
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): JANUARY 20, 2000

DYNAMIC MATERIALS CORPORATION
(Exact Name of Registrant as Specified in Charter)

DELAWARE (State or Other Jurisdiction of Incorporation)	08328 (Commission File Number)	84-0608431 (I.R.S. Employer Identification No.)
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551 ASPEN RIDGE DRIVE, LAFAYETTE, COLORADO 80026
(Address of principal executive offices, zip code)

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

NOT APPLICABLE
Former Name or Former Address if Changed Since Last Report

ITEM 5.

On January 20, 2000, Dynamic Materials Corporation (the "Company") entered into a Stock Purchase Agreement whereby it agreed to issue to SNPE, Inc. (i) 2,109,091 shares of common stock of the Company priced at \$2.75 per share and (ii) a convertible subordinated note of the Company due five years from the closing date of the stock purchase transaction, in the principal amount of \$1.2 million, bearing interest at the rate of 5% per annum, convertible in whole or in part by SNPE, Inc. at any time before maturity into common stock of the Company at a price of \$6.00 per share. The Company would receive in cash at closing \$5.8 million as the purchase price for the common stock and \$1.2 million borrowed under the convertible subordinated note, for a total of \$7 million.

The transaction will be submitted to the Company's shareholders for approval at a special meeting. Consummation of the transaction is subject to receiving the approval of the Company's stockholders and certain other consents, approvals and conditions described in the Stock Purchase Agreement. Subject to obtaining required consents and approvals and satisfaction of certain conditions, the transaction is expected to close in the second quarter of 2000.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

NUMBER	DESCRIPTION
4.1	Form of Registration Rights Agreement by and between Dynamic Materials Corporation and SNPE, Inc.
4.2	Form of Convertible Subordinated Note in the amount of \$1.2 million.

- 10.1 Stock Purchase Agreement dated as of January 20, 2000 by and between Dynamic Materials Corporation and SNPE, Inc.
- 99.1 Press Release titled "DMC AND SNPE, INC. SIGN DEFINITIVE AGREEMENT: DMC TO RECEIVE \$7 MILLION IN CASH" dated January 21, 2000.

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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 hereunto duly authorized.

DYNAMIC MATERIALS CORPORATION
(Registrant)

Date: January 31, 2000

By: /s/ RICHARD A. SANTA

Vice President-Finance, and
Chief Financial Officer

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EXHIBIT INDEX

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CONVERTIBLE SUBORDINATED NOTE

US \$1,200,000

DATE OF ISSUANCE

LOCATION OF ISSUANCE

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 [--], 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

(b) 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 Amended and Restated Credit Facility and Security Agreement dated as of July 19, 1996 between the Company and Keybank National Association (as amended to the date hereof and as it may be further amended on and after the date hereof) and (b) 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) entered into in connection with the Fayette County Industrial Authority Multi-Mode Variable Rate Industrial Development Revenue Bonds, Series 1998 (Dynamic Materials Corporation Project).

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.

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

(i) Upon the maturity 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.

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(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 happening of a default in payment of the principal of or interest on Senior Indebtedness, then, unless and until such 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.

(d) 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

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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 (b) 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.

(e) 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.

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(f) 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.

(g) 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.

(h) 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

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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

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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

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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

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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

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(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

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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,

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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.

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CONVERTIBLE SUBORDINATED NOTE

US \$1,200,000

DATE OF ISSUANCE

LOCATION OF ISSUANCE

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 [--], 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

(b) 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 Amended and Restated Credit Facility and Security Agreement dated as of July 19, 1996 between the Company and Keybank National Association (as amended to the date hereof and as it may be further amended on and after the date hereof) and (b) 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) entered into in connection with the Fayette County Industrial Authority Multi-Mode Variable Rate Industrial Development Revenue Bonds, Series 1998 (Dynamic Materials Corporation Project).

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.

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

(i) Upon the maturity 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.

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(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 happening of a default in payment of the principal of or interest on Senior Indebtedness, then, unless and until such 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.

(d) 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

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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 (b) 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.

(e) 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.

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(f) 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.

(g) 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.

(h) 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

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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

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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

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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

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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

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(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

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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,

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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.

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STOCK PURCHASE AGREEMENT
DATED AS OF JANUARY 20, 2000

BETWEEN
DYNAMIC MATERIALS CORPORATION
AND
SNPE, INC.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "AGREEMENT" is made and entered into as of the 20th day of January 2000, by and between Dynamic Materials Corporation, a Delaware corporation (the "COMPANY"), and SNPE, Inc., a Delaware corporation ("BUYER").

RECITALS:

WHEREAS, Buyer is presently the legal and beneficial owner of approximately 14.4% of the outstanding common stock, par value \$0.05 per share, of the Company (the "COMPANY COMMON STOCK") and wishes to increase such interest by an amount sufficient to achieve voting control of the Company;

WHEREAS, the Company desires to issue and sell to Buyer, and Buyer desires to purchase from the Company, 2,109,091 additional shares (the "SHARES") of Company Common Stock; and

WHEREAS, contemporaneously with the purchase of the shares hereunder, Buyer will purchase from the Company a Convertible Subordinated Note (the "NOTE") with an aggregate principal amount of \$1,200,000, convertible into additional shares of Company Common Stock and having such other terms as the parties have agreed;

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

THE ACQUISITION

SECTION 1.1. PURCHASE AND SALE OF SHARES. On the terms and subject to the conditions of this Agreement, at the Closing (as defined in SECTION 2.1 hereof), the Company will sell and deliver to Buyer, and Buyer will purchase and acquire from the Company, all right, title and interest in and to the Shares, free and clear of all Encumbrances (as defined in SECTION 3.8 hereof.)

SECTION 1.2. CONSIDERATION FOR THE SHARES. The aggregate consideration (the "PURCHASE PRICE") payable by Buyer for the Shares shall be Five Million Eight Hundred Thousand Dollars (\$5,800,000).

SECTION 1.3. CLOSING DATE DELIVERIES AND PAYMENTS. At the Closing, the Company shall deliver to Buyer the stock certificates evidencing the Shares. At the Closing, Buyer shall pay to the Company the Purchase Price by wire transfer of immediately available funds to a bank account that shall have been identified to the Buyer by the Company not less than three business days prior to the Closing Date.

ARTICLE II

THE CLOSING

SECTION 2.1. DATE OF CLOSING. The consummation of the purchase and sale of the Shares contemplated hereby (the "CLOSING") shall take place on the earlier of May 15, 2000 (or such other date as the parties may mutually agree upon) or the fifth business day following the date upon which the last remaining condition set forth in Articles VI and VII has been satisfied or waived by the party entitled to waive that condition, at the offices of _____ at _____ local time, or on such other date or at such other place designated by the parties in writing. The date on which the Closing is effected is referred to in this Agreement as the "CLOSING DATE." At the Closing, the parties shall execute and deliver the documents referred to in Articles VI and VII.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company makes the following representations and warranties to Buyer, each of which is true and correct as of the date hereof and shall be true and correct as of the Closing Date as conditions to the Closing and shall be unaffected by any investigation heretofore or hereafter made by Buyer.

SECTION 3.1. CORPORATE ORGANIZATION. The Company is a corporation duly

organized, validly existing and in good standing under the laws of Delaware, and has all requisite

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corporate power and authority to own, lease and operate the properties and assets it now owns, leases or operates and to carry on its business as presently conducted or proposed to be conducted pursuant to existing plans. The Company is duly qualified or licensed to transact business in each of the jurisdictions where such qualification or licensing is required by reason of the nature or location of the properties and assets owned, leased or operated by it or the business conducted by it, except where the lack of such qualification or license would not have a Company Material Adverse Effect (as defined in Section 3.5 hereof). The Company has provided to Buyer complete and correct copies of (a) its Certificate of Incorporation certified by the competent authority of the jurisdiction of incorporation within 30 days of the date hereof and (b) its Bylaws, certified as true and correct by the Secretary of the Company, each as amended to the date hereof.

SECTION 3.2. AUTHORITY; ABSENCE OF CONFLICTS. The Company has full corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved by the Board of Directors of the Company, and no other corporate action (other than the stockholder approval referenced in Section 7.7 hereof) on the part of the Company is necessary to authorize and approve the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and, assuming this Agreement constitutes a valid and binding obligation of Buyer, constitutes the valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights and by general equitable principles (whether applied in a court of equity or a court of law).

Except for the consents and approvals listed in SCHEDULE 3.2 hereto (collectively, the "COMPANY CONSENTS"), neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance with the terms hereof, will: (i) conflict with or violate any provision of the Certificate of Incorporation or Bylaws of the Company; (ii) violate, conflict with or result in a breach of or default (or constitute any event which with the lapse of time or the giving of notice or both would constitute a

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breach or default) under any of the terms, conditions or provisions of any Material Contract (as defined in SECTION 3.12 hereof); (iii) accelerate or give to others any interests or rights, including without limitation rights of acceleration, termination, modification or cancellation, under any Material Contract or in or with respect to the capital stock, business, assets or properties of the Company; (iv) result in the creation of any Encumbrance on the capital stock, business, assets or properties of the Company; (v) conflict with, violate or result in a breach of or constitute a default under any law, statute, rule, judgment, order, decree, injunction, ruling or regulation of any government, governmental agency, authority or instrumentality, court or arbitration tribunal (each, a "GOVERNMENTAL ENTITY") to which the Company or any of its assets or properties are subject, except as would not have a Company Material Adverse Effect; or (vi) require the Company to give notice to, or obtain an authorization, approval, order, license, franchise, declaration or consent of, or make a filing with, any third party, including, without limitation, any Governmental Entity, except as would not have a Company Material Adverse Effect.

