) cause or permit any Plan maintained by the Company and/or any Commonly Controlled Entity to be out of compliance with ERISA.

ARTICLE IX

EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

Section 9.1. Principal or Interest. If the Company fails to pay any installment of principal of or interest on the Note, or any other sums of money when due and payable under this Agreement and such failure continues for forty-eight (48) hours; or

Section 9.2. Misrepresentation. If any representation or warranty made herein by Company or in any written statement, certificate, report, or financial statement at any time furnished by, or on behalf of, Company in connection herewith, is incorrect or misleading in any material respect when made; or

Section 9.3. Failure of Performance of this Agreement. Except as otherwise provided herein, if the Company fails to perform or observe any covenant or agreement contained in this Agreement or any of the other Loan Documents, and such failure remains unremedied for thirty (30) calendar days after SNPE shall have given written notice thereof to the Company; or

Section 9.4. Cross-Default. If the Company (a) fails to pay any Indebtedness or any other sums of money when due and payable under the Letter of Credit Loan or under any other transaction or document evidencing Indebtedness of the Company, and such failure continues for forty-eight (48) hours, whether at maturity, by acceleration, or otherwise, (b) fails to pay any indebtedness or any other sums of money when due and payable hereunder and such failure continues for forty-eight (48) hours, whether at maturity, by acceleration, or otherwise, or (c) fails to perform any term, covenant, or agreement on its part to be performed under any agreement or instrument (other than the Loan Documents) evidencing, securing, or relating to the Letter of Credit Loan or any other transaction or document evidencing Indebtedness of the Company, and such failure remains unremedied for thirty (30) calendar days after SNPE shall have given written notice thereof to the Company, or is otherwise in default thereunder; or

Section 9.5. Insolvency. If the Company shall discontinue business or (a) is adjudicated a bankrupt or insolvent under any law of any existing

jurisdiction, domestic or foreign, or ceases, is unable, or admits in writing its inability to pay its debts generally as they mature, or makes a general assignment for the benefit of creditors, (b) applies for, or consents to, the appointment of any receiver, trustee, or similar officer for it or for any substantial part of its property, or any such, receiver, trustee, or similar officer is appointed without the application or consent of the Company, and such appointment continues thereafter undischarged for a period of thirty (30) days, (c) institutes, or consents to the institution of any bankruptcy, insolvency, reorganization, arrangement, readjustment or debt, dissolution, liquidation, or similar proceeding relating to it under the laws of any jurisdiction, (d) any such proceeding is instituted against the Company and remains thereafter undismissed for a period of thirty (30) days, or (e) any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against a substantial part of the property of the Company or any Subsidiary and such judgment, writ, or similar process is not effectively stayed within thirty (30) days after its issue or levy; or

Section 9.6. Failure of Performance Under the Stock Purchase Agreement. If the Company fails to perform or observe any covenant or agreement contained in the Stock Purchase Agreement or the Acquisition does not close on or before June 14, 2000.

ARTICLE X

REMEDIES UPON DEFAULT

Section 10.1. Optional Acceleration. In the event that one or more of the Events of Default set forth in Sections 8.1 through 8.6 above occurs and continues and is not waived by SNPE, then, in any such event, and at any time thereafter, SNPE may, at its option, terminate its commitment to make any Loan and declare the unpaid principal of, and all accrued interest on the Note, and all other indebtedness of Company to SNPE forthwith due and payable, whereupon the same will forthwith become due and payable without presentment, demand, protest, or other notice of any kind, all of which Company hereby expressly waives, anything contained herein or in the Note to the contrary notwithstanding.

Section 10.2. Remedies. Subject to the prior rights of the Bank in respect of Collateral subject to Permitted Liens, SNPE shall have the rights and remedies of a secured party under the Uniform Commercial Code in addition to the rights and remedies of a secured party provided elsewhere within the Agreement or in any other writing executed by the Company. Subject to any prior rights of the Bank in respect of the Collateral, SNPE may require the Company to assemble the Collateral and make it available to SNPE at a reasonably convenient place to be designated by SNPE. Unless the Collateral is perishable, threatens to decline speedily in value, or is of a type customarily sold on a recognized market, SNPE will give the Company reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if such notice is mailed (deposited for delivery, postage prepaid, by U.S. mail) to either, at SNPE's option (i) the principal office of the Company as set forth in this Agreement (or as modified by any change therein which the Company has supplied in writing to SNPE), or (ii) the Company's address at which SNPE customarily communicates with the Company, at least ten (10) days before the time of the public sale or the time after which any private sale or other intended disposition thereof is to be made. At any such public or private sale, SNPE may purchase the Collateral. After deduction for SNPE's Related Expenses, the residue of any such sale or other disposition shall be applied in satisfaction of the Obligations in such order of preference as SNPE may determine. Any excess, to the extent permitted by law, shall be paid to the Company, and the Company shall remain liable for any deficiency.

Section 10.3. No Waiver. The remedies in this ARTICLE X are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which SNPE may be entitled. No failure or delay on the part of SNPE in exercising any right, power, or remedy will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Amendments. No waiver of any provision of this Agreement, the Note, or consent to departure therefrom, is effective unless in writing and signed by SNPE. No such consent or waiver extends beyond the particular case and purpose involved. No amendment to this Agreement is effective unless in writing, and signed by the Company and SNPE.

Section 11.2. Expenses; Documentary Taxes. If requested by SNPE, the Company shall pay (a) all out-of-pocket expenses of SNPE, including fees and disbursements of special counsel for SNPE in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Event of Default hereunder, and (b) if an Event of Default occurs, all out-of-pocket expenses incurred by SNPE including reasonable fees and

disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Company shall reimburse SNPE for its payment of all transfer taxes, documentary taxes, assessments, or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Notes.

Section 11.3. Indemnification. The Company shall indemnify and hold SNPE harmless against any and all liabilities, losses, damages, costs, and expenses of any kind (including, without limitation, the reasonable fees and disbursements of counsel in connection with any investigative, administrative or judicial proceeding, whether or not SNPE shall be designated a party thereto) which may be incurred by SNPE relating to or arising out of this Agreement or any actual or proposed use of proceeds of any Loan hereunder; provided, however, that SNPE shall have no right to be indemnified hereunder for its own negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction.

Section 11.4. Governing Law. This Agreement and the Note will be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of laws. The several captions to different Sections of this Agreement are inserted for convenience only and shall be ignored in interpreting the provisions hereof.

Section 11.5. Extension of Time. Whenever any payment hereunder or under the Note becomes due on a date on which SNPE is not open for the transaction of business, such payment will be due on the next succeeding Business Day and such extension of time will be included in computing interest in connection with such payment.

Section 11.6. Notices. All written notices, requests, or other communications herein provided for must be addressed:

to the Company, as follows:

Dynamic Materials Corporation
551 Aspen Ridge Dr.
Lafayette, Colorado 80026
Attn: Richard A. Santa, Vice President of Finance
and Chief Financial Officer
Facsimile: (303) 604-3938

to SNPE as follows:

SNPE, Inc.
101 College Road East
Princeton, New Jersey 08540
Attention: Bernard Fontana, President
Facsimile: (609) 987-2767

or at such other address as either party may designate to the other in writing. Such communication will be effective (i) if by facsimile, when such facsimile is transmitted and the appropriate confirmation of delivery is received, (ii) if given by mail, 96 hours after such communication is deposited in the U.S. mail certified mail return receipt requested, or (iii) if given by other means, when delivered at the address specified in this Section 11.6.

Section 11.7. Survival of Agreements, Relationship. All agreements, representations, and warrants made in this Agreement will survive the making of the extension of credit hereunder, and will bind and inure to the benefit of the Company and SNPE, and their respective successors and assigns; provided, however, that no subsequent holder of the Note shall by reason of acquiring that Note, as the case may be, become obligated to make any Loan hereunder and no successor to or assignee of the Company may borrow hereunder without SNPE's written consent.

Section 11.8. Severability. If any provision of this Agreement or the Note, or any action taken hereunder or thereunder, or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement or the Note, all of which shall be construed and enforced without reference to such illegal or invalid portion and shall be deemed to be effective or taken in the manner and to the full extent permitted by law.

Section 11.9. Entire Agreement. This Agreement, the Note, and any other Loan Document integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof

Section 11.10. JURY TRIAL WAIVER. THE COMPANY AND SNPE EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN SNPE AND THE COMPANY ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the Company and SNPE have each caused this Agreement to be executed by their duly authorized officers as of the date first written above.

DYNAMIC MATERIALS CORPORATION,
as Borrower

By: /s/ R. A. Santa

Title: VP Finance and CFO

SNPE, INC.,
as Lender

By: /s/ Bernard Fontana

Title: President

SCHEDULE 4.2

DMC Deposit Accounts

<TABLE>
<CAPTION>

Bank	Account	Account #	Division	Authorized Signers
KeyBank	Lock Box	0010995760	Corp/Bonding/AMK	Not Applicable
KeyBank	Controlled Disbursement	000440997600083	Corp/Bonding/AMK	Joe Allwein, Rick Santa & Don Rittenhouse
KeyBank	Operating	000060080004496	Corp/Bonding/AMK	Joe Allwein, Rick Santa & Don Rittenhouse
KeyBank	Payroll	000060080004504	Corp/Bonding/PMP/AMK	Joe Allwein, Rick Santa & Don Rittenhouse
KeyBank	Spin Forge Disbursement	000060450020676	Spin Forge	Joe Allwein*, Rick Santa, Don Rittenhouse & Dennis Strum*
KeyBank	PMP Disbursement	000760450004501	PMP	Joe Allwein, Rick Santa, Don Rittenhouse, Randy Orr* & Angela Hisam*
Wells Fargo	Payroll	122101191	Spin Forge	Rick Santa
Savings Bank of Manchester	Business Checking**	9500192751	AMK	Bob Sanborn, Richard Haislip

</TABLE>

* These signers have a limit of $2,000 per check
** This account is maintained at approximately $5,000

EXHIBIT A

WORKING CAPITAL NOTE

$3,500,000.00 June _, 2000

For value received, DYNAMIC MATERIALS CORPORATION, a Delaware corporation (the "Company"), promises to pay to the order of SNPE, INC., a Delaware corporation ("SNPE"), its successor and assigns, at its main office, on the date or dates and in the manner specified in Article II of the Credit Agreement (as defined below), the aggregate principal amount of the advances outstanding under the Credit Agreement, as shown on any ledger or other record of SNPE, which shall be rebuttably presumptive evidence of the principal amount owing and unpaid on this Note.

The Company promises to pay to the order of SNPE interest on the unpaid principal amount of each Loan evidenced by this Note from the date of such Loan until such principal amount is paid in full at such interest rate(s) and at such times as are specified in Article II of the Credit Agreement.

This Note is the Note referred to in, and is entitled to the benefits of, the Credit Facility and Security Agreement ("Credit Agreement") by and between

SNPE and the Company dated June __, 2000, as the same may be hereafter amended from time to time. This Note may be declared forthwith due and payable in the manner and with the effect provided in the Credit Agreement, which contains provisions for acceleration of the maturity hereof upon the happening of any Event of Default and also for prepayment on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

Each defined term used in this Note shall have the meaning ascribed thereto in Section 1.2 of the Credit Agreement.

The Company expressly waives presentment, demand, protest, and notice of dishonor.

DYNAMIC MATERIALS CORPORATION

By:_____

Title:_____

<TABLE>
<CAPTION>
LEDGER FOR PROMISSORY NOTE

		Payments			
Date	Amount of Loan	Principal	Interest	Unpaid Principal Balance of Note	Name of Person Making Notation
<S>	<C>	<C>	<C>	<C>	<C>

- ---------- ---------- ---------- ---------- ---------- ----------
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</TABLE>

EXHIBIT B
FORM AMENDED COLLATERAL DESCRIPTION

All of Debtor's right, title and interest in the Collateral (as hereinafter defined) located on or used in connection with the real property described on Exhibit A attached hereto and made a part hereof for all purposes (the "Property"), or otherwise used in connection with or arising from the business and operations of the Bonding Division, whether now owned or hereafter acquired or received by the Debtor, or in which the Debtor now has or hereafter may acquire any right, title or interest:

DEFINITIONS

"Account," "Chattel Paper," "Consumer Goods," "Deposit Account," "Document," "Farm Products," "General Intangible," "Goods," "Instrument," and "Proceeds," have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein. "Investment Property," "Securities Account," "Securities Intermediary" and "Financial Assets" have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein.

"Account Control Agreement" means an Account Control Agreement as defined in Subsection 7(a) of the Security Agreement.

"Account Debtor" means the Person who is obligated on an Account Receivable.

