

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

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
September 15, 2005

Dynamic Materials Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-8328
(Commission File Number)

84-0608431
(I.R.S. Employer
Identification Number)

(303) 655-5700
(Registrant's Telephone Number, Including Area Code)

5405 Spine Road, Boulder, Colorado 80301
(Address of Principal Executive Offices) (Zip Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 14d-2(b) under Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.133-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

The disclosure contained under Item 2.03 below is incorporated herein by reference.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF BALANCE SHEET ARRANGEMENT OF A REGISTRANT

On September 15, 2005, Dynamic Materials Corporation (the "Company") entered into a Credit Agreement with and delivered its related Revolving Line of Credit Note to Wells Fargo Bank, National Association (said Agreement and Note, collectively, the "Credit Facility"). The Credit Facility provides the Company until June 30, 2007 with a \$7,500,000 revolving line of credit for working capital and general corporate purposes. The Credit Agreement replaces the \$6 million credit facility between the Company and Wells Fargo Business Credit Inc., an affiliate of Wells Fargo Bank, National Association, that terminated concurrently with the signing of the new credit facility. The Company has yet to draw on the revolving credit.

Under the Credit Facility, revolving borrowings bear annual interest at the Company's option at (i) a fluctuating rate per annum of 0.50% below the lender's prime rate as in effect from time to time, or (ii) LIBOR for a borrowing period selected by Company of one, two or three months, adjusted for regulatory reserve requirements, plus 2.0%.

The Credit Facility contains a number of restrictive covenants including those requiring the Company to maintain minimum levels of net income and tangible net worth and to obtain the bank's prior consent prior to making investments in fixed assets in excess of \$4,000,000, incurring operating lease expense in excess of \$1,000,000 and making certain other loans or investments.

Under the Credit Facility it is an event of default if the Company fails to make the payments required of it or otherwise to fulfill the covenants

applicable to it. In the case of events of default which are unremedied within allowable grace periods, the lender may terminate its revolving credit commitment and require immediate repayment of all outstanding borrowings.

A copy of the Credit Agreement is included as Exhibit 10.1 and a copy of the related Revolving Line of Credit Note is included as Exhibit 10.2 to this Current Report on Form 8-K, and such Exhibits are incorporated into this Item 2.03 by reference and any description of the Credit Facility in this Item 2.03 is qualified by such reference

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

Exhibit 10.1. Credit Agreement dated as of September 15, 2005 between Dynamic Materials Corporation and Wells Fargo Bank, National Association.

Exhibit 10.2. \$7,500,000 Revolving Line of Credit Note dated September 15, 2005 of Dynamic Materials Corporation payable to the order of Wells Fargo Bank, National Association.

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

Richard A. Santa
Vice President and Chief Financial
Officer

Dated: September 21, 2005

INDEX TO EXHIBITS

Number	Description
10.1	Credit Agreement dated as of September 15, 2005 between Dynamic Materials Corporation and Wells Fargo Bank, National Association.
10.2	\$7,500,000 Revolving Line of Credit Note dated September 15, 2005 of Dynamic Materials Corporation payable to the order of Wells Fargo Bank, National Association.

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of September 15, 2005, by and between DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
DEFINITIONS

"advance" has the meaning set forth in Section 2.1(a)

"Business Day" means (i) for all purposes other than are covered by clause (ii) below, any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close and (ii) with respect to all notices, determinations, fundings, issuances and payments in connection with any Euro-denominated Advances, any day that is a Business Day described in clause (i) above and that is also (a) a day for trading by and between banks in Dollar or Euro, as the case may be, deposits in the London interbank market and (b) a day on which banking institutions are open for business in London.

"Commitment Amount" means the Dollar Equivalent Amount of \$7,500,000.

"Credit Notice" means a notice in the form of Exhibit A hereto.

"Dollars" means the lawful currency of the United States of America.

"Dollar-denominated Advance" means an advance under the Line of Credit which is made in Dollars.

"Dollar Equivalent Amount" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in Euro, the equivalent amount thereof in Dollars as determined by Bank at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with Euro.