SECTION 3.3. OUTSTANDING CAPITAL STOCK; TITLE TO SHARES. The authorized capital stock of the Company consists of: 15,000,000 shares of Company Common Stock, of which at the date hereof 2,828,577 shares are issued and outstanding and 4,000,000 shares of Company Preferred Stock, of which none are issued and outstanding. No other classes of capital stock of the Company are authorized or outstanding. All of the issued and outstanding shares of capital stock of the Company have been duly authorized and are validly issued, fully paid and nonassessable, and none of such shares has been issued in violation of any preemptive rights of any present or former shareholders.

The Shares have been duly authorized and reserved for issuance and, when issued by the Company to Buyer in exchange for the Purchase Price pursuant to the Agreement, will be validly issued, fully paid and non-assessable, and Buyer shall have good title thereto, free and clear of any Encumbrance.

Except as provided in SCHEDULE 3.3 hereto, there is no outstanding right, subscription, warrant, call, preemptive right, option or other agreement of any kind to purchase or otherwise to receive from the Company any shares of Company Common Stock or any other security of the Company, and there is

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no outstanding security of any kind convertible into or exchangeable for such capital stock or other security.

SECTION 3.4 ABSENCE OF UNDISCLOSED LIABILITIES; INDEBTEDNESS. (a) Except as set forth in SCHEDULE 3.4(A) hereto, the Company has no direct or indirect indebtedness or other liability, whether fixed or contingent, known or unknown, asserted or unasserted, choate or inchoate, liquidated or unliquidated, secured or unsecured, whether due or to become due and whether arising out of transactions entered into or any condition or state of facts existing on or prior to the date hereof (collectively, "LIABILITIES"), other than: (i) Liabilities set forth in the Financial Statements (as defined in SECTION 3.6 hereof); and (ii) Liabilities which have arisen after the date of the Financial Statements in the ordinary course of business consistent with past practice, all of which are accurately and fairly reflected in the books and records of the Company and which would not, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect.

(b) As of the date hereof, the Liabilities of the Company incurred or identified in connection with the closing of the Louisville, Colorado, facility (the "LOUISVILLE FACILITY") do not exceed by more than \$200,000 the Liabilities identified in Schedule 3.4(b) with respect to the closing of the Louisville Facility.

(c) As of the date hereof, the Liabilities of the Company incurred or identified in connection with the commencement of operations at the Dunbar and Mount Braddock, Pennsylvania, facilities (collectively, the "PENNSYLVANIA FACILITY") do not exceed by more than \$300,000 the Liabilities identified in Schedule 3.4(c) with respect to the commencement of operations at the Pennsylvania Facility.

(d) Except as set forth in SCHEDULE 3.4(D) hereto and as set forth in Section 3.5(Q), the Company has no outstanding: (i) short-term and long-term indebtedness for borrowed money; (ii) Liabilities evidenced by bonds, debentures, notes or other similar instruments (without duplication of any amounts identified pursuant to clause (i)); (iii) Liabilities with respect to rent or other amounts due under a lease to which the Company is a party that is required to be classified and accounted for as a capitalized lease under generally accepted accounting principles other than such leases for a term of less than one year or involving total annual payments of less than

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\$25,000; (iv) Liabilities incurred or assumed as the deferred purchase price of property, or pursuant to conditional sale obligations (excluding trade accounts payable and purchase money Liabilities arising in the ordinary course of business consistent with past practice and otherwise not in breach of any other representation in this Section 3.4); (v) Liabilities relating to the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; or (vi) Liabilities in respect of guarantees by the Company of items referred to in clauses (i) through (v) above of other Persons (collectively, "INDEBTEDNESS").

SECTION 3.5 ABSENCE OF CHANGES. Except as set forth in SCHEDULE 3.5 hereto, since December 31, 1998, the Company has been operated in all material respects in the ordinary course of business consistent with past practice and there has not been any change, event, development or state of facts with respect to the business or condition of the Company, which, individually or together with other such changes, events, developments, or states of facts, has had or would reasonably be expected to have a Company Material Adverse Effect. For purposes of this Agreement, "COMPANY MATERIAL ADVERSE EFFECT" means any change, event or effect, whether or not foreseeable or known as of the date of this Agreement, that, individually or in the aggregate with any such other changes, events or effects, would be, or would reasonably be expected to be, materially adverse to: (i) the (a) business, (b) condition (financial or otherwise), or (c) results of operations of the Company; (ii) the transactions contemplated by this Agreement; (iii) the legality, validity or enforceability of this Agreement or the realization of the rights and remedies hereunder; or (iv) the ability of the Company to promptly perform its obligations under this Agreement. In addition, without limiting the foregoing, except as disclosed in SCHEDULE 3.5 hereto or except in the ordinary course of business consistent with past practice or

except as otherwise contemplated by this Agreement, there has not occurred since December 31, 1998:

(A) any amendment or change to the Certificate of Incorporation, Bylaws or other organizational documents of the Company;

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(B) any declaration, setting aside, or payment of any dividend or other distribution (whether in cash, stock or other property) in respect to the capital stock of the Company, or any direct or indirect redemption, purchase or other acquisition by the Company of any equity securities of the Company;

(C) any authorization, issuance, sale or other disposition by the Company of any shares of capital stock or other securities of the Company, or any option, warrant, right or other security relating to such capital stock or such other security, or any modification or amendment of any right of any holder of any outstanding shares of capital stock or other securities of the Company (other than pursuant to existing Plans (as defined in Section 3.15 hereof));

(D) (1) any increase (whether current or deferred) in the salary or bonus of any director, officer, employee, agent, consultant or representative of the Company, other than salary increases in the ordinary course of business consistent with past practice, (2) any payment of consideration of any nature whatsoever (i) to any officer, director, stockholder, employee other than salary, bonus or dividend equivalent salary paid in the ordinary course of business consistent with past practice, or (ii) to any agent consultant or representative of the Company other than in the ordinary course of business consistent with past practice, (3) any grant of any severance, continuation or termination pay or similar rights to any director, officer, stockholder, employee, agent consultant or representative of the Company, or (4) any adoption, entering into, amendment, modification, or termination (partial or complete) of any Plan or employment contract with respect to any officer, director, stockholder, employee, agent consultant or representative of the Company;

(E) any write-off or write-down of or any determination to write off or write down any of the assets of the Company in an aggregate amount exceeding \$25,000;

(F) any sale, license or other disposition of, or incurrence of an Encumbrance other than a Permitted Lien as defined in SECTION 3.7 hereof) on any asset of the Company in an aggregate amount exceeding \$50,000;

(G) any entering into, material amendment, modification, termination (partial or complete) or granting of a waiver, or failure to perform under (i) any Material Contract (as defined in SECTION 3.12(A) hereof) which is required to be

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disclosed in SCHEDULE 3.12 hereto (or had it been in effect on the date hereof would have been required to be listed on SCHEDULE 3.12(A) as a Material Contract), or (ii) any material amendment, termination, waiver, disposal, or lapse of, or failure to preserve, any material Permit (as defined in SECTION 3.13 hereof) or other form of authorization held by the Company or its Subsidiaries;

(H) any revaluation of any of the assets or properties of the Company;

(I) any capital expenditures or commitments for additions to property, plant or equipment of the Company constituting capital assets, other than expenditures or commitments made with respect to the Pennsylvania Facility as set forth on Schedule 3.4(c), in an aggregate amount exceeding \$100,000;

(J) any transaction by the Company with any officer, director, stockholder, Affiliate or associate of the Company or any business or entity in which any such individual has an interest, other than: (i) any transaction that would not (x) be reportable by a reporting company pursuant to Regulation S-K under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") and as set forth on SCHEDULE 3.5 or (y) constitute a breach of subsection (D) above; or (ii) pursuant to any Material Contract listed pursuant to SCHEDULE 3.12 hereto;

(K) any loan or advance by the Company to any Person, except for advances in the ordinary course of business consistent with past practice to employees for business travel and other business expenses;

(L) any material change in the accounting methods or procedures of the Company, except to the extent required by GAAP (as defined in SECTION 3.6) or any Governmental Entity;

(M) any work-stoppage, strike, labor difficulty, or union organizational campaign (in process or, to the Company's knowledge after due inquiry, threatened) at or affecting the Company;

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(N) any payment, prepayment, discharge, or satisfaction by the Company of any lien or liability of or owing by the Company other than liens or liabilities that were paid, discharged or satisfied in the ordinary course of business and consistent with past practice;