"Accounts Receivable" means:

(a) any account receivable, Account, Chattel Paper, General Intangible, Document, or Instrument owned, acquired or received by a Person,

(b) any other indebtedness owed to or receivable owned, acquired or received by a Person of whatever kind and however evidenced, and

(c) any right, title and interest in a Person's Goods which were sold, leased or furnished by that Person and gave rise to either (a) or (b) above, or both of them. This includes, without limitation,

(1) any rights of stoppage in transit of a Person's sold, leased or furnished Goods,

(2) any rights to reclaim a Person's sold, leased or furnished Goods, and

(3) any rights a Person has in such sold, leased or furnished Goods that have been returned to or repossessed by that Person.

"Accounts Receivable Collection Account" means a commercial Deposit Account which may be maintained by Company with Bank in the name of the Bank, without liability by Bank to pay interest thereon, from which account Bank shall have the exclusive right to withdraw funds until all Obligations are paid, performed and observed in full.

"Bank" means KEYBANK NATIONAL ASSOCIATION, a national banking association, whose principal office is located at 3300 East First Avenue, Second Floor, Denver, Colorado 80206, Attention: H. Daniel Willetts.

"Bonding Division" means the business unit of the Debtor engaged in the manufacture of explosion bonded clad metal products primarily for the petrochemical and chemical processing industries referred to as the "Explosive Metal Working Group", "Explosive Manufacturing", "Metal Cladding", or "Shock Synthesis" in the Debtor's annual report on form 10-K filed on March 30, 2000 for the period ended December 31, 1999.

"Collateral" means:

(a) all of Company's Accounts Receivable, whether now owned or hereafter acquired or received by Company;

(b) all of Company's Inventory, whether now owned or hereafter acquired by Company;

(c) all of Company's Equipment, whether now owned or hereafter acquired by

Company, including, without limitation, the property of the Debtor set forth on Exhibit B attached hereto;

(d) all of Company's General Intangibles and other personal property and rights, whether now owned or hereafter acquired by Company, including but not limited to trademarks, tradenames, patents, copyrights, tax refunds, choses in action and contract rights;

(e) all of Company's Investment Collateral, each Securities Account, including without limitation the account named in the Account Control Agreement and all Financial Assets of the Company; and

(f) all of the Proceeds, products, profits and rents of Company's Accounts Receivable, Inventory, Equipment, Investment Collateral and General Intangibles and all books and records, including computer software used in connection with any of the Collateral.

Notwithstanding the foregoing, the Collateral shall not include that certain sublease (the "Sublease") dated July 22, 1996, between the Company and E. I. duPont de Nemours ("DuPont") and those assets located on the property covered by the Sublease used directly in connection with the services provided by the Company to DuPont under that certain Tolling/Services Agreement for Industrial Diamonds dated July 22, 1996 (as assigned from DuPont to Mypodiamond, Inc.), all of which assets are located at the Company's facility in Dunbar, Pennsylvania.

"Company" means DYNAMIC MATERIALS CORPORATION, an organized and existing company under the laws of the State of Delaware.

"Company's Location" means the location of:

(a) Company's place of business, if there is only one such place of business, or

(b) if there is more than one place of business, the place (1) from which Company manages the main part of its business operations, and (2) where Persons dealing with Company would normally look for credit information.

"Equipment" means:

(a) any equipment and fixtures, including without limitation, machinery, office furniture and furnishings, tools, dies, jigs and any warranty and other claims against the vendor or supplier of such equipment,

(b) all Goods that are used or bought for use primarily in a Person's business,

(c) all Goods that are not Consumer Goods, Farm Products, or Inventory, and

(d) all substitutes or replacements for, and all parts, accessories, additions, attachments, or accessions to the foregoing.

"Event of Default" means the occurrence of any of the events set forth in Section 8 of the Security Agreement.

"General Intangibles" means all general intangibles as set forth in the Uniform Commercial Code in effect in the State of Colorado, whether now existing or hereafter arising, including, without limitation, all contract rights, rights of the Company with respect to pledges made to the Company by third parties, all trademarks, copyrights, patents and other intellectual property rights as set forth on Exhibit C attached hereto.

"Inventory" means:

(a) any inventory,

(b) all Goods that are raw materials,

(c) all Goods that are work in process,

(d) all Goods that are materials used or consumed in the ordinary course of a Person's business,

(e) all Goods that are in the ordinary course of a Person's business, held for sale or lease or furnished or to be furnished under contracts of service, and

(f) all substitutes and replacements for, and parts, accessories, additions, attachments, or accessions to (a) to (e) above.

"Investment Collateral" means, in connection with the Bonds and the Bond

Documents, as defined in the Reimbursement Agreement described in the Security Agreement (i) any free credit balance or other money, now or hereafter credited to, or owing from any Securities Intermediary to the Company, (ii) any commodity contracts, securities (certificated or uncertificated), Instruments, Documents, Financial Assets or other Investment Property distributed from any Securities Account now or in the future, (iii) all the proceeds of the sale, exchange, redemption or exercise of any of the foregoing, including, but not limited to, any dividend, interest payment or other distribution of cash or property in respect of any of the foregoing, (iv) any rights incidental to the ownership of any of the foregoing, such as voting, conversion and registration rights and rights of recovery for violation of applicable securities laws and (v) all books and records relating to any of the foregoing.

"Obligations" means any of the following obligations, whether direct or indirect, absolute or contingent, secured or unsecured, matured or unmatured, originally contracted with Bank or another Person, and now or hereafter owing to or acquired in any manner partially or totally by Bank or in which Bank may have acquired a participation, contracted by Company alone or jointly or severally with another Person:

(a) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred, or executed by Company to, in favor of, or with Bank and are set forth or contained in, referred to, evidenced by, or executed with reference to, the Reimbursement Agreement or the Security Agreement, and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor;

(b) any and all claims of whatever kind of Bank against Company, now existing or hereafter arising, including, without limitation, any arising out of or in any way connected with warranties made by Company to Bank in connection with any Instrument deposited with or purchased by Bank;

(c) any and all of Bank's Related Expenses.

"Organization" and "Person" means, as applicable, any natural person, corporation (which shall be deemed to include a business trust), association, limited liability company, partnership, joint venture, political entity, or political subdivision thereof.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of September 1, 1998, as amended by that certain First Amendment to Reimbursement Agreement dated June 14,

2000, executed by and between the Company and Bank, pursuant to which Bank executed and delivered to Trustee (as defined in the Reimbursement Agreement) an Irrevocable Transferable Letter of Credit in the original aggregate amount of Six Million Nine Hundred Ninety-Seven Thousand One Hundred Thirty-Five Dollars ($6,997,135.00), and including any partial or total amendment, renewal, restatement, extension, or substitution thereof or therefor.

"Related Expenses" means any and all costs, liabilities, and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorney's fees, legal expenses, judgments, suits, and disbursements) incurred by, imposed upon, or asserted against, Bank in any attempt by Bank:

(a) to obtain, preserve, perfect, or enforce the security interest evidenced by (i) the Security Agreement, or (ii) any other pledge agreement, mortgage deed, hypothecation agreement, guaranty, security agreement, assignment, or security instrument executed or given by Company to or in favor of Bank,

(b) to obtain payment, performance, and observance of any and all of the Obligations,

(c) to maintain, insure, collect, preserve, or upon any Event of Default, repossess and dispose of any of the Collateral, or

(d) incidental or related to (a) through (c) above, including, without limitation, interest thereupon from the date incurred, imposed, or asserted until paid at the rate payable pursuant to the Reimbursement Agreement, but in no event greater than the highest rate permitted by law.

"Security Agreement" means the Amended and Restated Security Agreement dated as of June 14, 2000 between Company and Bank, and including any partial or total amendment, renewal, restatement, extension, or substitution of or for such agreement.

FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT

THIS FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT (this "First Amendment"), executed this 14th day of June, 2000, is by and between DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("Borrower") and KEYBANK NATIONAL ASSOCIATION, a national banking association ("Bank").

R E C I T A L S:

A. On September 1, 1998, the Borrower and the Bank entered into that certain Reimbursement Agreement (the "Agreement") pursuant to which the Bank agreed to issue a letter of credit in favor of the Trustee (defined therein) in an amount not to exceed $6,997,135.00 to secure payment of certain Fayette County Industrial Development Authority Multi-Mode Variable Rate Industrial Development Revenue Bonds, Series 1998 (Dynamic Materials Corporation Project) in the aggregate principal amount of $6,850,000 (the "Bonds").

B. In addition to the Agreement, the Borrower and the Bank entered into the Credit Facility Agreements (as defined in the Reimbursement Agreement), which Credit Facility Agreements were amended by that certain Amended and Restated Credit Facility and Security Agreement dated as of November 30, 1998 which, as amended by that certain First Amendment to Amended and Restated Credit Facility and Security Agreement (the "First Amendment") dated December 31, 1998, provided for loans up to Fourteen Million Dollars ($14,000,000) (the "Credit Facility Loans"). The obligations of Borrower pursuant to the Agreement are cross-collateralized and cross-defaulted with the obligations of Borrower pursuant to the Credit Facility Loans.

C. On or about January 20, 2000, the Borrower and SNPE, Inc., a Delaware corporation ("SNPE"), entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), pursuant to which SNPE will purchase (i) approximately 2,100,000 shares of the stock of the Company for approximately Five Million Eight Hundred Thousand Dollars ($5,800,000), resulting in SNPE having a fifty and eight-tenths percent (50.8%) ownership interest in the Company and (ii) a One Million Two Hundred Thousand Dollar ($1,200,000) subordinated note convertible into Company stock (collectively, the "Acquisition").

D. The Borrower has agreed to use the majority of the proceeds from the Acquisition, together with such other loan proceeds in an amount not to exceed $3,500,000 from SNPE to the Borrower (the "SNPE Intercompany Debt"), which amount may be increased to not more than $4,500,000 upon the written request of Borrower to SNPE and subject to the terms and conditions set forth in the Credit Facility and Security Agreement evidencing the SNPE Intercompany Debt dated as of the date hereof, to pay in full the Credit Facility Loans and in connection therewith, the Bank has agreed to release and/or modify certain of the collateral securing such Credit Facility Loans, provided that certain of the covenants and conditions set forth in the Agreement are modified as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. REIMBURSEMENT AGREEMENT AMENDMENT. The Agreement is hereby amended as follows:

(i) A. The following definitions shall be added to Section 1.1 of the Agreement:

"Bank Collateral" shall mean that certain collateral described in Exhibit B of the First Amendment to Reimbursement Agreement.

"Convertible Subordinated Note" shall mean that certain note in the aggregate principal amount of One Million Two Hundred Thousand Dollars ($1,200,000) executed by the Borrower in favor of SNPE, a copy of which is attached to the Stock Purchase Agreement.

"Net Worth" shall mean the total assets of the Borrower less (i) the Borrower's Total Indebtedness (exclusive of the then outstanding principal balance of the Convertible Subordinated Note) and (ii) any and all stock or other securities of any other Person acquired or owned by the Borrower subsequent to the date hereof which is not otherwise required by GAAP to be consolidated in Borrower's financial statements and any and all loans to or the providing of funds or credit to any other Person or any account receivables (other than trade or other receivables in the ordinary course of business) from any other Person subsequent to the date hereof which are not otherwise required by GAAP to be consolidated in Borrower's financial statements.

"Security Agreement" shall mean the Amended and Restated Security Agreement between the Borrower and the Bank attached as Exhibit C of

the First Amendment to Reimbursement Agreement.

"Subordinated Debt" shall mean Indebtedness of a Person which is subordinated, in a manner satisfactory to the Bank, to all Indebtedness owing to the Bank, including, but not limited to, the Convertible Subordinated Note, and to all other indebtedness which is pari passu therewith or senior thereto.

"Tangible Net Worth" shall mean the total assets of the Borrower less (i) the Borrower's Total Indebtedness (exclusive of the then outstanding principal balance of the Convertible Subordinated Note), (ii) the Borrower's aggregate amount of all intangible assets and

(iii) any and all stock or other securities of any other Person acquired or owned by the Borrower subsequent to the date hereof which is not otherwise required by GAAP to be consolidated in Borrower's financial statements and any and all loans to or the providing of funds or credit to any other Person or any account receivables (other than trade or other receivables in the ordinary course of business) from any other Person subsequent to the date hereof which are not otherwise required by GAAP to be consolidated in Borrower's financial statements.

B. The definition of "Credit Facility Agreements" shall be of no further effect in connection with the Reimbursement Agreement.

C. The following subsection (m) shall be added to the definition of "Permitted Liens":

(m) Liens granted in favor of SNPE as of the date of the First Amendment to Reimbursement Agreement which do not encumber any portion of any of the Bank Collateral.

(ii) Section 2.5 of the Agreement shall be deleted in its entirety and the parties acknowledge and agree that the Letter of Credit shall expire on September 22, 2001, without further extension.