"EMU" means the economic and monetary union in accordance with the Treaty of Rome 1957, as amended by the Single European Act 1986, the Maastricht Treaty of 1992 and the Amsterdam Treaty of 1998.

"EMU Legislation" means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

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"Euro" means the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation

"Euro-denominated Advances" means advances under the Line of Credit which are made in Euro.

"Euro Sublimit" means the Dollar Equivalent Amount of \$2,000,000.

"Line of Credit" has the meaning set forth in Section 2.1(a)

"Note" has the meaning set forth in Section 2.1(a).

"Participating Member State" means each state so described in any EMU Legislation.

"Revaluation Date" means each of the following: (a) each date on which a Euro-denominated Advance is made, (b) each date on which a Fixed Rate Term (as defined in the Note) applicable to a Euro-denominated Advance is continued, (c) the last Business Day of each week, and (d) such additional dates as Bank may determine during the continuance of an Event of Default (as defined in the Note).

"Spot Rate" for Dollars or Euro means the rate quoted by the Bank as the spot rate for the purchase by the Bank of such currency with the other currency through its foreign exchange desk at approximately 11:00 A.M. (San Francisco time) on the date two Business Days prior to the date as of which the foreign exchange computation is made.

ARTICLE II
CREDIT TERMS

SECTION 2.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances (each, an "advance") to Borrower from time to time up to and including June 30, 2007 ("Line of Credit"), the proceeds of which shall be used for working capital and general corporate purposes. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of September 15, 2005 ("Note"), all terms of which are incorporated herein by this reference. Advances under the Line of Credit shall be Dollar-denominated Advances or Euro-denominated Advances, provided, however, that as of each Revaluation Date, (i) the maximum principal balance of outstanding Euro-denominated Advances shall not exceed the Euro Sublimit, and (ii) the aggregate maximum principal balance of outstanding Dollar-denominated Advances and Euro-denominated Advances shall at not exceed Commitment Amount.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby letters of credit denominated only in Dollars for the account of Borrower (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed Five Hundred Thousand Dollars (\$500,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. No Letter of Credit shall have an expiration date subsequent to the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be

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reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed a Dollar-denominated Advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to Dollar-denominated Advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, subject to the terms of Section 2.1(d) below.

(d) Spot Rate Determination. Bank will determine the Spot Rate as of each Revaluation Date to be used for calculating Dollar Equivalent Amounts of Euro-denominated Advances. Such Spot Rate will become effective as of such Revaluation Date and will be the Spot Rate employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur.

(e) Limitations. If Bank notifies Borrower at any time that the aggregate outstanding principal balance of Dollar-denominated Advances at such time exceeds 100% of the Commitment Amount, then, within 2 Business Days after receipt of such notice, Borrower will prepay advances in an aggregate amount sufficient to reduce such aggregate outstanding principal balance as of such date of payment to an amount not to exceed 100% of the Commitment Amount. If Bank notifies Borrower at any time that the outstanding principal balance of Euro-denominated Advances at such time exceeds 105% of the Euro Sublimit, then, within 3 Business Days after receipt of such notice, Borrower will prepay advances in an aggregate amount sufficient to reduce such outstanding principal balance as of such date of payment to an amount not to exceed 100% of the Euro Sublimit. All payments required hereunder shall be subject to the prepayment provisions of the Note.

SECTION 2.2. INTEREST/FEEES.

(a) Interest. The outstanding principal balance of the Line of Credit shall bear interest at the rate of interest set forth in the Line of Credit Note.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and

place set forth in each promissory note or other instrument or document required hereby.

(c) Fees. Borrower shall pay to Bank a non-refundable fee in the amount of \$1,000.00 for each Euro-denominated Advance at the time such advance is made.

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SECTION 2.4. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal and interest due in connection with Dollar-denominated Advances and all fees due under the Line of Credit by charging Borrower's deposit account number 4123769044 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower. Principal and interest on Euro-denominated Advances shall be paid by Borrower when due into the following account:

Bank: Deutsche Bank Ag Frankfurt
Frankfurt, Germany
Account Number: 100958748600
Swift ID: DEUTDEFF

SECTION 2.5. COLLATERAL.