(O) any cancellation of any liability or indebtedness owed to the Company by any other Person in an aggregate amount exceeding \$25,000;

(P) The Company will not terminate the officers or plant managers identified on Schedule 3.5(P) without cause and, as of the date hereof, the Company has received no notice of intent to resign from such officers or plant managers. The Company will notify the Buyer promptly in the event of receipt of such notice; or

(Q) any increase in the amount of outstanding of the (i) Fayette County Industrial Development Authority Multi-Mode Variable Rate Industrial Development Revenue Bonds, Series 1998 issued pursuant to the Trust Indenture between Fayette County Industrial Development Authority and Star Bank, N.A., as Trustee, dated as of September 1, 1998 ("IDRB INDEBTEDNESS") of the Company above the amount of such IDRB Indebtedness as of the date of this Agreement of approximately \$6,850,000, (ii) the Acquisition Line Credit Limit (as that term is defined in the First Amendment to the Amended and Restated Credit Facility and Security Agreement between the Company and Keybank National Association, N.A., the "CREDIT AGREEMENT")) Indebtedness of the Company above the amount of such Acquisition Line Credit Limit Indebtedness as of the date of this Agreement of approximately \$5,000,000, (iii) the Accommodation Line (as that term is defined in the Credit Agreement) Indebtedness above the amount of such Accommodation Line Indebtedness as of the date of this Agreement of approximately \$2,300,000, and (iv) the Working Capital Line (as that term is defined in the Credit Agreement) Indebtedness above the amount of such Working Capital Line Indebtedness as of the date of this Agreement of approximately \$5,000,000 pursuant to which to date the Company has drawn down approximately \$2,100,000 and subject to the borrowing base requirements of such Indebtedness prescribed by the lender thereof without modification, amendment or waiver thereto.

SECTION 3.6 FINANCIAL STATEMENTS. The Company has delivered to Buyer true and complete copies of: (a) the audited balance sheets of the Company at December 31, 1996, 1997, and 1998 and the related statements of income, changes in

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stockholders' equity, and cash flow for the fiscal years then ended, certified by the Company's independent public accounting firm; and (b) the unaudited balance sheets of the Company at March 31, June 30, and September 30, 1999 and the related statements of income, changes in stockholders' equity, and cash flow for the fiscal quarters then ended (collectively, the "Financial Statements"). Except as set forth on SCHEDULE 3.6 hereto, such Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved ("GAAP"), except for the absence of notes and year end adjustments with regard to unaudited Financial Statements, and such Financial Statements, including the related notes thereto, if any, fairly present the financial position of the Company at the dates indicated and such statements of income, changes in stockholders' equity and cash flow fairly present the results of operations, changes in stockholders' equity and cash flow of the Company for the periods indicated. No financial statements of any Person other than the Company are required by GAAP to be included in the Financial Statements. The Financial Statements were compiled from and are in accordance with the books and records of the Company which are in all material respects complete.

SECTION 3.7 REAL PROPERTY. (a) SCHEDULE 3.7(A) hereto sets forth a complete list of: (a) the real property owned in fee by the Company (the "OWNED REAL PROPERTY"); and (b) all real property leased by the Company, including any options, including options to purchase, or rights of first offer relating thereto (the "LEASED REAL PROPERTY") (the Owned Real Property, the Leased Real Property and all other rights or interests of the Company in real property (the "OTHER REAL PROPERTY INTERESTS") being collectively referred to herein as the "REAL PROPERTY"). The Company has made available to Buyer true and correct

copies of all leases, subleases, abstracts of title, surveys, title opinions and title insurance policies in the possession of the Company relating to all of the Real Property. Except as set forth in SCHEDULE 3.7(a), none of the Real Property reflected in the Financial Statements has been disposed of, and no Real Property has been acquired by the Company since December 31, 1998.

(b) Except for: (i) liens and encumbrances disclosed on SCHEDULE 3.7(B) hereto; (ii) liens for current Taxes (as hereinafter defined) not yet delinquent; (iii) covenants, conditions and restrictions of record, none of which materially impairs the use of such property in the manner currently used or

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impairs the ability of the Company to deliver good title and/or other real property rights and interests in such Real Property; and (iv) any mechanic's, workmen's, repairmen's, materialmen's, contractor's, warehousemen's, carrier's, supplier's or vendor's lien, if payment is not yet due on the underlying obligation (collectively, the "PERMITTED LIENS"), the Company has good title in fee simple to all Owned Real Property, and a valid leasehold interest in all Leased Real Property, free and clear of any mortgage, pledge, assessment, security interest, lien, claim, charge, conditional sales contract, lease, sublease, adverse claim, charge, restriction, reservation, option, right of first refusal, other encumbrance of any nature whatsoever or other Contract to give any of the foregoing (collectively, "ENCUMBRANCES"). Except as set forth on SCHEDULE 3.7(B) hereto, the Company has good title to all structures, plants, leasehold improvements, systems, fixtures and other property located on or about any of the Leased Real Property and which are owned by the Company, as reflected in the Financial Statements, free and clear of any Encumbrances except for Permitted Liens, and none of such assets is subject to any contract, sublease or other arrangement for its use by any Person other than the Company.

(c) Except as set forth on Schedule 3.7(c) hereto, each of the leases and subleases relating to the Leased Real Property is in full force and effect, there is no material default by the Company (or to the knowledge of the Company, by the lessor) under any such lease or sublease, and, except as set forth on SCHEDULE 3.7(C) hereto, each such lease and sublease will remain in full force and effect following the Closing without any modification in the rights or obligations of the parties under any such lease or sublease.

(d) The Company duly and timely delivered to E.I. du Pont de Nemours (the "LANDLORD") a notice of extension of the lease between the Landlord and the Company relating to the Pennsylvania Facility.

(e) Except as set forth on SCHEDULE 3.7(E) hereto, no work has been performed on or with respect to or in connection with any of the Real Property that would cause such Real Property to become subject to any additional mechanic's, materialmen's, workmen's, repairmen's, carrier's or similar Encumbrance aggregating in excess of \$50,000.

(f) The Company has not received notice of and has no knowledge of any law, ordinance or regulation (whether in effect, pending or proposed) which would reasonably be expected

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to have a Company Material Adverse Effect on the Company's use of the Leased Real Property.

(g) With respect to the option to extend the term of the Operating Lease made as of March 18, 1998, by and among Spin Forge, LLC, the Company and Joseph P. Allwein, affecting the property located at 1700 East Grand Avenue, El Segundo, CA (the "SPIN FORGE LEASE"), for one additional term of 10 years, as set forth in Section 1C of the Spin Forge Lease (the "EXTENSION Option"), the Extension Option remains in full force and effect.

(h) The structures, plants, improvements, systems and fixtures (including, without limitation, storage tanks or other impoundment vessels, whether above or below ground) located on each parcel of Owned Real Property and, to the Company's knowledge after due inquiry, each parcel of Leased Real Property comply in all material respects with all applicable laws (including Environmental Laws as defined in Section 3.17), ordinances, rules, regulations and similar governmental and regulatory requirements. Each parcel of Owned Real Property and Leased Real Property is in good operating condition and repair, ordinary wear and tear excepted. Each parcel of Owned Real Property and, to the Company's knowledge after due inquiry, each parcel of Leased Real Property (in view of the purposes for which each parcel of Owned Real Property or Leased Real

Property is currently used) conforms in all material respects with all covenants or restrictions of record and conforms with all applicable building codes and zoning requirements and there is not, to the knowledge of the Company, any proposed change in any such governmental or regulatory requirements or in any such zoning requirements. All existing electrical, plumbing, fire sprinkler, lighting, air conditioning, heating, ventilation, elevator and other mechanical systems located in or about the Real Property are, to the knowledge of the Company, in good operating condition and repair, ordinary wear and tear excepted.

(i) The Other Real Property Interests include all material easements, rights-of-way and similar rights necessary to conduct the business of the Company as presently conducted and to use all of its Real Property as currently used. No such material easement or right will be breached by, nor will any party thereto be given a right of termination, as a result of, the transactions contemplated by this Agreement.

SECTION 3.8 TANGIBLE PERSONAL PROPERTY. (a) The Company has good title to all machinery and equipment, tools, spare and maintenance parts, furniture, vehicles and all other

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tangible personal property (collectively, the "TANGIBLE PERSONAL PROPERTY") owned by the Company, free and clear of any Encumbrance of any kind or nature whatsoever, except for Permitted Liens. All material items of Tangible Personal Property currently owned or used by the Company as of the date hereof are in good operating condition and repair, ordinary wear and tear excepted, are physically located at or about the places of business of the Company and are owned outright by the Company or validly leased. Except as set forth on SCHEDULE 3.8(A) hereto, the owned and leased Tangible Personal Property consists of all tangible personal property necessary for the operation of the business of the Company as currently conducted or as currently contemplated to be conducted.