(iii) The fifteen (15) day period set forth in Section 6.1(a) of the Agreement shall be replaced with thirty (30) days.

(iv) The reference to an "unqualified opinion" in Section 6.1(b) of the Agreement shall be modified to an "opinion".

(v) Sections 6.1(c) and (d) of the Agreement shall be deleted in their entirety and replaced with the following:

(c) promptly after the filing thereof, copies of the state and federal tax returns of the Borrower and all schedules thereto;

(d) promptly upon their distribution, copies of all financial statements, reports and proxy statements which the Borrower shall have sent to its stockholders, and promptly after the sending or filing thereof, copies of all regular and periodic reports which the Borrower shall file with the Securities and Exchange Commission or any national securities exchange;

(e) As soon as practicable, and in any event within thirty (30) days of the end of each calendar month in each year, a certificate by the Borrower and all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the financial covenants set forth in Sections 6.15, 6.18, 6.19 and 6.30 hereof; and

(f) With reasonable promptness, such other data and information as from time to time may be reasonably requested by the Bank.

(vi) Section 6.8(b) of the Agreement shall be deleted in its entirety and replaced with the following:

(b) Shall deliver promptly to the Bank copies of any documents of a material nature, excluding such documents transmitted in the ordinary course of Borrower's business, which are: (i) received from the United States Environmental Protection Agency or any state, county or municipal environment or health agency, and (ii) submitted by Borrower or any of its Subsidiaries to the United States Environmental Protection Agency or any state, county or municipal environment or health agency concerning its operations.

(vii) Section 6.9 of the Agreement shall be deleted in its entirety and replaced with the following:

Sale of Assets. The Borrower will not, directly or indirectly sell, lease, transfer, or otherwise dispose of any plant or any manufacturing facility or other assets which are included in the Bank Collateral (as defined in Paragraph 2 below) (i) without receipt of full and adequate consideration therefor, or (ii) involving amounts exceeding $150,000 in any single transaction. The Borrower will not, directly or indirectly sell, lease, transfer, or otherwise dispose of any plant or any manufacturing facility or other assets which are not included in the Bank Collateral and which involve amounts exceeding $500,000 in any single transaction without fifteen (15) days' prior written notification to the Bank. Any and all proceeds from any sale or other disposition of assets which constitute Bank Collateral (which assets involve amounts exceeding $150,000 in any single transaction and are not replaced with assets of equal or greater value) shall be applied, as directed by the Bank, in connection with the reimbursement of any and all payments made by the Bank pursuant to the Letter of Credit or the further securing of any outstanding amounts then owing to the Bank pursuant to the Reimbursement Agreement.

(viii) Section 6.10 of the Agreement shall be deleted and replaced in its entirety with the following:

Liens. The Borrower will not, directly or indirectly, create, incur, assume, or permit to exist any Lien with respect to any property or asset of the Borrower (now owned or hereafter acquired) which is included in the Bank Collateral, other than Permitted Liens. The Borrower will not, directly or indirectly, create, incur, assume, or permit to exist any Lien with respect to any property or asset of the Borrower (now owned or hereafter acquired) which is not included in the Bank Collateral, other than Permitted Liens, without fifteen (15) days' prior written notification to the Bank.

(ix) Sections 6.11(c) and 6.11(g) of the Agreement shall be deleted and replaced in their entirety with the following:

(c) Indebtedness which is secured only by a Permitted Lien or which is secured only by property which is not included in the Bank Collateral and then, in such event, Borrower shall only be required to provide the Bank with fifteen (15) days' prior written notification of such Indebtedness; and

(g) Other Indebtedness of the Borrower not covered under subparts (a) through (f) of this Section 6.11 not exceeding $100,000 in the aggregate outstanding at any time; and

(x) Section 6.12 of the Agreement shall be deleted and replaced in its entirety with following:

Investments; Loans. Except for Permitted Investments, the Borrower will not, directly or indirectly, (a) purchase or otherwise acquire or own any stock or other securities of any other Person, or (b) make or permit to be outstanding any loan or advance (other than trade advances in the ordinary course of business) or enter into any arrangement to provide funds or credit, to any other Person without fifteen (15) days' prior written notification to the Bank.

(xi) Section 6.13 of the Agreement shall be deleted and replaced in its entirety with the following:

Guaranties. The Borrower will not guarantee, directly or indirectly, or otherwise become surety (including, without limitation, liability by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to, or otherwise invest in, any

Person, or enter into any working capital maintenance or similar agreement) in respect of any obligation or Indebtedness of any other Person, except guaranties by endorsement of negotiable instruments for deposit, collection, or similar transactions in the ordinary course of business, without fifteen (15) days' prior written notification to the Bank; provided, however, that any such guaranties shall be included in the calculation of Indebtedness of the Borrower in connection with any financial covenants of the Borrower set forth in Section 6 of this Agreement.

(xii) Section 6.15 of the Agreement shall be deleted and replaced in its entirety with the following:

Current Ratio. On the last day of each month during the term of this Agreement (commencing June 30, 2000), the Borrower will have a ratio of Current Assets to Current Liabilities that is not less than 1.85 to 1.00. For purposes of calculating the Current Ratio set forth herein,

the SNPE Intercompany Debt will not be included as a Current Liability of Borrower.

(xiii) Section 6.16 of the Agreement shall be deleted in its entirety.

(xiv) Section 6.17 of the Agreement shall be deleted in its entirety and replaced with the following:

Subordinated Debt. The Borrower will not make any payment upon any outstanding Subordinated Debt, except in such manner and amounts as may be expressly authorized in any subordination agreement presently or hereafter held by the Bank or as expressly set forth in the Convertible Subordinated Note.

(xv) Section 6.18 of the Agreement shall be deleted and replaced in its entirety with the following:

Ratio of Total Indebtedness to Tangible Net Worth. The ratio of Borrower's Total Indebtedness to Tangible Net Worth, as measured on the last day of each month (commencing June 30, 2000), shall not exceed a ratio of 3.0 to 1.00.

(xvi) A new Section 6.30 shall be added to the Agreement as follows:

Section 6.30. Minimum Net Worth. Borrower's Net Worth at any time during the term of this Agreement shall not be less than $12,500,000, as measured on the last day of each month.

(xvii) A new Section 7.1(j) shall be added as an Event of Default under the Agreement as follows:

(j) If Borrower fails to perform or observe any covenant or agreement contained in the Stock Purchase Agreement or the Acquisition does not close on or before June 30, 2000.

(xviii) The Bank's address for notices as set forth in Section 9.6 of the Agreement shall be modified as follows:

KeyBank National Association
International Division
700 Fifth Avenue, 53rd Floor
Mailstop:WA 31-01-5360
Seattle, WA 98104
Fax Number: 206-684-6238

and a copy to:

H. Daniel Willetts
KeyBank National Association
3300 East First Avenue, Second Floor
Denver, Colorado 80206
Fax Number: 303-316-2310

2. CONDITIONS. The amendments set forth in Paragraph 1 shall be of no effect unless and until the following conditions have been satisfied:

(i) On the closing date of the Acquisition, the Bank shall have received from Borrower, by wire transfer to an account directed by the Bank, funds in an amount sufficient to satisfy the entire outstanding indebtedness owing to the Bank in connection with the Credit Facility Loans (the "Payoff Amount"). The Bank shall also have received the written opinion of legal counsel for the Borrower, dated the date of this Agreement, in form satisfactory to the Bank and covering such matters as the Bank may reasonably require.

(ii) Within twenty (20) days following the Bank's receipt of the Payoff Amount, the Bank and/or the Borrower, as applicable, will execute the following: (1) UCC financing statements amending the collateral description set forth in the existing UCC-1 financing statements filed by Borrower in favor of the Bank in the state and county offices referenced in Exhibit A attached hereto to the collateral description set forth in Exhibit B attached hereto (the "Bank Collateral") and (2) the Amended and Restated Security Agreement in the form attached hereto as Exhibit C. Such UCC amendments referenced in this subparagraph (ii) shall be filed and /or recorded by Borrower with the appropriate county clerk and recorder/secretary of state offices, at Borrower's sole cost and expense.

(iii) The Bank shall have received evidence satisfactory to the Bank (1) that the execution, delivery and performance of the documents and actions contemplated by this First Amendment have been duly authorized by all requisite corporate action of the Borrower, (2) that the Acquisition has closed and/or the proceeds of the SNPE Intercompany Debt have been funded and delivered to the

Borrower and (3) as to such other matters as the Bank may reasonably require.

3. DOCUMENT RATIFICATION. Subject to the amendments set forth in Paragraph 1, all of the terms and conditions contained in the Agreement shall remain unmodified and in full force and effect.

4. RELEASE. Except as specifically set forth herein, the execution of this First Amendment by the Bank does not and shall not constitute a waiver of any rights or remedies to which the Bank is entitled pursuant to the Agreement, nor shall the same constitute a waiver of any default now existing or which may occur in the future with respect to the Agreement. The Borrower hereby agrees that the Bank has fully performed its obligations pursuant to the Agreement through the date hereof and hereby waives, releases and relinquishes any and all known claims whatsoever that it may have against the Bank with respect to the Agreement through the date hereof.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER. The Borrower represents, warrants and covenants to the Bank:

(a) No default or event of default under the Agreement as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Agreement as modified herein has occurred and is continuing.

(b) There has been no material adverse change in the financial condition of the Borrower or any other person whose financial statement has been delivered to the Bank in connection with the Agreement from the most recent financial statement received by the Bank.

(c) Each and all representations and warranties of the Borrower in the Agreement are accurate on the date hereof, except for those items which the Bank has been notified of in writing or provided by the Borrower as of the date hereof.

(d) The Borrower has no known claims, counterclaims, defenses, or set-offs with respect to the Agreement as modified herein.

(e) The Agreement as modified herein is the legal, valid, and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

(f) The Borrower shall execute, deliver, and provide to the Bank such additional agreements, documents, and instruments as may be reasonably required by the Bank to effectuate the intent of this Agreement and shall pay all of the Bank's fees and expenses relating to this Agreement, including, without limitation, any recording and filing fees and the Bank's reasonable legal expenses incurred in connection with this Agreement.

6. CONTROLLING LAW. The terms and provisions of this First Amendment shall be construed in accordance with and governed by the laws of the State of Colorado.

7. BINDING EFFECT. This First Amendment shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

8. CAPTIONS. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof, rather, they are intended for purposes of convenience only.

9. COUNTERPARTS. This First Amendment may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this First Amendment may be detached from any counterpart of this First Amendment without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this First Amendment identical in form hereto but having attached to it one or more additional signature pages.

10. DEFINED TERMS. Capitalized terms not defined herein shall have the same meaning as set forth in the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

BANK:

KEY BANK NATIONAL ASSOCIATION

By: /s/ H. Daniel Willetts

Name: H. Daniel Willetts
Title: Vice President

BORROWER:

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard A. Santa

Name: Richard A. Santa
Title: VP Finance and Chief Financial Officer

EXHIBIT A
UCC FILING OFFICES

1. Colorado Secretary of State

2. Colorado County Filings:
Arapahoe
Boulder

3. California Secretary of State

4. California County Filings:
Los Angeles

5. Connecticut Secretary of State

6. Connecticut County Filings:
South Windsor

7. Pennsylvania Secretary of Commonwealth

8. Pennsylvania County Filings:
Fayette County

EXHIBIT B
FORM AMENDED COLLATERAL DESCRIPTION

All of Debtor's right, title and interest in the Collateral (as hereinafter defined) located on or used in connection with the real property described on Exhibit A attached hereto and made a part hereof for all purposes (the "Property"), or otherwise used in connection with or arising from the business and operations of the Bonding Division, whether now owned or hereafter acquired or received by the Debtor, or in which the Debtor now has or hereafter may acquire any right, title or interest:

DEFINITIONS

"Account," "Chattel Paper," "Consumer Goods," "Deposit Account," "Document," "Farm Products," "General Intangible," "Goods," "Instrument," and "Proceeds," have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein. "Investment Property," "Securities Account," "Securities Intermediary" and "Financial Assets" have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein.

"Account Control Agreement" means an Account Control Agreement as defined in Subsection 7(a) of the Security Agreement.

"Account Debtor" means the Person who is obligated on an Account Receivable.

"Accounts Receivable" means:

(a) any account receivable, Account, Chattel Paper, General Intangible, Document, or Instrument owned, acquired or received by a Person,

(b) any other indebtedness owed to or receivable owned, acquired or received by a Person of whatever kind and however evidenced, and

(c) any right, title and interest in a Person's Goods which were sold, leased or furnished by that Person and gave rise to either (a) or (b) above, or both of them. This includes, without limitation,

(1) any rights of stoppage in transit of a Person's sold, leased or furnished Goods,

(2) any rights to reclaim a Person's sold, leased or furnished Goods, and

(3) any rights a Person has in such sold, leased or furnished Goods that have been returned to or repossessed by that Person.