As security for all indebtedness of Borrower to Bank under the Line of Credit, Borrower hereby grants to Bank security interests of first priority (subject to the terms of Section 6.8 below) in (a) all Borrower's accounts receivable and other rights to payment, general intangibles, and inventory, and (b) notwithstanding any provision to the contrary set forth in the security agreement or UCC covering equipment, only equipment acquired after the date hereof. Notwithstanding the inclusion of "general intangibles" above and in the definitions of Collateral in the security agreements executed by Borrower, Bank hereby disclaims a security interest in Borrower's patents, copyrights, trademarks and other forms of intellectual property (collectively, "IP"); provided, however, that except that the Collateral shall include the proceeds of all the IP that are accounts, (i.e. accounts receivable) of Borrower, or general intangibles consisting of rights to payment, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying IP is necessary to have a security interest in such accounts and general intangibles of Borrower that are proceeds of the IP, then the Collateral shall automatically, and effective as of the closing date, include the IP to the extent necessary to permit perfection of Bank's security interest in such accounts and general intangibles of Borrower that are proceeds of the IP.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall reimburse Bank immediately upon demand for all costs and expenses incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and the costs of all appraisals and audits during the existence of an Event of Default.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 3.1. LEGAL STATUS. Borrower is a corporation, duly incorporated and existing and in good standing under the laws of Delaware, and is qualified or licensed to do

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business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 3.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 3.3. NO VIOLATION. The execution, delivery and performance by

Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default which could be reasonably expected to have a material adverse effect on Borrower under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 3.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could be reasonably likely to have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 3.5. CORRECTNESS OF FINANCIAL STATEMENT. The financial statement of Borrower dated June 30, 2005, a true copy of which has been delivered by Borrower to Bank prior to the date hereof, (a) is complete and correct and presents fairly the financial condition of Borrower, (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or for liens arising by operation of law in the ordinary course of business or liens for unpaid taxes, mechanics' liens, materialmen or workmens' liens payment for which is not yet due or is being contested in good faith or as otherwise permitted by Bank in writing.

SECTION 3.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year which could be reasonably expected to have a material adverse effect on Borrower.

SECTION 3.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 3.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

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SECTION 3.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 3.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, which default could be reasonably expected to have a material adverse effect on the Borrower.

SECTION 3.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. To Borrower's knowledge, none of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving an expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment which could be reasonably expected to have a material adverse effect on Borrower. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

CONDITIONS

SECTION 4.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

- (i) This Agreement and each promissory note or other instrument or document required hereby.
- (ii) Corporate Resolution-Borrowing.
- (iii) Certificate of Incumbency.
- (iv) Security Agreement Right to Payment and Inventory.
- (v) Security Agreement Equipment.

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- (vi) Exhibit A to UCC Financing Statement.
- (vii) Insurance Letter.
- (viii) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

SECTION 4.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date except to the extent that such representations expressly relate to a specific date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit, which, in the case of each Euro-denominated Advance, shall include a Credit Notice, duly completed, delivered not later than 4 Business Days prior to the date of the requested advance.

ARTICLE V
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 5.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

SECTION 5.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

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SECTION 5.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, Borrower's 10K report filed with the Securities Exchange Commission with respect to such fiscal year;

(b) not later than 45 days after and as of the end of each quarter, Borrower's 10Q report filed with the Securities Exchange Commission with respect to such fiscal quarter;

(c) not later than 10 days after filing, a copy of any other report or document filed with the Securities Exchange Commission.

(d) not later than 30 days after each fiscal year, projections, prepared by Borrower, for the fiscal year then commencing;

(e) contemporaneously with each annual and quarterly 10K and 10Q report required hereby, a certificate of the president or chief financial officer of Borrower that said reports are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(f) from time to time such other information as Bank may reasonably request.

SECTION 5.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 5.5. INSURANCE. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts reasonably satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 5.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 5.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

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SECTION 5.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower which could be reasonably likely to have a material adverse effect on Borrower.