(b) SCHEDULE 3.8(B) hereto sets forth a complete and correct list of all Tangible Personal Property leases to which the Company is a party involving total annual payments in excess of \$25,000 or for a term of more than one year, together with a brief description of the property leased. The Company has made available to Buyer complete and correct copies of each lease (and any amendments thereto) listed on SCHEDULE 3.8(B) hereto. Except as set forth on SCHEDULE 3.8(B): (i) each such lease is in full force and effect; (ii) all lease payments due to date on any such lease have been paid, and neither the Company nor (to the knowledge of the Company) any other party is in material default under any such lease, and no event has occurred which constitutes, or with the lapse of time or the giving of notice or both would constitute, a material default by the Company or (to the knowledge of the Company) any other party under such lease; and (iii) to the knowledge of the Company, there are no material defaults alleged against the Company or by any other party with respect to any such lease.

SECTION 3.9 COMPUTER SOFTWARE. All computer software programs (excluding noncustomized computer software available to the Company on an over-the-counter basis through normal commercial channels) used by the Company in the conduct of its business are owned or licensed by the Company free and clear of Encumbrances, except for Permitted Liens, and, to the Company's knowledge, do not infringe any patent, copyright, trade secret or trademark of any other Person. SCHEDULE 3.9 hereto sets forth a list of all such computer software programs and identifies whether such programs are owned by the Company or used by license.

SECTION 3.10 YEAR 2000 COMPLIANCE. All Date-Sensitive Systems of the Company are Year 2000 Compliant. The Company has

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made inquiries of its vendors, suppliers and other business partners, and has not been advised that they and/or their products, as applicable, are not Year 2000 Compliant. The Company has prepared and will implement promptly manual workarounds in the event of Year 2000 malfunctions of the Company or any business partner of the Company. "DATE-SENSITIVE SYSTEM" means any software, microcode or hardware system or component, including any electronic or electronically controlled system or component, that processes any Date Data and that is installed, in development or on order by the Company for its internal use, or which the Company sells, leases, licenses, assigns or otherwise provides, or the benefit of which the Company provides, to its customers, vendors, suppliers, affiliates or any other third party. "DATE DATA" means any data of any type that includes date information or which is otherwise derived

from, dependent on or related to date information. "YEAR 2000 COMPLIANT" means, with respect to Date-Sensitive Systems, that each such system accurately processes all Date Data, including for the twentieth and twenty-first centuries, without loss of any functionality or performance, including, but not limited to, calculating, comparing, sequencing, storing and displaying such Date Data (including all leap year considerations), when used as a stand-alone system or in combination with other software or hardware. The Company has prepared, adopted, implemented and completed a Year 2000 Compliance and has provided Buyer a complete and accurate copy thereof.

SECTION 3.11 INTELLECTUAL PROPERTY RIGHTS. (a) As used herein, the term "RECORDED INTELLECTUAL PROPERTY" shall mean domestic and foreign letters patent, patents, patent applications, patent licenses, software licenses and know-how licenses, trade names, trademarks, trademark registrations and applications, service mark registrations and applications and copyright registrations and applications. SCHEDULE 3.11(A) hereto sets forth a true and complete list of all of the Recorded Intellectual Property owned or used by the Company in the operation of its business. Such Recorded Intellectual Property, together with copyrights, service marks, trademarks, trade secrets, trade names, technical knowledge, know-how, and other confidential proprietary information and related ownership, use and other rights, shall be collectively referred to hereinafter as the "INTELLECTUAL PROPERTY." Except as set forth on SCHEDULE 3.11(B) hereto, the Company has the right to use, free and clear of any claims or rights of others, all Intellectual Property owned or used by it in the operation of its business that is material to the business, and such use does

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not, to the knowledge of the Company, infringe on any patent, trademark, copyright, service mark or trade name, or misappropriate, any other Intellectual Property or right, of others.

(b) The Company owns or has the right to use all Intellectual Property necessary for the operation of its business as presently conducted and as presently proposed to be conducted. Each material item of Intellectual Property owned or used by the Company immediately prior to the Closing hereunder will be owned or available for use by the Company, immediately subsequent to the Closing hereunder. The Company has taken all necessary or reasonable action to protect and preserve the confidentiality of all trade secrets, processes, know-how, technical knowledge and other Intellectual Property not otherwise protected by patents, patent applications or copyright that are material to the business of the Company. Except as set forth on Schedule 3.11(b), each employee of the Company has executed a confidentiality agreement, which includes an agreement to assign to the Company all rights to Intellectual Property originated or invented by such employee relating to the business of the Company and to maintain the confidentiality of all confidential information of Company, including, without limitation, all trade secrets, technical knowledge and know-how. To the knowledge of the Company, no breach of any such confidentiality agreements has occurred.

(c) Except as set forth on SCHEDULE 3.11(C) hereto, to the knowledge of the Company, the Company has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, the Company has not received any charge, complaint, claim or notice alleging any such interference, infringement, misappropriation, or violation. No third party has, to the knowledge of the Company, interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of the Company.

(d) SCHEDULE 3.11(D) hereto identifies each material item of Intellectual Property that any third party owns and that the Company uses pursuant to any contract. To the knowledge of the Company, with respect to each such item of used Intellectual Property:

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- (i) the contract covering the item is legal, valid, binding, enforceable and in full force and effect;
- (ii) the contract will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms after giving effect to the transactions contemplated hereby; and
- (iii) no party to the contract is in breach or default thereof.

(e) Except as set forth on SCHEDULE 3.11(E) hereto, the Company has not granted to any third party any license of or other right to use any of the

material Intellectual Property of the Company.

SECTION 3.12 MATERIAL CONTRACTS. (a) SCHEDULE 3.12(A) lists each contract, agreement, license, lease, sublease, arrangement or understanding, whether oral or written, or series of related contracts (excluding purchase orders and customer orders in the ordinary course of business), (A) which involves annual expenditures or receipts by the Company of more than \$100,000, or (B) which provides for performance, regardless of amount, over a period in excess of one year after the date of such contract, arrangement or commitment (each, a "MATERIAL CONTRACT").

(b) Except as set forth on SCHEDULE 3.12(B) hereto, to the knowledge of the Company, neither any officer, director or employee of the Company or any Affiliate, nor any member of any such Person's immediate family, is presently a party to or directly interested in any material transaction with the Company, including any contract or other binding arrangement (i) providing for the furnishing of material services by such Person (except in such Person's capacity as an officer, director, employee or consultant), (ii) providing for the rental of material real or personal property from such Person, or (iii) otherwise requiring material payments to such Person (other than for services as an officer, director, employee or consultant of the Company). For the purpose of this Agreement "PERSON" shall mean any natural person, corporation, joint stock corporation, general partnership, limited partnership, limited liability company or partnership, other entity, enterprise or business organization, trust, union, association or Governmental Entity (as defined in SECTION 3.2 hereof).

The Company has made available to Buyer complete and correct copies of each written Material Contract (and any

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amendments thereto), and SCHEDULE 3.12(A) hereto contains a reasonably detailed description of all oral Material Contracts. Except as set forth on SCHEDULE 3.12(A) hereto: (i) each Material Contract is in full force and effect; (ii) neither the Company nor, to the knowledge of the Company, any other party is in default under any such Material Contract; and (iii) to the knowledge of the Company, there are no defaults alleged against the Company by any other party with respect to any such Material Contract.

SECTION 3.13 PERMITS AND LICENSES. Except as set forth on SCHEDULE 3.13 hereto or where failure to hold any Permit would not individually or in the aggregate, have a Company Material Adverse Effect, the Company holds all permits, licenses, approvals, franchises, notices, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments issued by any Governmental Entity to the Company (collectively, the "PERMITS") necessary for the ownership and conduct of the business of the Company in each of the jurisdictions in which the Company conducts or operates its respective business in the manner now conducted. All Permits are valid and in full force and effect. The Company is in compliance in all material respects with all terms required for the continued effectiveness of each such Permit, and there is not pending, or to the knowledge of the Company, threatened, any non-renewal, suspension, termination or revocation of any such Permit. Except as set forth in Schedule 3.13, all such Permits are renewable by their terms or in the ordinary course of business without the need to comply with any special qualification procedures or to pay any amounts other than routine filing fees. None of such Permits will be adversely affected by consummation of the transactions contemplated hereby. No present or former officer, director, shareholder or employee, or any other Person, owns or has any proprietary, financial or other interest (direct or indirect) in any Permits which the Company owns, possesses or uses in the conduct of its business as now or previously conducted.

SECTION 3.14 LEGAL PROCEEDINGS. Except as set forth on SCHEDULE 3.14 hereto, there are no suits, actions, proceedings (including, without limitation, arbitral and administrative proceedings), claims or governmental investigations or audits (collectively, "LEGAL PROCEEDINGS") pending or, to the knowledge of the Company, threatened, against the Company or its properties, assets, business, employees or agents in connection with the business of the Company which individually or together with similar Legal Proceedings involves

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a claim in excess of \$50,000, or it is reasonably likely that such claims will be prosecuted successfully (in the reasonable judgment of the Buyer) and upon such successful prosecution, such claims would reasonably be expected to have a Company Material Adverse Effect. There are no such Legal Proceedings pending or, to the knowledge of the Company, threatened, challenging the validity or

propriety of, or otherwise relating to or involving, this Agreement or the transactions contemplated hereby. Except as set forth on SCHEDULE 3.14 hereto, there is no judgment, order, writ injunction, decree or award (whether issued by a Governmental Entity or otherwise) to which the Company is a party, or involving the property, assets or business of the Company, which is unsatisfied or which requires continuing compliance therewith by the Company.