"Accounts Receivable Collection Account" means a commercial Deposit Account which may be maintained by Company with Bank in the name of the Bank, without liability by Bank to pay interest thereon, from which account Bank shall have the exclusive right to withdraw funds until all Obligations are paid, performed and observed in full.

"Bank" means KEYBANK NATIONAL ASSOCIATION, a national banking association, whose principal office is located at 3300 East First Avenue, Second Floor, Denver, Colorado 80206, Attention: H. Daniel Willetts.

"Bonding Division" means the business unit of the Debtor engaged in the manufacture of explosion bonded clad metal products primarily for the petrochemical and chemical processing industries referred to as the "Explosive Metal Working Group", "Explosive Manufacturing", "Metal Cladding", or "Shock Synthesis" in the Debtor's annual report on form 10-K filed on March 30, 2000 for the period ended December 31, 1999.

"Collateral" means:

(a) all of Company's Accounts Receivable, whether now owned or hereafter acquired or received by Company;

(b) all of Company's Inventory, whether now owned or hereafter acquired by Company;

(c) all of Company's Equipment, whether now owned or hereafter acquired by Company, including, without limitation, the property of the Debtor set forth on Exhibit B attached hereto;

(d) all of Company's General Intangibles and other personal property and rights, whether now owned or hereafter acquired by Company, including but not limited to trademarks, tradenames, patents, copyrights, tax refunds, choses in action and contract rights;

(e) all of Company's Investment Collateral, each Securities Account, including without limitation the account named in the Account Control Agreement and all Financial Assets of the Company; and

(f) all of the Proceeds, products, profits and rents of Company's Accounts Receivable, Inventory, Equipment, Investment Collateral and General Intangibles and all books and records, including computer software used in connection with any of the Collateral.

Notwithstanding the foregoing, the Collateral shall not include that certain sublease (the "Sublease") dated July 22, 1996, between the Company and E. I. duPont de Nemours ("DuPont") and those assets located on the property covered by the Sublease used directly in connection with the services provided by the Company to DuPont under that certain Tolling/Services Agreement for Industrial Diamonds dated July 22, 1996 (as assigned from DuPont to Mypodiamond, Inc.), all of which assets are located at the Company's facility in Dunbar, Pennsylvania.

"Company" means DYNAMIC MATERIALS CORPORATION, an organized and existing company under the laws of the State of Delaware.

"Company's Location" means the location of:

(a) Company's place of business, if there is only one such place of business, or

(b) if there is more than one place of business, the place (1) from which Company manages the main part of its business operations, and (2) where Persons dealing with Company would normally look for credit information.

"Equipment" means:

(a) any equipment and fixtures, including without limitation, machinery, office furniture and furnishings, tools, dies, jigs and any warranty and other claims against the vendor or supplier of such equipment,

(b) all Goods that are used or bought for use primarily in a Person's business,

(c) all Goods that are not Consumer Goods, Farm Products, or Inventory, and

(d) all substitutes or replacements for, and all parts, accessories, additions, attachments, or accessions to the foregoing.

"Event of Default" means the occurrence of any of the events set forth in Section 8 of the Security Agreement.

"General Intangibles" means all general intangibles as set forth in the Uniform Commercial Code in effect in the State of Colorado, whether now existing or hereafter arising, including, without limitation, all contract rights, rights of the Company with respect to pledges made to the Company by third parties, all trademarks, copyrights, patents and other intellectual property rights as set forth on Exhibit C attached hereto.

"Inventory" means:

(a) any inventory,

(b) all Goods that are raw materials,

(c) all Goods that are work in process,

(d) all Goods that are materials used or consumed in the ordinary course of a Person's business,

(e) all Goods that are in the ordinary course of a Person's business, held for sale or lease or furnished or to be furnished under contracts of service, and

(f) all substitutes and replacements for, and parts, accessories, additions, attachments, or accessions to (a) to (e) above.

"Investment Collateral" means, in connection with the Bonds and the Bond Documents, as defined in the Reimbursement Agreement described in the Security Agreement (i) any free credit balance or other money, now or hereafter credited to, or owing from any Securities Intermediary to the Company, (ii) any commodity contracts, securities (certificated or uncertificated), Instruments, Documents, Financial Assets or other Investment Property distributed from any Securities Account now or in the future, (iii) all the proceeds of the sale, exchange, redemption or exercise of any of the foregoing, including, but not limited to, any dividend, interest payment or other distribution of cash or property in respect of any of the foregoing, (iv) any rights incidental to the ownership of any of the foregoing, such as voting, conversion and registration rights and rights of recovery for violation of applicable securities laws and (v) all books and records relating to any of the foregoing.

"Obligations" means any of the following obligations, whether direct or indirect, absolute or contingent, secured or unsecured, matured or unmatured, originally contracted with Bank or another Person, and now or hereafter owing to or acquired in any manner partially or totally by Bank or in which Bank may have acquired a participation, contracted by Company alone or jointly or severally with another Person:

(a) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred, or executed by Company to, in favor of, or with Bank and are set forth or contained in, referred to, evidenced by, or executed with reference to, the Reimbursement Agreement or the Security Agreement, and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor;

(b) any and all claims of whatever kind of Bank against Company, now existing or hereafter arising, including, without limitation, any arising out of or in any way connected with warranties made by Company to Bank in connection with any Instrument deposited with or purchased by Bank;

(c) any and all of Bank's Related Expenses.

"Organization" and "Person" means, as applicable, any natural person, corporation (which shall be deemed to include a business trust), association, limited liability company, partnership, joint venture, political entity, or political subdivision thereof.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of September 1, 1998, as amended by that certain First Amendment to Reimbursement Agreement dated June 14,

2000, executed by and between the Company and Bank, pursuant to which Bank executed and delivered to Trustee (as defined in the Reimbursement Agreement) an

Irrevocable Transferable Letter of Credit in the original aggregate amount of Six Million Nine Hundred Ninety-Seven Thousand One Hundred Thirty-Five Dollars ($6,997,135.00), and including any partial or total amendment, renewal, restatement, extension, or substitution thereof or therefor.

"Related Expenses" means any and all costs, liabilities, and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorney's fees, legal expenses, judgments, suits, and disbursements) incurred by, imposed upon, or asserted against, Bank in any attempt by Bank:

(a) to obtain, preserve, perfect, or enforce the security interest evidenced by (i) the Security Agreement, or (ii) any other pledge agreement, mortgage deed, hypothecation agreement, guaranty, security agreement, assignment, or security instrument executed or given by Company to or in favor of Bank,

(b) to obtain payment, performance, and observance of any and all of the Obligations,

(c) to maintain, insure, collect, preserve, or upon any Event of Default, repossess and dispose of any of the Collateral, or

(d) incidental or related to (a) through (c) above, including, without limitation, interest thereupon from the date incurred, imposed, or asserted until paid at the rate payable pursuant to the Reimbursement Agreement, but in no event greater than the highest rate permitted by law.

"Security Agreement" means the Amended and Restated Security Agreement dated as of June 14, 2000 between Company and Bank, and including any partial or total amendment, renewal, restatement, extension, or substitution of or for such agreement.

EXHIBIT C
AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT AMENDS AND REPLACES, IN ITS ENTIRETY, THAT CERTAIN SECURITY AGREEMENT DATED SEPTEMBER 1, 1998 BETWEEN THE COMPANY AND THE BANK.

As of this 14th day of June, 2000, Company and Bank (as herein defined), in consideration of the premises and the covenants and agreements contained herein, hereby mutually agree as follows:

1. DEFINITIONS

"Account," "Chattel Paper," "Consumer Goods," "Deposit Account," "Document," "Farm Products," "General Intangible," "Goods," "Instrument," and "Proceeds," have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein. "Investment Property," "Securities Account," "Securities Intermediary" and "Financial Assets" have the meanings as set forth in the Uniform Commercial Code in effect in the State of Colorado, including any amendments thereof and any substitutions therefor, which definitions are hereby incorporated by reference as though fully rewritten herein.

"Account Control Agreement" means an Account Control Agreement as defined in Subsection 7(a).

"Account Debtor" means the Person who is obligated on an Account Receivable.

"Accounts Receivable" means:

(a) any account receivable, Account, Chattel Paper, General Intangible, Document, or Instrument owned, acquired or received by a Person,

(b) any other indebtedness owed to or receivable owned, acquired or received by a Person of whatever kind and however evidenced, and

(c) any right, title and interest in a Person's Goods which were sold, leased or furnished by that Person and gave rise to either (a) or (b) above, or both of them. This includes, without limitation,

(1) any rights of stoppage in transit of a Person's sold, leased or furnished Goods,

(2) any rights to reclaim a Person's sold, leased or furnished Goods, and

(3) any rights a Person has in such sold, leased or furnished Goods that have been returned to or repossessed by that Person.

"Accounts Receivable Collection Account" means a commercial Deposit Account which may be maintained by Company with Bank in the name of the Bank, without liability by Bank to pay interest thereon, from which account Bank shall have the exclusive right to withdraw funds until all Obligations are paid, performed and observed in full.

"Bank" means KEYBANK NATIONAL ASSOCIATION, a national banking association, whose principal office is located at 3300 East First Avenue, Second Floor, Denver, Colorado 80206, Attention: H. Daniel Willetts.

"Bonding Division" means the business unit of the Debtor engaged in the manufacture of explosion bonded clad metal products primarily for the petrochemical and chemical processing industries referred to as the "Explosive Metal Working Group", "Explosive Manufacturing", "Metal Cladding", or "Shock Synthesis" in the Debtor's annual report on form 10-K filed on March 30, 2000 for the period ended December 31, 1999.

"Collateral" means:

(a) all of Company's Accounts Receivable, whether now owned or hereafter acquired or received by Company;

(b) all of Company's Inventory, whether now owned or hereafter acquired by Company;

(c) all of Company's Equipment, whether now owned or hereafter acquired by Company, including, without limitation, the property of the Debtor set forth on Exhibit B attached hereto;

(d) all of Company's General Intangibles and other personal property and rights, whether now owned or hereafter acquired by Company, including but not limited to trademarks, tradenames, patents, copyrights, tax refunds, choses in action and contract rights;

(e) all of Company's Investment Collateral, each Securities Account, including without limitation the account named in the Account Control Agreement and all Financial Assets of the Company; and

(f) all of the Proceeds, products, profits and rents of Company's Accounts Receivable, Inventory, Equipment, Investment Collateral and General Intangibles and all books and records, including computer software used in connection with any of the Collateral.

(g) Notwithstanding the foregoing, the Collateral shall not include that certain sublease (the "Sublease") dated July 22, 1996, between the Company and E. I. duPont de Nemours ("DuPont") and those assets located on the property covered by the Sublease used directly in connection with the services provided by the Company to DuPont under that certain Tolling/Services Agreement for Industrial Diamonds dated July 22, 1996 (as assigned from DuPont to Mypodiamond, Inc.), all of which assets are located at the Company's facility in Dunbar, Pennsylvania.

"Company" means DYNAMIC MATERIALS CORPORATION, an organized and existing company under the laws of the State of Delaware.

"Company's Location" means the location of:

(a) Company's place of business, if there is only one such place of business, or

(b) if there is more than one place of business, the place (1) from which Company manages the main part of its business operations, and (2) where Persons dealing with Company would normally look for credit information.

"Equipment" means:

(a) any equipment and fixtures, including without limitation, machinery, office furniture and furnishings, tools, dies, jigs and any warranty and other claims against the vendor or supplier of such equipment,

(b) all Goods that are used or bought for use primarily in a Person's business,

(c) all Goods that are not Consumer Goods, Farm Products, or

Inventory, and

(d) all substitutes or replacements for, and all parts, accessories, additions, attachments, or accessions to the foregoing.

"Event of Default" means the occurrence of any of the events set forth in Section 8 of the Security Agreement.

"General Intangibles" means all general intangibles as set forth in the Uniform Commercial Code in effect in the State of Colorado, whether now existing or hereafter arising, including, without limitation, all contract rights, rights of the Company with respect to pledges made to the Company by third parties, all trademarks, copyrights, patents and other intellectual property rights as set forth on Exhibit D attached hereto.

"Inventory" means:

(a) any inventory,

(b) all Goods that are raw materials,

(c) all Goods that are work in process,

(d) all Goods that are materials used or consumed in the ordinary course of a Person's business,

(e) all Goods that are in the ordinary course of a Person's business, held for sale or lease or furnished or to be furnished under contracts of service, and

(f) all substitutes and replacements for, and parts, accessories, additions, attachments, or accessions to (a) to (e) above.