SECTION 5.9. FINANCIAL CONDITION. Maintain Borrower's consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Tangible Net Worth, determined as of each fiscal quarter end, not less than \$16,000,000.00, increasing, on a cumulative basis as of the end of each fiscal quarter (commencing with FQE September 30, 2005), by an amount equal to 50% of Borrower's net income in such fiscal quarter, with no deduction for losses, with "Tangible Net Worth" defined as the aggregate of total stockholders' equity plus subordinated debt less any intangible assets.

(b) Net income after taxes not less than \$650,000.00 on a quarterly basis, determined as of each fiscal quarter end in fiscal year 2005, and thereafter not less than \$700,000.00 on a quarterly basis, determined as of each fiscal quarter end.

SECTION 5.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage,

or through fire, theft or any other cause affecting Borrower's property.

ARTICLE VI
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 6.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 6.2. CAPITAL EXPENDITURES. Make any additional investment in fixed assets in any fiscal year in excess of \$4,000,000.00.

SECTION 6.3. LEASE EXPENDITURES. Incur operating lease expense in any fiscal year in excess of \$1,000,000.00.

SECTION 6.4. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the

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liabilities of Borrower to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, (c) a real estate loan not to exceed \$2,880,000.00 and any refinancing or extension thereof secured by the "Spin Forge" real property located at 1700 E. Grand Avenue, El Segundo, California, and (d) additional liabilities not to exceed an aggregate outstanding principal balance of \$1,000,000.00.

SECTION 6.5. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

SECTION 6.6. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 6.7. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and loans and advances to employees in the ordinary course of business not to exceed an aggregate amount of \$100,000.00 outstanding at any time (inclusive of any such existing loans and advances).

SECTION 6.8. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except (a) any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof, (b) security interests in equipment owned by Borrower as of the date of this Agreement, (c) purchase money security interests in equipment, subject to the restrictions on indebtedness set forth in Section 6.4, (d) liens arising by operation of law in the ordinary course of business or liens for unpaid taxes, mechanics' liens, materialmen or workmens' liens payment for which is not yet due or is being contested in good faith, and (e) a lien on the real estate described in Section 6.4(c) to secure the indebtedness described therein.

ARTICLE VII
EVENTS OF DEFAULT

SECTION 7.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, or, within 5 calendar days of the applicable due date, any interest, fees or other amounts, payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections (a) and (b) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower or any guarantor (with each such guarantor referred to as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank, and, if the debt is owed to a party other than Bank, the amount thereof exceeds \$250,000.00 and the default is not cured within any applicable cure period, if any, provided therefor in the documents governing such debt. As of the date hereof, there exist no Third Party Obligors.

(e) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor, and with respect to each of the foregoing, the amount claimed exceeds \$250,000.00.

(f) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor, or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) The death or incapacity of any individual Third Party Obligor. The dissolution or liquidation of Borrower or Third Party Obligor which is not an individual, or Borrower or any such Third Party Obligor or any of its directors or stockholders or members shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(i) Groupe SNPE shall, directly or indirectly, own or control less than 25% of the outstanding voting equity interests in Borrower.

SECTION 7.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by each Borrower; (b) the obligation, if any, of Bank to extend any further credit under

any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VIII MISCELLANEOUS

SECTION 8.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall

affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 8.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: DYNAMIC MATERIALS CORPORATION
5404 Spine Road
Boulder, CO 80301
(Attention: Richard A. Santa or Chief Financial Officer)

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
Colorado RCBO
1740 Broadway, 3rd Floor
Denver, CO 80274

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 8.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the preparation of any amendments to and waivers under this Agreement or the other Loan Documents, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter

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or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

SECTION 8.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interest hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 8.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 8.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 8.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 8.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the

same Agreement.

SECTION 8.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

SECTION 8.11. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating to in any way (i) the loan and related Loan Documents which are the subject of this Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Colorado selected by the American Arbitration Association ("AAA"); (ii) be governed by the

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Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. ss.91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Colorado or a neutral retired judge of the state or federal judiciary of Colorado, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Colorado and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Colorado Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to

matters directly relevant to the dispute

being arbitrated and must be completed no later than 20 days before the hearing date and within 180 days of the filing of the dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. The resolution of any dispute arising pursuant to the terms of this Agreement shall be determined by a separate arbitration proceeding and such dispute shall not be consolidated with other disputes or included in any class proceeding.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

SECTION 8.12. JUDGMENT CURRENCY.