SECTION 3.15 EMPLOYEE BENEFIT PLANS; ERISA. (a) Each "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), bonus, deferred compensation, equity-based, severance or other plan or written agreement relating to employment, compensation or fringe benefits for employees, maintained or contributed to by the Company at any time during the 7-calendar year period immediately preceding the date hereof and/or with respect to which the Company could incur or could have incurred any direct or indirect, fixed or contingent liability (collectively, the "PLANS") is listed on SCHEDULE 3.15 attached hereto, and, except as set forth on Schedule 3.15, such Plans are in substantial compliance with all applicable laws and have been administered and operated in all material respects in accordance with their terms.

(b) Except as set forth on Schedule 3.15, each Plan which is intended to be "qualified" within the meaning of Section 401(a) of the Code, has received a favorable determination letter from the IRS and, to the knowledge of the Company, no event has occurred and no condition exists which would reasonably be expected to result in the revocation of any such determination. No event which constitutes a "reportable event" (as defined in Section 4043(c) of ERISA) for which the 30-day notice requirement has not been waived by the Pension Benefit Guaranty Corporation (the "PBGC") has occurred with respect to any Plan. No Plan subject to Title IV of ERISA has been terminated or is or has been the subject of termination proceedings pursuant to Title IV of ERISA. Full payment has been made of all amounts which the Company was required under the terms of the Plans to have paid as contributions to such Plans on or prior to the date hereof (excluding any amounts not

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yet due) and no Plan which is subject to Part 3 of Subtitle B of Title I of ERISA has incurred any "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived.

(c) Neither the Company nor, to the knowledge of the Company, any other "disqualified person" or "party in interest" (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively), has engaged in any transaction in connection with any Plan that would reasonably be expected to result in the imposition of a material penalty pursuant to Section 502(i) of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975(a) of the Code. The Company has not maintained any Plan (other than a Plan which is intended to be "qualified" within the meaning of Section 401(a) of the Code) which provides benefits with respect to Employees or former employees following their termination of service with the Company (other than as required pursuant to Section 601 of ERISA). Each Plan subject to the requirements of Section 601 of ERISA has been operated in substantial compliance therewith.

(d) No individual shall accrue or receive additional benefits, service or accelerated rights to payment of benefits as a direct result of the transactions contemplated by this Agreement. No material liability, claim, investigation, audit, action or litigation has been incurred, made, commenced or, to the knowledge of the Company, threatened, by or against any Plan or the Company with respect to any Plan (other than for benefits payable in the ordinary course and PBGC insurance premiums). No Plan or related trust owns any securities in violation of Section 407 of ERISA. With respect to each Plan which is subject to Title IV of ERISA, as of the most recent actuarial valuation report prepared for each such Plan, the aggregate present value of the accrued liabilities thereof did not exceed the aggregate fair market value of the assets allocable thereto.

(e) No Plan is a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) and the Company has not been obligated to contribute to any multiemployer plan. No material liability has been, or could reasonably be expected to be, incurred under Title IV of ERISA (other than for benefits payable in the ordinary course or PBGC insurance premiums) or Section 412(f) or (n) of the Code by any entity required to be aggregated with the Company, pursuant to Section 4001(b) of ERISA and/or Section 414(b) or (c) of the Code (and the regulations promulgated thereunder) with respect to any

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"employee pension benefit plan" (as defined in Section 3(2) of ERISA).

(f) With respect to each Plan, the Company has delivered or caused to be delivered to Buyer and its counsel true and complete copies of the following documents, as applicable, to each respective Plan - (i) all Plan documents, with all amendments thereto; (ii) the current summary plan description with any applicable summaries of material modifications thereto as well as any other material employee communications; (iii) all current trust agreements and/or other documents establishing Plan funding arrangements; (iv) the most recent IRS determination letter and, if a request for such a letter has been filed and is currently pending with the IRS, a copy of such filing; (v) the three most recently prepared IRS Forms 5500; (vi) the three most recently prepared actuarial valuation reports; (vii) the most recently prepared financial statements; and (viii) all material related contracts, including without limitation, insurance contracts, service provider agreements and investment management and investment advisory agreements.

SECTION 3.16 LABOR MATTERS. No union or other labor organization is certified or recognized as collective bargaining agent to represent any employees of the Company and the Company has no knowledge of any campaign currently in progress to seek representation with respect to any employees of the Company. The Company is not a party to, the subject of, involved in or, to the knowledge of the Company, threatened by any labor dispute, unfair labor practice charge, strike, work stoppage, work slowdown, picketing, boycott, handbilling or other concerted action by or on behalf of any employees of the Company.

SECTION 3.17 ENVIRONMENTAL MATTERS. Except as disclosed on SCHEDULE 3.17 hereto:

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(a) The Company and its operations and properties are in compliance with all Environmental Laws, the Company has not received any communication from any person or Governmental Entity that alleges that the Company, its operations or properties are not in material compliance with Environmental Laws. There are no unreserved or unbudgeted capital expenditures required to bring the Real Property, the facilities, business or operations of the Company into compliance with Environmental Laws, whether currently applicable or reasonably expected to be required in the future.

(b) The Company and its operations have obtained or applied for all Environmental Permits and are in material compliance with all terms and conditions of the Environmental Permits. All such Environmental Permits are in full force and effect or, where applicable, an application has been timely filed and is pending agency approval and will not prohibit or impair the Company from continuing to operate all of its facilities and conduct its operations as conducted prior to Closing or as contemplated pursuant to this transaction.

(c) There is no material Environmental Claim pending or threatened: (i) against the Company; (ii) against any real or personal property or operation currently or formerly owned, leased or managed, in whole or in part, by the Company; or (iii) against any Person whose liability for any Environmental Claim the Company has or may have retained or assumed either contractually or by operation of law.

(d) There has been no Release of any Hazardous Materials that would be reasonably likely to: (i) form the basis of any Environmental Claim against the Company or its operations or properties; or (ii) cause any real property or operation currently or formerly owned, leased or managed, in whole or in part, by the Company to be subject to any restrictions on ownership, operation, occupancy, use or transfer. The Company is not currently required or obligated to perform any investigation, removal, remediation, response action or corrective action with respect to the presence of any Release of Hazardous Materials at any of the facilities, properties or operations where the Company conducts its business, as set forth in SCHEDULE 3.7 (A), or at any other location.

(e) The Company has provided to Buyer: (i) copies of all Environmental Permits as well as material environmental inspections, audits, studies, plans or reports conducted or prepared by or on behalf of the Company or its operations or

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properties; (ii) a list of all Hazardous Materials used, stored, generated, recycled or disposed of by the Company and all such available information

concerning its joint ventures; (iii) a list of all off-site Hazardous Materials treatment, storage or disposal facilities used by the Company; and (iv) the cost of: (A) all material pollution control equipment (including, without limitation, upgrades and other modifications to existing equipment); and (B) all remediation, in each case of (A) and (B) that are currently required, or reasonably contemplated to be required in the future.

(f) There is not now, nor, to the knowledge of the Company, has there been in the past, on, in or under any Real Property at the time owned, leased or operated by the Company any underground storage tanks, above-ground storage tanks, dikes or impoundments containing Hazardous Material.

For purposes of this Agreement, the following terms have the following definitions:

"ENVIRONMENTAL CLAIM" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, causes of action, notices, liens, investigations, proceedings or notices of noncompliance or violation by any Person (including any Governmental Entity) alleging potential liability (including, without limitation, potential responsibility or liability for enforcement costs, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural-resources damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from: (A) the presence, or Release into the environment, of any Hazardous Materials at any location, whether or not owned, operated, leased or managed by the Company; or (B) circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws or Environmental Permits.

"ENVIRONMENTAL LAWS" means all applicable federal, state, local laws (including common laws), rules, ordinances, regulations, orders, directives and binding administrative or judicial interpretations thereof relating to: pollution, the environment (including, without limitation, indoor and outdoor air, surface water, groundwater, land surface or subsurface strata); noise and vibration, the protection and use of land or natural resources; the protection of human health and safety; or the Release, manufacture, processing, distribution, use,

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generation, treatment, storage, disposal, transport or handling of Hazardous Materials.

"ENVIRONMENTAL PERMITS" means all applicable permits, consents, licenses, approvals or authorizations issued by Governmental Entities under Environmental Laws.

"HAZARDOUS MATERIALS" means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls ("PCBS") in regulated concentrations; (b) any chemicals, materials or substances which are now defined as, or included in the definition of, "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "hazardous constituents" or words of similar import, under any Environmental Laws; (c) any chemicals, materials or substances which exhibit the characteristics of ignitability; reactivity; toxicity; and corrosivity; and (d) any other chemical, material, substance or waste (including without limitation, fertilizers, pesticides, herbicides and fungicides), the use, handling or exposure to which is now prohibited, limited or regulated under any Environmental Laws.