"Investment Collateral" means, in connection with the Bonds and the Bond Documents, as defined in the Reimbursement Agreement described in this Security Agreement (i) any free credit balance or other money, now or hereafter credited to, or owing from any Securities Intermediary to the Company, (ii) any commodity contracts, securities (certificated or uncertificated), Instruments, Documents, Financial Assets or other Investment Property distributed from any Securities Account now or in the future, (iii) all the proceeds of the sale, exchange, redemption or exercise of any of the foregoing, including, but not limited to, any dividend, interest payment or other distribution of cash or property in respect of any of the foregoing, (iv) any rights incidental to the ownership of any of the foregoing, such as voting, conversion and registration rights and rights of recovery for violation of applicable securities laws and (v) all books and records relating to any of the foregoing.

"Obligations" means any of the following obligations, whether direct or indirect, absolute or contingent, secured or unsecured, matured or unmatured, originally contracted with Bank or another Person, and now or hereafter owing to or acquired in any manner partially or totally by Bank or in which Bank may have acquired a participation, contracted by Company alone or jointly or severally with another Person:

(a) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred, or executed by Company to, in favor of, or with Bank and are set forth or contained in, referred to, evidenced by, or executed with reference to, the Reimbursement Agreement or the Security Agreement, and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor;

(b) any and all claims of whatever kind of Bank against Company, now existing or hereafter arising, including, without limitation, any arising out of or in any

way connected with warranties made by Company to Bank in connection with any Instrument deposited with or purchased by Bank;

(c) any and all of Bank's Related Expenses.

"Organization" and "Person" means, as applicable, any natural person, corporation (which shall be deemed to include a business trust), association, limited liability company, partnership, joint venture, political entity, or political subdivision thereof.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of

September 1, 1998, as amended by that certain First Amendment to Reimbursement Agreement dated June 14, 2000, executed by and between the Company and Bank, pursuant to which Bank executed and delivered to Trustee (as defined in the Reimbursement Agreement) an Irrevocable Transferable Letter of Credit in the original aggregate amount of Six Million Nine Hundred Ninety-Seven Thousand One Hundred Thirty-Five Dollars ($6,997,135.00), and including any partial or total amendment, renewal, restatement, extension, or substitution thereof or therefor.

"Related Expenses" means any and all costs, liabilities, and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorney's fees, legal expenses, judgments, suits, and disbursements) incurred by, imposed upon, or asserted against, Bank in any attempt by Bank:

(a) to obtain, preserve, perfect, or enforce the security interest evidenced by (i) the Security Agreement, or (ii) any other pledge agreement, mortgage deed, hypothecation agreement, guaranty, security agreement, assignment, or security instrument executed or given by Company to or in favor of Bank,

(b) to obtain payment, performance, and observance of any and all of the Obligations,

(c) to maintain, insure, collect, preserve, or upon any Event of Default, repossess and dispose of any of the Collateral, or

(d) incidental or related to (a) through (c) above, including, without limitation, interest thereupon from the date incurred, imposed, or asserted until paid at the rate payable pursuant to the Reimbursement Agreement, but in no event greater than the highest rate permitted by law.

"Security Agreement" means this agreement between Company and Bank, and including any partial or total amendment, renewal, restatement, extension, or substitution of or for such agreement.

2. SECURITY INTEREST IN COLLATERAL

In consideration of and as security for the full and complete payment, performance, and observance of all Obligations, Company does hereby (a) grant to Bank a security interest in the Collateral, located on or used in connection with the real property described on Exhibit A attached hereto and made a part hereof for all purposes (the "Property") or otherwise used in connection with or arising from the business and operations of the Bonding Division, whether now owned or hereafter acquired or received by the Debtor, or in which the Debtor now has or hereafter may acquire any right, title or interest and (b) assign to Bank all of its right, title, and interest (including, without limitation, all rights to payment) arising under or with respect to all of Company's Accounts Receivable, whether now owned or hereafter acquired or received by Company, but not including any duty, obligation, or liability of Company with respect thereto.

3. WARRANTIES

Company represents and warrants to Bank (which representations and warranties shall survive the execution of the Reimbursement Agreement) that:

(a) The execution, delivery, and performance hereof are within Company's corporate powers, have been duly authorized, and are not in contravention of law or the terms of Company's Certificate of Incorporation or Code of Regulations or of any indenture, agreement, or undertaking to which Company is party or by which it is or may be bound;

(b) Except for any security interest granted to or in favor of Bank and those set forth on Exhibit C attached hereto, Company is, and as to Collateral to be acquired after the date hereof will be, the owner of the Collateral free from any claim, lien, encumbrance, or security interest of any type, and Company agrees that it will defend, at its sole expense, the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein;

(c) Subject to any limitation stated herein or in connection herewith, all information furnished to Bank concerning Company or the Collateral, is or will be at the time such information is furnished, accurate and correct in all material respects and complete insofar as is necessary to give Bank true and accurate knowledge of the subject matter;

(d) Company is the lawful owner of and has full and unqualified right to transfer a security interest in all of the Collateral to Bank. Such Collateral is not and will not, so long as Company has any Obligations to Bank, be subject to any financing statement,

encumbrance, claim, lien, or security interest of any type except any granted to or in favor of Bank and except Permitted Encumbrances as set forth on Exhibit C;

(e) Company's Location is 551 Aspen Ridge Drive, Lafayette, Colorado, 80026.

4. COVENANTS

Company undertakes, covenants, and agrees that, until the full and complete payment, performance, and observance of all Obligations, Company:

(a) shall promptly provide Bank with prior written notification of:

(1) any change in any location where Company's Inventory or Equipment is maintained, and any new locations where Company's Inventory or Equipment is to be maintained,

(2) the location of any new places of business for the Bonding Division and the changing or closing of any of its existing places of business for the Bonding Division,

(3) any change in Company's name,

(4) any change in Company's Location,

(5) any material encumbrance upon or claim asserted against any of the Collateral, and

(6) the occurrence of any event known to the Company, other than changes in general market conditions adequately reported in the general news media, that would have a material adverse effect upon the aggregate value of the Collateral or upon the security interest of the Bank;

(b) shall at all reasonable times and upon reasonable notice allow Bank by or through any of its officers, agents, employees, attorneys, or accountants to:

(1) examine, inspect, and make extracts from Company's books and other records,

(2) examine and inspect Company's Inventory and Equipment wherever located, and

(3) arrange for verification of Company's Accounts Receivable and to specifically identify those Accounts Receivable of the Company attributable to the Bonding Division, under reasonable procedures, directly with Account Debtors or by other methods;

(c) shall promptly furnish to Bank upon request:

(1) additional information and statements with respect to the Collateral,

(2) information relating to the Company's Instruments, Chattel Paper, Documents, and any other writings relating to or evidencing any of the Company's Accounts Receivable (including, without limitation, computer printouts or typewritten reports listing the current mailing address of all present Account Debtors), and

(3) any other writings and information Bank may reasonably request;

(d) shall upon request of Bank promptly take such action and promptly make, execute, and deliver all such additional and further items, deeds, assurances, and instruments as Bank may require, including, without limitation, financing statements, so as to completely vest in and ensure to Bank its rights hereunder and in and to the Collateral;

(e) if any of Company's Accounts Receivable arise out of contracts with or orders from the United States or any of its departments, agencies, or instrumentalities, shall promptly notify Bank in writing of same and shall execute any writing or take any action required by Bank with reference to the Federal Assignment of Claims Act;

(f) hereby authorizes Bank or Bank's designated agent (but without

obligation by Bank to do so) to incur Related Expenses (whether prior to, upon, or subsequent to any Event of Default), and Company shall promptly repay, reimburse, and indemnify Bank for any and all Related Expenses;

(g) cause the Securities Intermediary to send to the Bank a complete and accurate copy of every statement, confirmation, notice or other communication concerning the Securities Account that the Securities Intermediary sends to the Company;

(h) shall not grant any consensual or permit to exist any non-consensual mortgage, encumbrance, security interest, or other lien upon any Collateral except any granted to or in favor of Bank and except Permitted Encumbrances;

(i) shall not sell, lease, transfer, assign, encumber or otherwise dispose of any of the Collateral or withdraw any money or property from any Securities Account, except as otherwise expressly permitted herein;

(j) shall neither attempt to modify nor attempt to terminate the Account Control Agreement or the customer agreement with any Securities Intermediary under which any Securities Account was established;

(k) shall not permit material uninsured loss, damage, theft or destruction of the Collateral, nor permit levy, seizure, or attachment to, of, or upon any of the Collateral or any attempt to accomplish the foregoing; and

(l) shall not use any Collateral in violation of any applicable statute, ordinance, or regulation.

5. COLLECTIONS AND RECEIPT OF PROCEEDS

(a) Upon the occurrence and during the continuance of any Event of Default, after written notification thereof to Company, Bank, or Bank's designated agent, shall have the right and power (as Company's hereby constituted and appointed attorney-in-fact), which, being coupled with an interest, shall remain irrevocable until all Obligations are fully and completely paid, performed, and observed, at any time to:

(1) notify the Account Debtors on any or all of Company's Accounts Receivable of the Bank's security interest in and assignment of those Accounts Receivable upon which the respective Account Debtors are liable, and to request from such Account Debtors, in Bank's name or in Company's name, information concerning the Accounts Receivable and amounts owing thereon,

(2) notify purchasers of any or all of Company's Inventory of Bank's security interest therein, and to request from such Persons, at any time, in Bank's name or in Company's name, information concerning Company's Inventory and the amounts owing thereon by such purchasers,

(3) notify and require the Account Debtors on any or all of Company's Accounts Receivable to make payment upon such Accounts Receivable directly to Bank,

(4) notify and require purchasers of Company's Inventory to make payment of their indebtedness directly to Bank,

(5) receive, retain, acquire, take, endorse, assign, deliver, accept, and deposit, in Bank's name or Company's name, any and all of Company's cash, Instruments, Chattel Paper, Documents, Proceeds of Accounts Receivable, Proceeds of Inventory, collections of

Accounts Receivable, and any other writings relating to any of the Collateral theretofore collected, received or retained by Company pursuant to Subsection 5(b) below or thereafter collected, received, or retained by Company,

(6) require Company to open and maintain an Accounts Receivable Collection Account,

(7) cause all remittances representing all collections and all Proceeds of Company's Accounts Receivable and Inventory to be mailed to a lock box as designated by the Bank, to which

Bank shall have access for the processing of such items in accordance with the provisions, terms, and conditions of Bank's customary lock box agreement, and

(8) take such other action with respect to any or all of the Collateral, in such manner and at such times, as Bank may deem advisable, including, without limitation, the following: collection, legal proceedings, compromises, settlements, adjustments, extensions, postponements, exchanges, releases, and sales.

Bank may, in its sole discretion, at any time and from time to time, apply all or any portion of the collected balance in the Accounts Receivable Collections Account (allowing two (2) days for collection and clearance of remittances) as a credit against Company's outstanding obligations. If any remittance shall be dishonored, or if, upon final payment, any claim with respect thereto shall be made against Bank on its warranties of collection, Bank may charge the amount of such item against the Accounts Receivable Collections Account or any other Deposit Account maintained by Company with Bank, and, in any event, retain same and Company's interest therein as additional security for the Obligations. Bank may, in its sole discretion, at any time and from time to time, release funds from the Accounts Receivable Collections Account to Company for use in Company's business. The balance in the Accounts Receivable Collections Account may be withdrawn by Company upon termination of the Security Agreement in accordance with Subsection 12(d).

(b) With respect to Company's Instruments, Documents, and Chattel Paper, upon the occurrence and during the continuance of any Event of Default, after written request from Bank, Company shall immediately deliver or cause to be delivered to Bank all of Company's Instruments, Chattel Paper, and Documents, appropriately endorsed either, at Bank's option, (i) to Bank's order, without limitation or qualification, or (ii) for deposit in the Accounts Receivable Collection Account. Bank, or Bank's designated agent, is hereby constituted and appointed Company's attorney-in-fact with authority and power to so endorse any and all Instruments, Documents, and Chattel Paper

upon Company's failure to do so. Such authority and power, being coupled with an interest, shall be (i) irrevocable until all Obligations are paid, performed, and observed in full, (ii) exercisable by Bank at any time and without any request upon Company by Bank to so endorse, and (iii) exercisable in Bank's name or Company's name. Company hereby waives presentment, demand, notice of dishonor, protest, notice of protest, and any and all other similar notices with respect thereto, regardless of the form of any endorsement thereof. Bank shall not be bound or obligated to take any action to preserve any rights in the foregoing against any prior parties thereto.

(c) Except as otherwise provided in Subsections 5(a) or 5(b), Company is authorized (1) to collect and enforce, by all lawful means, all of Company's Accounts Receivable, and (2) to receive and retain, by all lawful means, and use any and all Proceeds of all of Company's Accounts Receivable and Inventory. The lawful collection and enforcement of all of Company's Accounts Receivable and the lawful receipt and retention by Company of all Proceeds of all of Company's Accounts Receivable and Inventory shall be as Bank's agent.