(a) Conversion Rate. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Bank could purchase the Original Currency with the Other Currency on the Business Day preceding that on which final judgment is given.

(b) Discharge of Judgment. The obligations of the Borrower in respect of any sum due from it to the Bank hereunder shall, notwithstanding any judgment in such Other Currency, be discharged only to the extent that, on the Business Day following receipt by the Bank of any sum adjudged to be so due in the Other Currency, the Bank may in accordance with normal banking procedures purchase the Original Currency with the Other Currency; if the Original Currency so purchased is less than the sum originally due to the Bank in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Bank against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to the Bank in the Original Currency, the Bank shall remit such excess to the Borrower.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

DYNAMIC MATERIALS CORPORATION By: /s/ Richard A. Santa ----- Richard A. Santa, Vice President & CFO	WELLS FARGO BANK, NATIONAL ASSOCIATION By: /s/ Marc Rosenberg ----- Marc Rosenberg, Relationship Manager
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EXHIBIT A

FORM OF CREDIT NOTICE
 (Euro-denominated Advances)

Date: _____, _____

To: Wells Fargo Bank, N.A.

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of _____, 2005 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used

herein as therein defined) between DYNAMIC MATERIALS CORPORATION ("Borrower") and WELLS FARGO BANK, N.A. ("Bank").

The undersigned hereby requests (select one):

- A borrowing of a Euro-denominated Advance
- A continuation of a Euro-denominated Advance

1. On _____ (a Business Day).
2. In the amount of _____; denominated in Euro
3. With a Fixed Rate Term _____ months (1, 2 or 3).

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the above date, before and after giving effect to the advance (or continuation, as the case may be) requested above:

(a) The representations and warranties made by the Borrower in the Agreement, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection therewith, are and will be correct on and as of the date of the advance requested above, except to the extent that such representations and warranties specifically refer to any earlier date; and

(b) no Event of Default has occurred and is continuing on the date hereof or after giving effect to the advance requested above.

IN WITNESS WHEREOF, the undersigned have executed this Credit Notice as of the date first written above.

THE "BORROWER"

DYNAMIC MATERIALS CORPORATION

By: _____
Title: _____

REVOLVING LINE OF CREDIT NOTE

\$7,500,000.00

Denver, Colorado
September 15, 2005

FOR VALUE RECEIVED, the undersigned DYNAMIC MATERIALS CORPORATION ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at Colorado RCBO, 1740 Broadway, 3rd Floor, Denver, CO 80274, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Seven Million Five Hundred Thousand Dollars (\$7,500,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

I. DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined. Terms used herein and defined in the Credit Agreement have the respective meanings ascribed to them in the Credit Agreement.

(a) "Adjusted Euribor Rate" means, for any Interest Rate Determination Date with respect to a Fixed Rate Term for a Euro denominated Advance, the rate per annum obtained by dividing (i) the offered quotation (rounded upward to the nearest 1/100th of 1%) by first class banks in the London interbank market to Bank for deposits in Euro of amounts in same day funds comparable to the principal amount of the Euro-denominated Advance for which the Adjusted Euribor Rate is then being determined with maturities comparable to such Fixed Rate Term as of approximately 11:00 A.M. (London time) on such Interest Rate Determination Date by (ii) a percentage equal to 100% minus the stated maximum rate of all reserve requirements (including any marginal, emergency, supplemental, special or other reserves) applicable on such Interest Rate Determination Date to any member bank of the Federal Reserve System in respect of "Eurocurrency liabilities" as defined in Regulation D of the Federal Reserve Board (or any successor category of liabilities under Regulation D).

(b) "Credit Agreement" means the Credit Agreement dated as of September 15, 2005 by and between Borrower and Bank, as amended from time to time.

(c) "Fixed Rate Term" means a period commencing on a Business Day and continuing for 1, 2 or 3 months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to (i) with respect to Dollar-denominated Advances, LIBOR; or, with respect to Euro-denominated Advances, the Adjusted Euribor Rate; provided however, that no Fixed Rate Term may be selected for a principal amount less than One Hundred Thousand Dollars (\$100,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day, provided, however, that provided that, if any Fixed Rate Term applicable to a Euro-denominated Advance would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Fixed Rate Term shall expire on the next preceding Business Day.