"RELEASE" means any actual or threatened release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface water, groundwater or property.

SECTION 3.18 TAX MATTERS. (a) Except as disclosed on SCHEDULE 3.18(A) hereto: (i) All Tax Returns (as defined below) required to be filed by or with respect to the Company have been timely filed; (ii) all Taxes shown on such Tax Returns or otherwise due have been timely paid; (iii) all such Tax Returns are true, correct and complete in all material respects; (iv) no adjustment relating to such Tax Returns has been proposed formally or informally by any Tax authority and, to the best knowledge of the Company, no basis exists for any such adjustment; (v) with respect to any period for which Taxes are not yet due, the Company has made sufficient current accruals for all such Taxes in its Financial Statements; (vi) the Company has made all required estimated Tax payments sufficient to avoid any underpayment penalties; (vii) the Company has withheld and paid all Taxes required by all applicable laws to be withheld or paid in connection with any amounts paid or owing to any

employee, creditor, independent contractor or other third party; (viii) no consent under Section 341(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), has been filed with respect to the Company; (ix) there are no Encumbrances as a result of any unpaid Taxes, other than Taxes not yet due and payable, upon any of the assets of the Company; (x) the Company is not a party to any agreement or arrangement that would result in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code; (xi) no acceleration of the vesting schedule for any property that is substantially unvested within the meaning of the Treasury regulations under Section 83 of the Code will occur in connection with the transactions contemplated by this Agreement; (xii) the Company has not been a member of any consolidated, combined, unitary or affiliated group of corporations for any Tax purposes; (xiii) the Company has not been at any time a member of any partnership or joint venture or the holder of a beneficial interest in any trust for any period for which the statute of limitations for any Tax has not expired; (xiv) the Company is not a party to, is not bound by, and has no obligation under, any Tax sharing agreement, Tax allocation agreement, Tax indemnity agreement, or any other similar Contract; (xv) the Company has no income reportable for a period ending after the Closing Date but attributable to a transaction (E.G., an installment sale) occurring in or a change in accounting method made for a period ending on or prior to the Closing Date which resulted in a deferred reporting of income from such transaction or from such change in accounting method; (xvi) the Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; (xvii) the Company is not subject to any accumulated earnings tax penalty or personal holding company tax and (xviii) the Company is not obligated under any agreement with respect to industrial development bonds or similar obligations under which the ability of the holder of such bonds to exclude from gross income the interest thereon for U.S. federal income tax purposes could be adversely affected by the transactions contemplated hereby.

(b) Except as disclosed on Schedule 3.18(b) hereto:

(i) There are no pending or, to the knowledge of the Company, threatened actions or proceedings for the assessment or collection of Taxes against the Company; (ii) there are no outstanding waivers or agreements extending the statutory period of limitations for any period with respect to any Tax to which the Company may be subject; (iii) no power of attorney that is

currently in force has been granted with respect to any matter relating to Taxes that could affect the Company; (iv) no closing agreement has been entered into by or with respect to the Company; (v) there are no requests for information currently outstanding that could affect the Taxes of the Company; (vi) since January 1, 1995, no claim has been made in writing addressed to the Company by a taxing authority in a jurisdiction where the Company does not file Tax Returns asserting that the Company is or may be subject to taxation in that jurisdiction; and (vii) there are no proposed reassessments of any property owned by the Company or other proposals that would be reasonably likely to increase the amount of any Tax to which the Company would be subject.

(c) The Company has made available to Buyer complete copies of: (i) all filed Tax Returns of the Company relating to the taxable periods since January 1, 1995; (ii) any audit report issued since January 1, 1995 relating to Taxes due from or with respect to the Company, its income, assets or operations; and (iii) any extensions of the statute of limitations with respect to any Taxes due from or with respect to the Company, its income, assets or operations. All income and franchise Tax Returns filed by or on behalf of the Company for the taxable years ended on the respective dates set forth on SCHEDULE 3.18(C) hereto have been examined by the relevant Tax authority or the statute of limitations with respect to such Tax Returns has expired.

"TAXES" shall mean any federal, state, county, local or foreign taxes, charges, fees, levies, or other assessments, including all net income, gross income, sales and use, ad valorem, transfer, gains, profits, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or charges imposed by any governmental entity, and includes any interest and penalties (civil or criminal) on or additions to any such taxes and any expenses incurred in connection with the determination, settlement or litigation of any Tax liability.

"TAX RETURNS" shall mean reports, returns and statements required to

be supplied to a Tax authority in connection with Taxes.

SECTION 3.19 OPERATING INSURANCE. SCHEDULE 3.19 hereto sets forth a complete and correct list and brief summary

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description of all insurance policies carried by, or covering, the Company with respect to its businesses. Complete and correct copies of each such policy have been made available to Buyer. All such policies are in full force and effect for such amounts, types of coverage and risks as are customarily obtained by Persons engaged in similar businesses. After giving effect to the transactions contemplated hereby, all such insurance in effect prior to the Closing will remain in full force and effect. No notice of cancellation has been received with respect to any such policy. All premiums due thereon have been paid in a timely manner and no event has occurred, including, without limitation, the failure of the Company to give any notice or information or the Company giving inaccurate or erroneous notice or information, which would reasonably be expected to have a Company Material Adverse Effect upon the rights of the Company under any such insurance policies. Except as set forth on SCHEDULE 3.19 hereto, there are no pending claims or, to the knowledge of the Company, threatened claims, under the insurance policies of the Company with respect to their property or assets.

SECTION 3.20 REGULATORY FILINGS. Except as would not reasonably be likely to result, individually or in the aggregate, in a Company Material Adverse Effect, the Company has filed all reports, data, registrations, filings, other information and applications required to be filed with or otherwise provided to Governmental Entities having jurisdiction over it, its business or its assets, and all required regulatory approvals in respect thereof are in full force and effect. All such regulatory filings were in compliance in all material respects with applicable laws, and no deficiencies have been asserted by any Governmental Entity with respect to such regulatory filings.

SECTION 3.21 BOOKS AND RECORDS. True and correct copies of the minute books and stock record books of the Company have been provided to Buyer. Such minute books contain true and complete originals or copies of all minutes of meetings of and actions by the shareholders and Board of Directors of the Company and accurately reflect in all material respects all corporate actions of the Company which are required by law to be passed upon by the Board of Directors or the shareholders of the Company. The stock record books accurately reflect all transactions in shares of the capital stock of the Company. All accounting, financial, reporting, business, tax, corporate and other similar books and records of the Company accurately reflect the business and financial condition of the Company.

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Except as set forth on SCHEDULE 3.21 hereto, all of the records, data, information, databases, systems and controls maintained, operated or used by the Company in connection with the conduct or administration of its business (including all means of access thereto and therefrom) are located on the premises of the Company and are under the exclusive ownership or direct control of the Company.

SECTION 3.22 COMPLIANCE WITH LAWS. The Company: (i) is in compliance and has complied with all laws, statutes, rules, regulations, codes and ordinances applicable to its business, properties and operations; and (ii) is not in violation of any writ, judgment, decree, injunction, or similar order applicable to such entity, except where such failure to comply or violation would not or would not reasonably be expected to have a Company Material Adverse Effect. There have been no claims made or, to the Company's knowledge, threatened thereunder against the Company arising out of, relating to or alleging any violation of any of the foregoing, and no event has occurred that (with or without the giving of notice or the lapse of time or both) constitutes or results, directly or indirectly, in a violation by the Company or failure to comply with any law, except for claims which are no longer pending or which claims or events are set forth on SCHEDULE 3.22 hereto or would not reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.23 CERTAIN BUSINESS PRACTICES, POTENTIAL CONFLICTS OF Interest. Neither the Company nor any director, officer, agent or employee of the Company has: (i) used any of the Company's funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from the funds of the Company; or (iii) made any other unlawful payment from the funds of

the Company.

SECTION 3.24 BROKERS' OR FINDERS' FEES. Except as set forth on SCHEDULE 3.24 hereto, which fees or other compensation shall be the sole responsibility of the Company, no agent, broker, investment banker, or other person or firm acting on behalf of the Company is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from the Company in connection with any of the transactions contemplated by this Agreement.

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SECTION 3.25 SEC DOCUMENTS. The Company has provided to the Buyer a list of each effective registration statement, report, proxy statement or information statement filed by it with the Securities and Exchange Commission (the "SEC") since January 1, 1995 (the "SEC DOCUMENTS"). As of their respective dates, the SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act of 1933 (the "Securities Act") and the Exchange Act, as the case may be. None of the SEC Documents contained any untrue statement of material fact or omitted 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.

SECTION 3.26 DISCLOSURE. No representation or warranty by the Company contained in this Agreement, and no statement contained in the Financial Statements, the Schedules hereto or any certificate furnished or to be furnished by or on behalf of the Company to the Buyer pursuant to this Agreement or any of its representatives in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order fully and fairly to provide the information required to be provided in any such document, certificate or other instrument.