6. INSURANCE AND USE OF INVENTORY AND EQUIPMENT

(a) Until any Event of Default:

(1) Company may retain possession of and use its Equipment and Inventory in any lawful manner not inconsistent with any applicable terms, conditions, and provisions of:

(i) the Security Agreement,

(ii) the Reimbursement Agreement, and

(iii) any insurance policy thereon.

(2) Company may sell or lease its Inventory in the ordinary course of business; provided, however, that a sale or lease in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt, except for transfers in satisfaction of partial or total purchase money prepayments by a buyer in the ordinary course of

Company's business.

(3) Company may use and consume any raw materials or supplies, the use and consumption of which are necessary in order to carry on Company's business.

(4) When the Company determines in good faith that any Equipment shall have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary or should otherwise be replaced, the Company may remove such Equipment, provided that the Company, in connection therewith:

(i) may remove, without substitution or payment, and without the Bank's prior written consent, Equipment not in excess of $150,000 annually in the aggregate; or

(ii) may substitute and install other Equipment having equal or greater value (but not necessarily the same function) in the operation of the Company's business.

(b) Company shall obtain, and at all times maintain, insurance upon its Inventory and Equipment in such form, written by such companies, in such amounts, for such period, and against such risks as may be reasonably acceptable to Bank, with provisions reasonably satisfactory to Bank for payment of all losses thereunder to Bank and Company as their interests may appear (loss payable endorsement in favor of Bank), and, if required by Bank, Company will deposit the policies with Bank. Any such policies of insurance shall provide for no less than ten (10) days prior written cancellation notice to Bank. Any sums received by Bank in payment of insurance losses, returns, or unearned premiums under the policies may, at the option of Bank, be applied upon any Obligation whether or not the same is then due and payable, or may be delivered to Company for the purpose of replacing, repairing, or restoring its Inventory or Equipment; provided that if (i) no Event of Default exists under the Reimbursement Agreement or any of the other Credit Documents (as defined in the Reimbursement Agreement), (ii) the total cost of repairing, replacing or restoring such Inventory and/or Equipment does not exceed one- third of the appraised value of all the Company's Inventory and Equipment, and (iii) the Company has provided to the Bank's reasonable satisfaction evidence that such replacement, repair or restoration can be accomplished at a cost not greater than the insurance proceeds plus other funds readily available to the Company, the Bank shall make the insurance proceeds after deduction of the Bank's cost of collection of such insurance proceeds, available to the Company for such replacement, repair or restoration. Company hereby assigns to Bank any return or unearned premium which may be due upon cancellation of any such policies for any reason and directs the insurers to pay Bank any amount so due. Subject to the existence of the circumstances described in the proviso in the third sentence of this Section 6(b), Bank, or Bank's designated agent, is hereby constituted and appointed Company's attorney-in-fact (either in the name of Company or in the name of the Bank) to make adjustments of all insurance losses, sign all

applications, receipts, releases, and other papers necessary for the collection of any such loss, and any return of unearned premium, execute proof of loss, make settlements, and endorse and collect all Instruments payable to Company or issued in connection therewith. Notwithstanding any action by Bank hereunder, any and all risk of loss or damage to Company's Inventory and Equipment to the extent of any and all deficiencies in the effective insurance coverage thereof is hereby expressly assumed by Company.

7. INVESTMENT COLLATERAL

(a) Prior to acquiring any Investment Collateral, the Company shall have executed and delivered and caused the Securities Intermediary to execute and deliver to the Bank an Account Control Agreement in a form satisfactory to the Bank for the purpose of perfecting the security interest of the Bank granted by the Company herein.

(b) If no Event of Default has occurred, the Company may make trades in the Securities Account and exercise any voting or consensual rights that it may have as to any of the Investment Collateral for any purpose which is not inconsistent with this Agreement or the Reimbursement Agreement. If any Event of Default has

occurred, (i) the Company shall cease making trades in the Securities Account, (ii) the Bank may exercise all voting or consensual rights as to any of the Investment Collateral, (iii) the Company shall deliver to the Bank all notices, proxy statements, proxies and other information and instruments relating to the exercise of such rights received by the Company from the issuers of any Investment Collateral promptly upon the receipt thereof and (iv) the Company shall, at the request of the Bank, execute and deliver to the Bank any proxies or other instruments which are, in the sole judgment of the Bank, necessary for the Bank to validly exercise such voting and consensual rights.

(c) The Company acknowledges that it has made or will make its own arrangements for keeping informed of changes or potential changes affecting the Investment Collateral (including, but not limited to, conversions, subscriptions, exchanges, reorganizations, dividends, tender offers, mergers, consolidations and shareholder meetings). The Company agrees that the Bank has no responsibility to inform the Company of such matters or to take any action with respect thereto even if any of the Investment Collateral has been registered in the name of the Bank or its agent or nominee.

(d) All items of income, gain, expense and loss recognized in the Securities Account shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Company.

8. EVENTS OF DEFAULT

Upon the occurrence of any one or more of the following Events of Default, any and all Obligations shall, at the option of Bank and notwithstanding any period of time permitted or allowed by any writing evidencing an Obligation, become immediately due and payable without notice, demand, protest, or presentment, all of which are hereby expressly waived by Company:

(a) Subject to any applicable grace period, the occurrence of an Event of Default under the terms of the Reimbursement Agreement;

(b) Failure of Company to perform or observe any covenant or agreement contained in this Security Agreement and any Account Control Agreement and any such failure continues for thirty (30) days following notice of such failure by the Bank to the Company or any representation or warranty made herein by Company is incorrect or misleading in any material respect when made.

(c) Failure of Company to promptly pay, perform, or observe when due, whether upon demand, at maturity, by acceleration, or otherwise, any of the other Obligations.

9. RIGHTS AND REMEDIES UPON EVENT OF DEFAULT

(a) Upon the occurrence of any such Event of Default and at all times thereafter, Bank shall have the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of Colorado in addition to the rights and remedies provided elsewhere within the Security Agreement or in any other writing executed by Company. Bank may require Company to assemble the Collateral and make it available to Bank at a reasonably convenient place to be designated by Bank. Unless the Collateral is perishable, threatens to decline speedily in value, or is of a type customarily sold on a recognized market, Bank will give Company reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if such notice is mailed in accordance with Section 12(b) hereof, at least ten (10) days before the time of the public sale or the time after which any private sale or other intended disposition thereof is to be made. At any such public or private sale, Bank may purchase the Collateral. After deduction for Bank's Related Expenses, the residue of any such sale shall be applied in satisfaction of the Obligations in such order of preference as Bank may determine. Any excess, to the extent permitted by law, shall be paid to Company, and Company shall remain liable for any deficiency.

(b) If any of the Investment Collateral is sold on credit or for future delivery, it need not be retained by the Bank until the purchase price is paid and the Bank shall incur no liability if the purchaser fails to take up or pay for the Investment Collateral. In the case of such failure, the Investment

Collateral may be sold again.

(c) The Company shall execute and deliver to the purchasers of any Investment Collateral all instruments and other documents necessary or proper to sell, convey and transfer title to such Investment Collateral and, if approval of any sale of Investment Collateral by any governmental body or officer is required, the Company shall prepare or cooperate fully in the preparation of and cause to be filed with such governmental body or officer all necessary or property applications, reports and forms and do all other things necessary or proper to expeditiously obtain such approval.

10. APPOINTMENT OF BANK AS AGENT

The Company hereby appoints and constitutes Bank, its successors and assigns, as its agent and attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action or executing any instrument that Bank considers necessary or convenient for such purpose, including the power to endorse and deliver checks, notes and other instruments for the payment of money in the name of and on behalf of Company, to endorse and deliver in the name of and on behalf of the Company securities certificates and execute and deliver in the name of and on behalf of the Company instructions to the issuers of uncertificated securities, and to execute and file in the name of and on behalf of the Company financing statements (which may be photocopies of this Agreement) and continuations and amendments to financing statements in the State of Colorado or elsewhere and Forms 4, 5, 144 and Schedules 13D and 13G with the United States Securities and Exchange Commission. This appointment is coupled with an interest and is irrevocable and will not be affected by the dissolution or bankruptcy of the Company nor by the lapse of time. If the Company fails to perform any act required by this Agreement, the Bank may perform such act in the name of and on behalf of the Company and at its expense which shall be chargeable to Company as provided herein and in the Reimbursement Agreement. The Company hereby consents and agrees that the issuers of or obligors of the Investment Collateral or any registrar or transfer agent or trustee for any of the Investment Collateral shall be entitled to accept the provisions hereof as conclusive evidence of the rights of the Bank to effect any transfer pursuant to this Agreement and the authority granted to the Bank herein, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by the Company, or any other person, to any of such issuers, obligors, registrars, transfer agents, or trustees.

11. IMPACT OF REGULATION

The Company acknowledges that compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder and any relevant state securities laws and other applicable

laws may impose limitations on the right of Bank to sell or otherwise dispose of securities included in the Investment Collateral. For this reason, the Company hereby authorizes the Bank to sell any securities included in the Investment Collateral in such manner and to such persons as would, in the judgment of the Bank, help to ensure that the transfer of such securities will be given prompt and effective approval by any relevant regulatory authorities will not require any of the securities to be registered or qualified under any applicable securities laws. The Company understands that a sale under the foregoing circumstances may yield a substantially lower price for such Investment Collateral than would otherwise be obtainable if the same were registered and sold in the open market, and the Company agrees that the Bank shall not be held responsible for selling any of the Investment Collateral at an inadequate price even if the Bank accepts the first offer received or if only one possible purchaser appears or bids at any such sale. If the Bank shall sell any securities included in the Investment Collateral at such sale, the Bank shall have the right to rely upon the advice and opinion of any qualified appraiser or investment banker as to the commercially reasonable price obtainable on the sale thereof but shall not be obligated to obtain such advice or opinion. The Company hereby assigns to the Bank any registration rights or similar rights the Company may have from time to time with respect to any of the Investment Collateral.

12. GENERAL

(a) If any provisions of this Security Agreement, or any action taken hereunder, or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Security Agreement, each of which shall be construed and enforced without reference to such illegal or invalid portion and shall be. deemed to be effective or taken in the manner and to the full extent permitted by law.

(b) Bank shall not be deemed to have waived any of Bank's rights hereunder or under any other writing executed by Company unless such waiver be in writing and signed by Bank. No delay or omission on part of Bank in exercising any right shall operate as

a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Bank's rights and remedies, whether evidenced hereby or by any other writing shall be cumulative and may be exercised singularly or concurrently. Any written demands, written requests, or written notices to Company that Bank may elect to give shall be effective when deposited for delivery, postage prepaid, by U.S. mail, and addressed either, at Bank's option, to (1) Company's Location set forth in Subsection 3(e) of this Security Agreement (as modified by any change therein which Company has supplied in writing to Bank) or (2) Company's address at which Bank customarily communicates with Company. If at any time or times, by assignment or otherwise, Bank transfers any of the Obligations or any part of the Collateral to another person, such transfer shall carry with it Bank's powers and rights under this Agreement with respect to the obligation or Collateral so transferred and the transferee shall have said powers and

rights, whether or not they are specifically referred to in the transfer. To the extent that Bank retains any other of the Obligations or any part of the Collateral, Bank will continue to have the rights and powers herein set forth with respect thereto.

(c) The laws of the State of Colorado, without regard to principles of conflict of laws, shall govern the construction of this Security Agreement (including, without limitation, any terms not specifically defined in this Security Agreement that may be so specifically defined pursuant to the Reimbursement Agreement inclusive, and including any amendments thereof or any substitution therefor) and the rights and duties of the parties hereto. Company agrees that Bank may make a photocopy of this Security Agreement in the ordinary course of business and such photocopy may be used in place of the original of the Security Agreement. A carbon, photographic or other reproduction of this Security Agreement may be used as a financing statement. This Security Agreement shall be binding upon and inure to the benefit of Company and Bank and their respective successors and assigns. The rights and powers herein given to the Bank are in addition to those otherwise created or existing in the same Collateral by virtue of other agreements or writings.

(d) The term of this Security Agreement shall commence with the date hereof and shall continue until terminated by either Company or Bank. Company may terminate this Security Agreement by giving Bank not less than thirty (30) days prior written notice thereof and by paying, performing, and observing all of the Obligations in full on or before such termination date.

(e) In the Security Agreement, unless the context otherwise requires, words in the singular number include the plural and words in the plural number include the singular.

(f) Company hereby releases Bank from and agrees to indemnify and hold harmless Bank, and its officers, agents, and employees for any and all claims of Company or any other Person for damage or loss caused by any act or acts hereunder or in furtherance hereof whether by omission or commission, and whether based upon any error of judgment or mistake of law or fact (except gross negligence or willful misconduct) on the part of Bank, or its officers, agents, and employees.