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(d) "Interest Rate Determination Date" means each date for calculating the Adjusted Euribor Rate, for purposes of determining the interest rate in respect of a Fixed Rate Term. The Interest Rate Determination Date in respect of calculating the Adjusted Euribor Rate shall be the second Business Day prior to the first day of the related Fixed Rate Term.

(e) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by

the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(f) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

II. INTEREST:

(a) Interest. The outstanding principal balance of Dollar-denominated Advances shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum one half of one percent (.50%) below the Prime Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be two percent (2.00%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. The outstanding principal balance of Euro-denominated Advances shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a fixed rate per annum determined by Bank to be two percent (2.00%) above Adjusted Euribor Rate in effect on the applicable Interest Rate Determination Date. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each Fixed Rate Term selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

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(b) Payment of Interest. Interest accrued on Dollar-denominated Advances shall be payable in Dollars on the last day of each month, commencing September 30, 2005. Interest accrued on Euro-denominated Advances shall be payable in Euro on the last day of each applicable Fixed Rate Term, provided that in the case of each such Fixed Rate Term exceeding one month, interest shall be payable in EURO on the first Business Day of each calendar month after the commencement of such Fixed Rate Term.

(c) Selection of Interest Rate Options - Dollar-denominated Advances. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. (San Francisco time) on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Prime Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(d) Continuation - Euro-denominated Advances.

(i) Subject to the provisions of Section 3(f)(vi), Borrower shall have the option upon the expiration of any Fixed Rate Term applicable to a Euro-denominated Advance, to continue all or any portion of such advance as a Euro-denominated Advance.

(ii) Borrower shall deliver a Credit Notice to Bank no later than 9:00 A.M. (San Francisco time) at least four Business Days in advance of the proposed continuation date in the case of a continuation of a Euro-denominated Advance.

(iii) A Credit Notice for continuation of a Euro-denominated Advance shall

be irrevocable, and Borrower shall be bound to effect a continuation in accordance therewith.

(e) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR or the Adjusted Euribor Rate, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or

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foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR or the Adjusted Euribor Rate to the extent they are not included in the calculation of LIBOR or the Adjusted Euribor Rate. In determining which of the foregoing are attributable to any LIBOR or Adjusted Euribor Rate option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(f) Special Provisions Governing Euro-denominated Advances. Notwithstanding any other provision of this Note to the contrary, the following provisions shall govern with respect to Euro-denominated Advances as to the matters covered:

(i) In the event that Bank shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination, that by reason of circumstances affecting the London interbank market adequate and fair means do not exist for ascertaining the interest rate applicable to such advances on the basis provided for in the definition of Adjusted Euribor Rate, Bank shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to Borrower of such determination, whereupon (A) no Euro-denominated Advances may be made as, or continued as, Euro-denominated Advances until such time as Bank notifies Borrower that the circumstances giving rise to such notice no longer exist and (B) any Credit Notice given by Borrower with respect to the Euro-denominated Advances in respect of which such determination was made shall be deemed to be rescinded by Borrower.

(ii) In the event that on any date Bank shall have determined (which determination shall be final and conclusive and binding upon all parties hereto) that the making, maintaining or continuation of its Euro-denominated Advances (A) has become unlawful as a result of compliance by Bank in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful) or (B) has become impracticable, or would cause Bank material hardship, as a result of contingencies occurring after the date of this Note which materially and adversely affect the London interbank market or the position of Bank in that market, then, and in any such event, Bank shall on that day give notice (by telefacsimile or by telephone confirmed in writing) to Borrower of such determination. Thereafter the obligation of Bank to make Euro-denominated Advances shall be suspended until such notice shall be withdrawn by Bank, and Bank's obligation to maintain its outstanding Euro-denominated Advances shall be terminated at the earlier to occur of the expiration of the Fixed Rate Term then in effect with respect to the affected advances or when required by law.