SECTION 3.27 INVENTORY. Except as set forth in SCHEDULE 3.27 hereto, the inventories of the Company (including raw materials, supplies and other materials) are of a quality of usable or salable in the ordinary course of business, net of any applicable reserves for obsolete, damaged or defective inventory, which reserves are reasonable and appropriate under the circumstances and are in accordance with GAAP. The value at which the inventory is carried on the books and records of the Company reflects the normal inventory valuation policy utilized by the Company and is in accordance with GAAP, consistently applied.

SECTION 3.28 RECEIVABLES. Except as set forth in SCHEDULE 3.28 hereto, all of the accounts receivable reflected in the Financial Statements were generated from bona fide transactions by the Company in the ordinary course of business consistent with past practice and, except for reserves and trade provisions reflected in the Financial Statements, which reserves are reasonable and appropriate under the circumstances and are

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in accordance with GAAP, constitute valid, undisputed claims of the Company in the amounts reflected therein, and are not subject to valid defenses for a material amount, or material claims of set-off, recoupment or counterclaim.

SECTION 3.29 EMPLOYMENT AGREEMENTS. Attached as SCHEDULE 3.29 is a list of all of the Company's employment agreements. The Company has furnished to Buyer complete copies of each such agreement, together with all amendments or modification thereto. The Company has also furnished to Buyer copies of all consulting contracts or similar agreements in effect on the date hereof relating to any consultant employed or retained by the Company in its conduct of its businesses.

SECTION 3.30 WARN. Except as set forth on SCHEDULE 3.30, the Company has not been required by the Worker Adjustment and Retraining Notification Act (the "WARN ACT"), at any time through the date of this Agreement, to provide any type of notice in respect of terminations of employees, reductions in the work force, temporary shutdowns of work sites or as may otherwise be required under the WARN Act.

SECTION 3.31 NO SUBSIDIARIES; OTHER EQUITY INVESTMENTS.

- (a) The Company has no Subsidiaries.
- (b) The Company does not own any shares of the capital stock of any

corporation or have any equity or partnership interest or limited liability company interest in any other entity.

"SUBSIDIARY" means any corporation, association or other entity of which more than fifty percent (50%) of the total voting power of shares of stock or other equity interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is, at the time as of which any determination is made, owned or controlled, directly or indirectly, by the Company.

SECTION 3.32 OWNERSHIP OF COMPANY COMMON STOCK. As of the date hereof, after giving prospective effect to the transactions contemplated by this Agreement, Buyer will be the owner, legally and beneficially, of not less than 50.8% of the outstanding Company Common Stock (excluding for purposes of such calculation the number of shares of Company Common Stock which Buyer shall be entitled to receive upon conversion of the Note).

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer makes the following representations and warranties to the Company, each of which is true and correct as of the date hereof and shall be true and correct as of the Closing Date and shall be unaffected by any investigation heretofore or hereafter made by the Company:

SECTION 4.1 ORGANIZATION AND CORPORATE POWER. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Buyer has full corporate power and authority to own, lease and operate the properties and assets which it currently owns, leases or operates and to carry on its business as presently conducted or proposed to be conducted pursuant to existing plans.

SECTION 4.2 AUTHORITY; ABSENCE OF CONFLICTS. Buyer has full corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved by the Board of Directors of Buyer, and no other corporate actions on the part of Buyer are necessary to authorize and approve the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and, assuming this Agreement constitutes a valid and binding obligation of the Company, constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting creditors' rights and by general equitable principles.

Except for the consents and approvals listed on SCHEDULE 4.2(A) hereto (collectively, the "BUYER CONSENTS"), neither the execution and delivery of this Agreement the consummation of the transactions contemplated hereby nor compliance with the terms hereof will: (i) conflict with or violate any provision of the Articles of Incorporation or Bylaws (or comparable constituent documents) of the Buyer; (ii) violate, conflict with or result in a breach of or default (or

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constitute any event which with the lapse of time or the giving of notice or both would constitute a breach or default) under any of the terms, conditions or provisions of any material contract to which Buyer is a party or by which Buyer's assets are bound; (iii) conflict with, violate or result in a breach of or constitute a default under any law, statute, rule, judgment, order, decree, injunction, ruling or regulation of any Governmental Entity to which the Buyer or any of its assets or properties are subject; or (iv) except as set forth on SCHEDULE 4.2(B) hereto, require the Buyer to give notice to, obtain an authorization, approval, order, license, franchise, declaration or consent of, or make a filing with, any third party, including, without limitation, any Governmental Entity.

SECTION 4.3 NO INVESTIGATION. There are no suits, actions, proceedings (including, without limitation, arbitral and administrative proceedings), claims or governmental investigations or audits pending or, to the knowledge of the Buyer, threatened, challenging the validity or propriety of, or otherwise relating to or involving, this Agreement or the transactions contemplated

hereby.

SECTION 4.4 SECURITIES LAWS MATTERS. The Buyer is acquiring the Shares for its own account, for investment purposes and not with a view toward, or for the purpose of, the resale or distribution thereof. The Buyer will not, directly or indirectly, offer, transfer, sell, assign, pledge, hypothecate or otherwise dispose of any of the Shares, or any securities issued or issuable with respect to any of the Shares by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise which the holders thereof are entitled to receive, in each case except pursuant to a registration under the Securities Act pursuant to an exemption therefrom or in a transaction not subject thereto, and, in any event, in compliance with all applicable state securities or blue sky laws.

SECTION 4.5 BROKERS' OR FINDERS' FEES. Except as disclosed on SCHEDULE 4.5 hereto, no agent, broker, investment banker, or other person or firm acting on behalf of Buyer is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from Buyer or the Company in connection with any of the transactions contemplated by this Agreement, other than customary fees and expenses of attorneys, accountants and similar professionals.

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ARTICLE V

COVENANTS

SECTION 5.1 FULL ACCESS AND COOPERATION; CONFIDENTIALITY. From the date hereof through the Closing Date, the Company shall afford to Buyer and its counsel, accountants and other advisors and representatives, including but not limited to environmental professionals, reasonable access, during normal business hours, and the Company shall disclose and make reasonably available to them (with the right to make copies), all of the books and records of the Company relating to the ownership of the properties, operations, financial condition, assets, obligations and Liabilities of the Company, and the Company shall afford Buyer and its financing counsel, accountants and other advisors and representatives, including but not limited to environmental professionals, with reasonable access to the facilities and properties of the Company and to the officers and directors of the Company. Buyer agrees that it will hold, and will cause its Affiliates and each of their respective directors, officers, employees, agents (including counsel and accountants) and other representatives to hold, any information so obtained in confidence to the extent required by and in accordance with the provisions of the confidentiality agreement dated November 16, 1999 between the Company and Buyer. Within 30 days of the end of each month through the Closing Date, the Company will deliver to Buyer an unaudited balance sheet and income statement of the Company for the month then ended (the "MONTHLY BALANCE SHEET"), which financial statements shall be prepared in accordance with GAAP in a manner consistent with past accounting practices of the Company.

SECTION 5.2 PRESERVATION OF BUSINESS. From the date hereof through the Closing Date, the Company shall conduct its business consistent with past business practices, and the Company shall use its reasonable best efforts to preserve the business organization of the Company intact, maintain in good repair all of the Tangible Personal Property of the Company, keep available the services of, and maintain present relationships with, key officers, directors, employees, consultants, and agents, the Company's material suppliers, customers, and others having material business relationships with them and preserve their goodwill, except that the Company shall not renew the Personal Services Agreement with Joseph P. Allwein upon its expiration on March 18, 2000 without the approval the Buyer.

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SECTION 5.3 NEGATIVE COVENANTS. From and after the date hereof through the Closing Date, the Company shall not, except with the prior written consent of Buyer, or except as expressly permitted by this Agreement (i) take or agree to take, whether in writing or otherwise, any of the actions described in Section 3.5, (ii) issue additional Indebtedness with a maturity date of more than one year from the date hereof or (iii) change the composition of the board of directors of the Company.

SECTION 5.4 GOVERNMENTAL AND THIRD PARTY CONSENTS. Each of Buyer, on the one hand, and the Company, on the other hand, shall use their respective commercially reasonable efforts to obtain, and to cooperate with the other party in obtaining, as promptly as practicable, all authorizations, consents, orders

and approvals of any Governmental Entity or other third party (including, without limitation, the Company Consents and the Buyer Consents and all regulatory filings) that may be or become necessary in connection with the consummation of the transactions contemplated by this Agreement.