(g) Bank is hereby authorized to fill in all blank spaces herein, to correct patent errors herein, to complete or correct the description of the Collateral, and to date the Security Agreement.

COMPANY, TO THE EXTENT PERMITTED BY LAW, VOLUNTARILY AND INTENTIONALLY WAIVES ANY AND ALL RIGHTS TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN BANK AND COMPANY ARISING OUR OF, IN CONNECTION WITH, RELATING TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THE SECURITY AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR TO TRANSACTIONS RELATED THERETO. THIS WAIVER SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY BANK'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED AND DELIVERED BY COMPANY TO BANK. COMPANY HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF BANK NOR BANK'S COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BANK WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. COMPANY ACKNOWLEDGES THAT BANK HAS BEEN INDUCED TO ENTER

INTO AND ACCEPT THIS SECURITY AGREEMENT, BY, INTER ALIA, THE PROVISIONS OF THIS PARAGRAPH.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Security Agreement to be executed on the day and year first above written.

COMPANY: DYNAMIC MATERIALS CORPORATION

By: _____
Name: _____
Title: _____

BANK: KEYBANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A

PROPERTY DESCRIPTION

Attached

EXHIBIT B

COLLATERAL LIST

Attached

EXHIBIT C

PERMITTED ENCUMBRANCES

The Permitted Encumbrances are as defined in the Reimbursement Agreement described in this Security Agreement.

EXHIBIT D

INTELLECTUAL PROPERTY

Attached

PERSONAL SERVICES AGREEMENT

This Personal Services Agreement (this "Agreement"), effective as of June 16, 2000, is by and between Dynamic Materials Corporation, a Delaware corporation (the "Company"), and John G. Banker ("Employee").

WHEREAS, the Company wishes to employ the Employee, and the Employee desires to accept such employment, on the terms and conditions set forth herein.

WHEREAS, it is the mutual objective of the parties:

To return the Company to profitability quickly by reducing cost and raising prices prudently;

To have the lowest cost, most efficient clad metal sales operation in the world;

To have the strongest, most efficient clad metal marketing effort in the world;

To make the highest return for our market exposure by selling a range of synergistic products; and

To increase the market for profitable explosion clad products in a cost effective manner.

1. Employment. The Company hereby employs Employee as Vice President, Marketing and Sales, Bonding Division, reporting to the CEO of the Company and the Board of Directors. Employee agrees to work with and to consult with the COO and the CFO of the Company, as requested by the CEO, it being understood that neither of such officers shall have ultimate supervisory authority over the Employee. Employee hereby accepts such employment and agrees to perform such duties and responsibilities as are assigned to him from time to time by the CEO and the Board of Directors.

2. Responsibility. The obligations of the Employee shall include (a) complete responsibility for worldwide sales and marketing of clad products; and (b) if so requested by the CEO, the range of products for which the Employee will have sales responsibility may be expanded from time to time; and (c) providing advice and support to the R & D and technical teams.

3. Full-Time Best Efforts. Employee shall devote his full and exclusive professional time and attention to the performance of his obligations under this Agreement, and will at all times faithfully, industriously and to the best of his ability, experience and talent, perform all of his obligations hereunder.

4. Term of Agreement. This Agreement shall be effective on the date hereof and shall continue for 5 years (the "Term") unless sooner terminated pursuant to Section 6 below.

5. Compensation.

(a) Base Salary. During the term of this Agreement, the Company shall pay the Employee a yearly salary of $125,000 (herein referred to as the "Base Salary") payable in such installments as is the policy of the Company with respect to other similarly situated employees. Employee will be eligible for a merit salary review at year-end 2000 and annually thereafter, consistent with the Company's policy for executive officers and financial results of the Bonding Division.

(b) Performance Bonus. Based upon performance and achievement of mutually agreed upon goals, including those herein, Employee will be eligible to receive various bonuses not to exceed a total of 150% of Employee's Base Salary.

Sales Performance Bonus: The objective is to optimize the sales performance of the Company by incentivizing superior sales performance. At the beginning of each fiscal year, Company management will establish an operations budget for the sales department of the Bonding Division, based upon projected overhead costs, conservative sales projections and an expense budget for the sales department of the Bonding Division. This shall permit determination of the manufacturing profit before manufacturing overhead (i.e., sales less the sum of materials, subcontract costs, freight, direct labor and other direct costs) required to achieve minimum performance targets established and approved by the Board of Directors to break even (the "Target Performance" or "TP"). (The ratio of actual performance ("Actual Performance" or "AP") of the sales department of the Bonding Division to the TP of the sales department of the Bonding Division is the "TP Ratio.") The Actual Performance shall be deemed to be the projected manufacturing profit of the Bonding Division based upon actual selling prices, actual metal and services costs, and projected direct labor costs (based upon Company standards). Employee's Sales Performance Bonus shall be based upon the sales department of the Bonding Division's achieving a level of Actual Performance that exceeds the Target Performance

level, based upon the operations budget of the Bonding Division as described above. In computing the Actual Performance of the sales department of the Bonding Division, the amount of profit shall be reduced on a dollar-for-dollar basis for any amounts spent by the sales department of the Bonding Division over such department's expense budget.

Actual Performance	Bonus as a Percent of Actual Performance, with a Maximum of 150% of Employee's Base Salary
If	Then
AP < or = 1.2 x TP.....	.....0% times AP = bonus
1.2 x TP < AP < or = 1.4 x TP...	.....0.6% times AP = bonus
1.4 x TP < AP < or = 1.6 x TP...	.....1.0% times AP = bonus
1.6 x TP < AP.....	.....1.5% times AP = bonus

The sales performance shall be calculated on orders received, produced, shipped and invoiced.

Justified claims in respect of the performance of the Bonding Division's sales department shall be deducted from Actual Performance. Specifically, in the event there are uncollectible accounts, the actual performance amount related to such uncollectible accounts shall be deducted from the Actual Performance of the Bonding Division sales department.

Unless mutually agreed to the contrary, the actual TP Ratio must be higher than 1.00.

In FY2000, the calculation shall be based upon the DMC FY2000 Budget, shall be prorated for the number of months remaining in the year, and shall apply to sales after dating of this Agreement only.

This incentive system may be adjusted and other performance incentives established as mutually agreed upon, particularly in the event Employee's responsibility is expanded to include manufacturing operations.

(c) Stock Options. As a "sign-on bonus," within six months of the Employee's employment date, Employee will be granted an option to purchase shares of the Common Stock of the Company pursuant to the Company's 1997 Equity Incentive Plan or any other stock option plan adopted during the term of this Agreement (the "Option Plan"). The number of shares subject to such stock option grant shall be determined by a committee of the Board of Directors and shall be comparable to the number of stock option shares customarily granted to other senior executive officers of the Company as a "sign-on bonus." Future stock options may be granted at the discretion of the management and the Board of Directors.

(d) Benefits. Employee shall be entitled to receive all benefits materially comparable to those generally available from time to time to other executives of the Company, including (i) term life insurance coverage in the amount of $300,000, which is in addition to the standard term life insurance coverage provided in the Company's standard benefits plan; (ii) participation in the executive long-term disability plan, subject to any waiting periods or exclusions required by the insurance provider; (iii) four weeks of vacation per year until such time as Employee's length of service entitled Employee to additional vacation; (iv) participation in the Company's standard benefit programs including health and dental insurance, term life insurance, accidental death and dismemberment insurance, short and long-term disability, paid holidays and certain other standard benefits provided by the Company; and (v) participation in the Company's 401(k) retirement plan with a matching contribution made by the Company to the plan (subject to standard plan waiting periods and other provisions of the plan consistent with the Company's policies with respect to executive officers).

(e) Expense Reimbursement. The Company shall reimburse Employee for all travel expenses and other disbursements incurred by Employee for or on behalf of the Company in

the performance of his duties hereunder, subject to and in accordance with the Company's expense reimbursement policies and procedures, as amended from time to time.

6. Termination.

(a) The Company may terminate the Agreement at any time for Cause (as hereinafter defined) effective immediately upon written notice to Employee. Such notice shall specify that a termination is being made for Cause and state the basis therefor. For purposes of this Agreement, termination for "Cause" shall be defined as termination because of:

(i) The willful and continued failure by Employee to substantially perform, or the gross negligence in the performance of, his duties hereunder for a period of 15 days after the Chief Executive Officer of the Company has made a written demand for performance which specifically identifies the manner in which he believes that Employee has not substantially performed his duties.

(ii) The commission by Employee of a willful act of dishonesty or misconduct which is injurious to the Company.

(iii) A conviction or a plea of guilty or nolo contendere in connection with fraud or any crime that constitutes a felony in the jurisdiction involved.

(iv) The willful misconduct by Employee with respect to the business and affairs of the Company, including the violation of any material Company policy.

A termination pursuant to this Section 6(a) shall take effect 30 days after the giving of the notice contemplated hereby unless Employee shall, during such 30-day period, remedy to the satisfaction of the Company the behavior specified in such notice; provided, however, that such termination shall take effect immediately upon the giving of such notice if the Company shall have determined that such behavior is not remediable (which determination shall be stated in such notice).

(b) The Company may terminate the Employee's employment for any reason other than Cause at any time (referred to herein as a termination Without Cause) during the Term.

(c) Involuntary Termination.

(i) If Employee is incapacitated or disabled by accident, sickness or otherwise so as to render Employee mentally or physically incapable of performing the services required to be performed by Employee under this Agreement for a period of 90 consecutive days or longer or for a total of 90 days within any six-month period, the Company may, at that time or within any reasonable time thereafter, at its option, terminate the employment of the Employee under this Agreement immediately upon giving the Employee notice to that effect.

(ii) If Employee dies during the Term, the Term shall be deemed to have terminated as of the date of Employee's death.

(iii) Any termination of the Term under this Section 6(c) is hereinafter referred to as an "Involuntary Termination."

(d) Any termination of the employment of the Employee hereunder other than (i) a termination for Cause; (ii) a termination Without Cause; or (iii) an Involuntary Termination shall be deemed to be a Voluntary Termination. A Voluntary Termination shall be deemed to be effective immediately upon such termination.

(e) Upon the termination of the Employee's employment hereunder pursuant to an Involuntary Termination, a termination for Cause, a termination Without Cause or a Voluntary Termination, neither Employee nor Employee's beneficiary or estate shall have any further rights or claims against the Company under this Agreement except the right to receive:

(i) the unpaid portion of the Base Salary provided for in Section 5(a), computed on a pro rata basis to the date of termination;

(ii) reimbursement for any expenses for which Employee shall not have theretofore been reimbursed as provided in Section 5; and

(iii) if Employee has been terminated pursuant to a termination Without Cause, Employee shall be entitled, in addition to the amounts computed pursuant to Sections 5(a) and (b), to continue receiving the Base Salary for a period equal to the longer of (a) six months from the date of termination; or (b) that period beginning on the termination date and ending on the fifth anniversary of the date of this Agreement, provided that Employee shall continue to comply with the applicable provisions of this Agreement.

7. Proprietary Information Agreement. Employee shall enter into the Company's standard form of Proprietary Information Agreement attached hereto as Exhibit A as of the date hereof, with the exception that the provisions of Section 4 of such Exhibit A regarding non- competitive activities shall become effective only in the event of a Voluntary Termination of the Employee's employment as defined herein.

8. Additional Non-Competition Provisions. In furtherance of the agreements contained in paragraph 7, Employee and Clad Metal Products, Inc. (a business

owned by Employee) shall cease to sell clad metals under the name of CLAD Metal Products, Inc. effective no later than 10 days after the execution of this Agreement.

9. Miscellaneous.

(a) Judicial Limitation. In the event that any provision of this Agreement is more restrictive than permitted by the law of the jurisdiction in which the Company seeks enforcement thereof, the provisions of this Agreement shall be limited only to that extent that a judicial determination finds the same to be unreasonable or otherwise enforceable. Such invalidity or unenforceability shall not affect any other terms herein, but such term shall be deemed deleted, and such deletion shall not affect the validity of the other terms hereof. In addition, if any one or more of the terms contained in the Agreement shall for any reason be held to be excessively broad or of an

overly long duration, that term shall be construed in a manner to enable it to be enforced to the extent compatible with applicable law. Moreover, notwithstanding any judicial determination that any provision of this Agreement is not specifically enforceable, the parties agree that either of them may be entitled to recover monetary damages as a result of any breach hereof by the other.

(b) Injunctive Relief. In view of the nature of the rights in goodwill, business reputation and prospects of the Company to be protected under this Agreement, Employee understands and agrees that the Company could not be reasonably or adequately compensated in damages in an action of law for Employee's breach of his obligations hereunder. Accordingly, Employee specifically agrees that the Company shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement and that such relief may be granted without the necessity of proving actual damages. This provision with respect to injunctive relief shall not, however, diminish the right of the Company to claim and recover damages in addition to injunctive relief.