(iii) Borrower shall compensate Bank, upon written request by Bank (which request shall set forth the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including any interest paid by Bank to lenders of funds borrowed by it to make or carry its Euro-denominated Advances and any reasonable loss, expense or liability sustained by Bank in connection with the liquidation or re-employment of such funds) which Bank may sustain: (A) if for any reason a borrowing of any Euro-denominated Advance does not occur on a date specified therefor in a Credit Notice, or a continuation of any Euro-denominated Advance does not occur on a date specified therefor in a Credit Notice, (B) if any prepayment (including

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any prepayment pursuant to Bank's exercise of remedies during an Event of Default) of any Euro-denominated Advance occurs on a date prior to the last day of a Fixed Rate Term applicable to such advance, or (C) as a consequence of any other default by Borrower in the repayment of Euro-denominated Advances when required by the terms of this Note. Such reasonable losses, expenses and liabilities shall also include (I) any loss or reasonable expense sustained or incurred in liquidating or employing

deposits from third parties acquired to effect or maintain such advances, (II) an amount equal to the excess, if any of (x) the cost sustained by Bank of obtaining the funds for such Euro-denominated Advances being prepaid prior to the expiration of the applicable Fixed Rate Term for the period from the date of such prepayment or conversion to the last day of the applicable Fixed Rate Term, over (y) the amount of interest (as reasonably determined by Bank) that would be realized by Bank in re-employing the funds so prepaid for such Fixed Rate Term, (III) any loss incurred in liquidating or closing out any foreign currency contract undertaken by Bank in funding or maintaining such advances, and (IV) any loss arising from any change in the value of Dollars in relation to any such advance which was not paid on the date due between the date such payment was due and the date of payment, or which was not paid in Euro, all as determined by Bank in its good faith discretion.

(iv) Bank may make, carry or transfer Euro-denominated Advances at, to, or for the account of any of its branch offices or the office of an affiliate of Bank.

(v) Calculation of all amounts payable under this Section and under Section II(e) above shall be made as though Bank had actually funded each of the relevant Euro-denominated Advances through the purchase of Euro deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted Euribor Rate, in an amount equal to the amount of such Euro-denominated Advance and having a maturity comparable to the relevant Fixed Rate Term; provided, however, that Bank may fund each Euro-denominated Advance in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section.

(vi) After the occurrence of and during the continuance of an Event of Default, (A) Borrower may not elect to have a Euro-denominated Advance be made or maintained after the expiration of any Fixed Rate Term then in effect for that Euro-denominated Advance and (B) subject to the provisions of Section II(f) (iii), any Credit Notice given by Borrower with respect to a requested borrowing or continuation that has not yet occurred shall be deemed to be rescinded by Borrower.

(g) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

III. BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in

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connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for any Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on June 30, 2007, provided, however, that Borrower shall repay to Bank in full, in Euro, the principal amount of each Euro-denominated Advance on the last day of each Fixed Rate Term for such advance, unless such advance is continued in accordance with the terms of this Note.

(b) Advances. Dollar-denominated Advances hereunder, to the total amount of the principal sum available, may be made by the holder at the oral or written request of (i) Richard A. Santa, Donald Rittenhouse or Michael Preston, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of any Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of each Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by any Borrower. Euro-denominated Advances hereunder shall be available through the delivery of a Credit Notice as described in the Credit Agreement, and Bank shall deposit proceeds of such advances into the following account: [Nobelclad Europe S.A., Account Number 00010129148, BNP Paribas, Swift ID: BNPAFRPPPG].

(c) Application of Payments. Each payment made on this Note shall be

credited first, to any interest then due and second, to the outstanding principal balance hereof. As to Dollar-denominated Advances, payments credited to principal shall be applied first, to the outstanding principal balance thereof which bears interest determined in relation to the Prime Rate, if any; and second, to the outstanding principal balance thereof which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

IV. PREPAYMENT:

(a) Prime Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

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- (i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.
- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed). Each change in the rate of interest on any such past due prepayment fee shall become effective on the date each Prime Rate change is announced within Bank.

V. EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of September 15, 2005, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

VI. MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any

bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

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(b) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard A. Santa

Richard A. Santa, Vice President & CFO

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