(c) Waiver. The failure of the Company to enforce at any time any of the provisions of this Agreement or to require at any performance by Employee of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of the Company thereafter to enforce each and every provision in accordance with the terms of this Agreement.

(d) Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

(e) Assignability. This Agreement shall be freely assignable by the Company and shall inure to the benefit of its successors and assigns.

(f) Entire Agreement. This Agreement, including the Proprietary Information Agreement and the Non-Competition Agreement referred to herein, which are incorporated herein and made a part hereof, embody the entire agreement and understanding of the parties hereto and supersede all prior agreements or understandings (whether written or oral) with respect to the subject matter hereof.

(g) Governing Law and Venue. The validity of this Agreement and any of its terms and provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Colorado (without regard to its conflicts of law doctrines) and the venue for any action to enforce or to interpret this Agreement shall be in a court of competent jurisdiction located in the State of Colorado and each of the parties consents to the jurisdiction of such court in any such action or proceeding and waives any objection to venue laid therein.

(h) Amendments. This Agreement may not be amended, altered or modified other than by a written agreement between the parties hereto. Notwithstanding the foregoing, the terms of this Agreement will be amended in the event of any acquisition of or merger by the Company with any other entity.

(i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof shall bear the signatures of all of the parties indicated as the signatories hereto.

(j) Notices. All notices, requests, demands and other communications under this Agreement shall be given in writing and shall be served either personally, by facsimile or delivered by first class mail, registered or certified, return receipt requested, postage prepaid and properly addressed to the parties as

noticed herein. Notice shall be deemed received upon the earliest of actual receipt, confirmed facsimile or three (3) days following mailing pursuant to this section.

(k) Interpretation. Each party has had the opportunity and has reviewed and revised this Agreement and, therefore, the rule of construction requiring that any ambiguity be resolved against the drafting party shall not be employed in the interpretation of this Agreement. The section headings contained in this Agreement are for convenience and reference purposes only and shall not affect in any way the meaning and interpretation of this Agreement.

(l) Attorneys' Fees and Costs. If either party shall commence any action or proceeding against the other to enforce the provisions hereof, or to recover damages as a result of the alleged breach of any provisions hereof, the prevailing party therein shall be entitled to recover all reasonable costs incurred in connection therewith, including reasonable attorneys' fees.

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EXECUTED as of the date first set forth above.

DYNAMIC MATERIALS CORPORATION

/s/ Bernard Fontana

Bernard Fontana, President and
Chief Executive Officer

EMPLOYEE

/s/ John G. Banker

John G. Banker

EXHIBIT A

DYNAMIC MATERIALS CORPORATION

KEY EMPLOYEE PROPRIETARY INFORMATION
AND INVENTIONS AGREEMENT

In consideration of my employment or continued employment by Dynamic Materials Corporation, and the compensation now and hereafter paid to me, I hereby agree as follows:

1. NONDISCLOSURE.

1.1 Recognition of Company's Rights; Nondisclosure. At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain the Company's written approval before publishing or submitting for publication any material (written, verbal or otherwise) that relates to my work at the Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

1.2 Proprietary Information. The term "Proprietary Information" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "Proprietary Information" includes (a) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as "Inventions"); and (b) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (c) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as a result of a breach of this Agreement, and my own skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

1.3 Third Party Information. I understand, in addition, that the Company

has received and in the future will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

1.4 No Improper Use of Information of Prior Employers and Others. During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing

by that former employer or person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

2. ASSIGNMENT OF INVENTIONS.

2.1 Proprietary Rights. The term "Proprietary Rights" shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

2.2 Prior Inventions. Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on Exhibit A (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as "Prior Inventions"). If disclosure of any such Prior Inventions would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

2.3 Assignment of Inventions. Subject to Sections 2.4 and 2.6, 1 hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as "Company Inventions."

2.4 Nonassignable Inventions. I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy ("Specific Inventions Law"), this Agreement will not be deemed to require assignment of any invention which (1) qualifies fully for protection under a Specific Inventions Law or, (2) by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company's equipment, supplies, facilities, or trade secrets and neither related to the Company's actual or anticipated business, research or development, nor resulted from work performed by me for the Company.

2.5 Obligation to Keep Company Informed. During the period of my employment and for six (6) months after termination of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In

addition, I will promptly disclose to the Company all patent applications filed

by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of any Invention that does not fully qualify for protection under a Specific Inventions Law.

2.6 Government or Third Party. I also agree to assign all my right, title and interest in and to any particular Invention to a third party, including without limitation the United States, as directed by the Company.

2.7 Works for Hire. I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

2.8 Enforcement of Proprietary Rights. I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company's request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

3. RECORDS. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company.

4. ADDITIONAL ACTIVITIES. I agree that during the period of my employment by the Company and for one (1) year after the date of termination of my employment by the Company I will not, without the Company's express written consent, engage in any employment or business activity which is competitive with, or would otherwise conflict with, my employment by the Company. I agree further that for the period of my employment by the Company and for one (1) year after the date of termination of my employment by the

Company I will not (a) induce any employee of the Company to leave the employ of the Company or (b) solicit the business of any client or customer of the Company (other than on behalf of the Company). If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

5. NO CONFLICTING OBLIGATION. I represent that my performance of all of the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

6. RETURN OF COMPANY DOCUMENTS. When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work

areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will cooperate with the Company in completing and signing the Company's termination statement.

7. LEGAL AND EQUITABLE REMEDIES. Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

8. NOTICES. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

9. NOTIFICATION OF NEW EMPLOYER. In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

10. GENERAL PROVISIONS.

10.1 Governing Law; Consent to Personal Jurisdiction. This Agreement will be governed by and construed according to the laws of the State of Colorado, as such laws are applied to agreements entered into and to be performed entirely within Colorado between Colorado residents. I hereby expressly consent to the personal jurisdiction of the state and federal courts located in Boulder County, Colorado for any lawsuit filed there against me by the Company arising from or related to this Agreement.

10.2 Severability. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent

compatible with the applicable law as it shall then appear.

10.3 Successors And Assigns. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company to any successor in interest or other assigns.

10.4 Survival. The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

10.5 Employment. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

10.6 Waiver. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

10.7 Entire Agreement. The obligations pursuant to Sections 1 and 2 of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment of this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement shall be effective as of the first day of my employment with the Company, namely: June the 16th, 2000.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.

Dated: 16 June 2000

/s/ John Banker
- ----------
Signature

John Banker
- ----------
Printed Name

ACCEPTED AND AGREED TO:

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard Santa

Richard Santa
- ----------
Printed Name

Title: Vice President, Finance & CFO

Dated:

EXHIBIT A

To: Dynamic Materials Corporation

From:

Date:

Re: Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by Dynamic Materials Corporation that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by Dynamic Materials Corporation.

No inventions or improvements.

See below:

All active patents previously assigned to EFI/DMC
- ----------

- ----------

- ----------

- ----------

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.	---	---	---
2.	---	---	---
3.	---	---	---

For Immediate Release

Contact: Mark W. Jarman
VP of Corporate Development
Dynamic Materials Corporation
303-604-3923

Richard A. Santa
Chief Financial Officer
Dynamic Materials Corporation
303-604-3938

DMC DEAL WITH SNPE APPROVED BY STOCKHOLDERS

DMC Receives $5.8 Million in Cash at $2.75 Per Share and an Additional $1.2 million in Cash for Convertible Sub-debt

(Lafayette, CO - June 15, 2000) Dynamic Materials Corporation, (Nasdaq: BOOM), 'DMC', today announced that at the Company's Special Meeting of stockholders a Stock Purchase Agreement (the Agreement) with SNPE, Inc. (SNPE), was approved by a strong majority making SNPE a 50.8% stockholder of the Company. The stock purchase was executed immediately following the Special Meeting activating a $5.8 million cash payment to the Company in exchange for 2,109,091 shares of the Company's common stock at a price of $2.75 per share. An additional $1.2 million cash payment was made under a five-year, 5% Convertible Subordinated Note convertible in whole or in part into common stock by SNPE at a conversion price of $6 per share. DMC will use the $7 million primarily to repay debt, finance working capital requirements and make selective capital investments. DMC also entered into a new credit facility agreement with SNPE, which provides up to $3.5 million in borrowings for working capital requirements through June 30, 2001. The Company will continue to maintain a letter of credit with its bank in support of $6.35 million in outstanding industrial development revenue bond debt.

Organizational Changes

DMC has also undergone a management restructuring in conjunction with the transaction. Joseph P. Allwein has assumed the title of Vice President and Chief Operating Officer and has resigned from the post of Chief Executive Officer as well as from the Company's board of directors. Bernard Hueber, Chairman and Chief Executive Officer of Nobel Explosifs France has been named to DMC's board of directors in place of Joseph P. Allwein, and has been named as the Chairman of the Board. Bernard Fontana, Vice President of Groupe SNPE, North America and President of SNPE, Inc., has assumed the office of President and Chief Executive. Mr. Fontana has also joined the board of directors in place of Michael C. Franson who has also stepped down from the board. Mr. Michel Philippe, Corporate Senior Vice-President Finance and Legal Affairs for Groupe SNPE, and Mr. Bernard Riviere, Senior Vice President and CEO for Groupe SNPE, each have been appointed to the board of directors in newly created directorships. John Banker, a former officer of DMC and president of Clad Metal Products, Inc., has joined the senior staff of the Company as Vice President of Sales and Marketing for DMC's Explosion Metalworking Group.

Future Business Direction

"We believe that both DMC and SNPE can benefit from this enhanced relationship," said Bernard Fontana, DMC's new president and chief executive officer. "We want DMC to focus its priorities on the global market for clad plate," concluded Fontana.

Safe Harbor Statement

This news release contains forward-looking statements that involve risks and uncertainties, including, but not limited to: the ability to obtain new contracts at attractive prices; the size and timing of customer orders; fluctuations in customer demand; competitive factors; the timely completion of contracts; any actions which may be taken by SNPE as the controlling shareholder of the Company with respect to the Company and its businesses; the timing and size of expenditures; the timely receipt of government approvals and permits; the adequacy of local labor supplies at the Company's facilities; the availability and cost of funds; and general economic conditions, both domestically and abroad; and other risks detailed from time to time in the Company's SEC reports, including the Company's report on Form 10-K for the year ended December 31, 1999, and reports on Form 10-Q for the quarter ending March 31, 2000.

SNPE, Inc. is a wholly owned subsidiary of Groupe SNPE, a French government-owned fine chemicals, aerospace and defense company with interests in the explosion bonding of clad metal plates.

Based in Lafayette, Colorado, Dynamic Materials Corporation is a leader in the metal working industry, and its products include bonded clad metal plates and other metal fabrications for the petrochemical, chemical processing, satellite/launch vehicle, commercial aircraft, defense and a variety of other industries.

For more information on Dynamic Materials Corporation
visit the Company's web site at http://www.dynamicmaterials.com

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DYNAMIC MATERIALS CORPORATION TO REDEEM PREFERRED STOCK PURCHASE RIGHTS

For Immediate Release

Wednesday, June 21, 2000

Contact: Richard A. Santa
Chief Financial Officer
Dynamic Materials Corporation
303-604-3938

Mark W. Jarman
VP of Corporate Development
Dynamic Materials Corporation
303-604-3923

Lafayette, CO -- The Board of Directors of Dynamic Materials Corporation, (Nasdaq: BOOM), 'DMC', today announced that it has approved a redemption under the Rights Agreement dated as of January 8, 1999, as amended by the First Amendment to Rights Agreement, dated June 13, 2000 (the "Plan") after having determined that a termination of the Plan is in the best interests of DMC and its stockholders. DMC will redeem all outstanding Preferred Stock Purchase Rights issued in respect of the DMC Common Stock. The redemption will be effective as of June 14, 2000, for $0.001 per share, which redemption price will be payable to stockholders of record on that date. DMC intends to mail the redemption payment to stockholders on or about June 23, 2000. Please note that the Company will only automatically distribute payment of the redemption price of $.001 per share to stockholders of fewer than one thousand shares (a value which would be equal to or less than $1.00), upon written request for such payment to the Company's Secretary, Vice President of Finance and CFO, Richard A. Santa, at 551 Aspen Ridge Drive, Lafayette, Colorado 80026.

Based in Lafayette, Colorado, Dynamic Materials Corporation is a leader in the metal working industry. Its products include explosion bonded clad metal plates for the petrochemical and chemical processing industries, as well as precision machined parts and other metal fabrications for the satellite/launch vehicle, military/defense, electronics, medical, and a variety of other industries.

For more information on Dynamic Materials Corporation
visit the Company's web site at http://www.dynamicmaterials.com

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