SECTION 5.5 NO SOLICITATION. From the date hereof until the Closing Date, neither the Company nor any Affiliate of the Company, nor any of the officers, directors, employees, representatives or agents of the Company or any of its Affiliates shall, without the prior written consent of Buyer, directly or indirectly, solicit, initiate or participate in any way in discussions or negotiations with, or provide any information or assistance to, or enter into an agreement with any Person or group of Persons (other than Buyer) concerning any acquisition, merger, consolidation, liquidation, dissolution, disposition of assets of such party or any of its subsidiaries or other transaction that would result in the transfer to any such Person or Persons (other than in the ordinary course of business) of any part of the business or assets thereof or any equity interest therein (other than as contemplated by this Agreement), or assist or participate in, facilitate or encourage any effort or attempt by any other Person to do or seek to do any of the foregoing; PROVIDED, HOWEVER, that the restrictions of this paragraph shall not apply to any transaction or series of transactions which would not result in the disposition of a material amount of a party's capital stock or assets; PROVIDED, that if the Company receives an unsolicited Acquisition Proposal (as defined below) from any Person or an unsolicited inquiry that would reasonably be likely to result in the making of an Acquisition Proposal from a Person reasonably believed by the Board of Directors (after consultation with its financial

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advisors) to have the financial resources to consummate an Acquisition Proposal and the Board of Directors of the Company determines in good faith, following consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to stockholders under applicable law, the Board of Directors may participate in discussions regarding such Acquisition Proposal or furnish information regarding the Company and its business to the Person making such unsolicited Acquisition Proposal or such unsolicited inquiry pursuant to an appropriate confidentiality agreement. For purposes of this Agreement, "ACQUISITION PROPOSAL" means any proposal or offer for a merger, consolidation or other business combination involving the Company or any Affiliate or any proposal or offer to acquire or cause to be acquired or that would result in the acquisition in any manner, directly or indirectly, of all or any substantial portion of the business, assets or capital stock of the Company or any Affiliate, other than the transactions contemplated by this Agreement. If the Company or any representative thereof receives, directly or indirectly, from any Person (other than Buyer) any Acquisition Proposal, the Company or the relevant representative (as appropriate) shall promptly deliver a copy of such notice to the Buyer.

SECTION 5.6 NOTICE OF DEVELOPMENTS. From the date hereof to the Closing, the Company shall notify Buyer of any changes or developments with respect to the business, operations or prospects of the Company which would have or would reasonably be expected to have a Company Material Adverse Effect.

SECTION 5.7 NOTICE OF BREACH. From the date hereof to the Closing, each party hereto shall, immediately upon becoming aware thereof, give detailed written notice to the other party hereto of the occurrence of, or the impending or threatened occurrence of, any event which would cause or constitute a breach, or would have caused or constituted a breach had such event occurred or been known to such party prior to the date of this Agreement, of any of such party's covenants, agreements, representations or warranties contained or referred to herein or in any document delivered in accordance with the terms hereof; PROVIDED, HOWEVER, that such notice shall not be deemed to modify, amend or supplement the representations and warranties of the Buyer or the Company or the Schedules hereto for any purpose of this Agreement or shall not relieve the notifying party for any liability that such party may otherwise have in respect of such breach.

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SECTION 5.8 SCHEDULES. From the date hereof until the Closing Date, the Buyer, on the one hand, and the Company, on the other hand, shall supplement or amend the Schedules delivered in connection herewith with respect to any matter which exists or occurs after the date of this Agreement and which, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described in such Schedules or which is necessary to correct any information in such Schedules which has been rendered inaccurate thereby; PROVIDED, HOWEVER, that none of such supplements or amendments shall be

deemed to modify, amend or supplement the representations and warranties of the Buyer or the Company or the Schedules hereto for any purposes of this Agreement. Such amendments and supplements shall be provided every thirty days beginning February 1, 2000 or, in the event of any amendment or supplement regarding a matter that has resulted or would reasonably be expected to result in a Company Material Adverse Effect, promptly following the Company's obtaining knowledge thereof

SECTION 5.9 REASONABLE EFFORTS. Subject to the terms and conditions of this Agreement, between the date hereof and the earlier of the Closing Date or the Termination Date, Buyer, on the one hand, and the Company, on the other hand, will use their respective reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable to consummate the transactions contemplated by this Agreement and to maintain the accuracy of its representations and warranties hereunder. Neither the Buyer nor the Company will take, agree to take or knowingly authorize to be taken any action or do or knowingly authorize to be done anything in the conduct of the business of the Buyer or the Company or otherwise, which would be contrary to or in breach of any of the terms or provisions of this Agreement.

SECTION 5.10 DELIVERY OF CERTIFICATES. At the Closing, each party shall deliver to the other such good standing certificates, officers' certificates and similar documents and incumbency certificates as counsel for the requesting party shall have reasonably requested prior to the Closing Date.

Section 5.11 REGISTRATION RIGHTS AGREEMENT. The Company and the Buyer shall have entered a registration rights agreement substantially in form attached hereto as Exhibit A granting to the Buyer for a period of five years demand and "piggyback" registration rights with respect to the Shares and

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the shares of Company Common Stock issuable upon a conversion of the Note (the "REGISTRATION RIGHTS AGREEMENT").

Section 5.12 NOTE. The Company shall issue and deliver to Buyer and the Buyer shall purchase the Note (as defined in the recitals hereto), substantially in the form attached hereto as Exhibit B.

Section 5.13 BOARD COMPOSITION AND OPTIONS COMMITTEE. The Bylaws of the Company shall be amended so provide for the following to become effective on the Closing Date:

(a) the size of the board of the directors of the Company shall be expanded to seven members of whom four directors shall be nominated by the Buyer. On the Closing Date, Messrs. Allwein and Franson shall resign from the board of directors and Messrs. Morgenthaler, Allen and Bartlett shall be permitted to complete their current terms in office (subject to their removal for "cause" as that term is generally understood under the Delaware General Corporation Law) but shall not have the authority to designate their successors and, thereafter, the board members elected to fill such three board seats (the "REMAINING BOARD MEMBERS") shall be nominated and elected as provided by the Bylaws of the Company, and

(b) a committee of the board of directors of the Company shall be created to consider the granting of stock options to directors, officers, employees or affiliates of the Company or the Buyer. Any such grant of stock options will require unanimous approval of the members of such committee. Until the completion by each of Messrs. Morgenthaler, Allen and Bartlett of their respective current terms in office (or their earlier resignation, removal or death), the committee shall be comprised of an equal number of Buyer-nominated board members and Remaining Board Members.

SECTION 5.14 DIRECTORS' AND OFFICERS' LIABILITY INSURANCE. Buyer shall use reasonable efforts to cause the Company to maintain until July 1, 2002, directors' and officers' liability insurance in amounts and coverages comparable to that maintained by the Company on the date hereof; provided, however, that if the aggregate annual premiums for such insurance at any time during such period shall exceed 125% of the per annum rate of premium paid by the Company for such insurance on the date of this Agreement, then the Buyer shall use reasonable efforts to cause the Company to provide the maximum coverage that shall

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then be available at an annual premium equal to 125% of such rate.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF
THE COMPANY

The obligations of the Company hereunder are subject to the fulfillment on or before the Closing Date of each of the following conditions, any one or more of which may be waived in writing by the Company:

SECTION 6.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties of Buyer contained herein shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date (except for any representation or warranty that expressly relates to an earlier date, in which case it shall have been true and correct as of such earlier date). Buyer shall have performed and complied in all material respects with all covenants and agreements contained herein and required to be performed or complied with by it on or prior to the Closing Date.

SECTION 6.2 CLOSING CERTIFICATE. Buyer shall have delivered to the Company a certificate signed by a duly authorized officer of Buyer, dated as of the Closing Date, to the effect set forth in SECTION 6.1 hereof.

SECTION 6.3 NO ADVERSE PROCEEDINGS. No suit, action, claim, or governmental proceeding shall be pending against, and no order, decree, or judgment of any court, agency or other Governmental Entity shall have been rendered against, any party hereto which would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms.

SECTION 6.4 BUYER CONSENTS. The Buyer Consents shall have been duly and validly obtained and all statutory waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR ACT"), the Defense Production Act of 1950, as amended (the "EXON-FLORIO AMENDMENT") or otherwise shall have expired or terminated. The Buyer Consents shall be in full force and effect as of the Closing Date, and they shall not have required as a condition thereto the payment of any consent fee

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or other financial consideration or the material modification or amendment of any contract or Permit or any agreement to materially modify the future conduct of the business of the Company from the manner in which such business is currently conducted, except for the payment of filing and other customary fees to any Governmental Entity or such payments or such material modifications or amendments as were previously approved in writing by the Company.

SECTION 6.5 PAYMENT. Buyer shall pay to the Company all amounts due to the Company under Section 1.2 and the Buyer shall have purchased the Note substantially in the form attached as Exhibit B.

SECTION 6.6 STOCKHOLDER APPROVAL. This Agreement and the transactions contemplated hereby shall have been approved by the requisite affirmative vote of the stockholders of the Company in accordance with the Company Certificate of Incorporation, Bylaws, the Securities Act, the Delaware General Corporation Law and all other applicable laws.

ARTICLE VII

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER

The obligations of Buyer hereunder are subject to the fulfillment on or before the Closing Date of each of the following conditions, any one or more of which may be waived in writing by Buyer.

SECTION 7.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties of the Company contained herein shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date (except for any representation or warranty that expressly relates to an earlier date, in which case it shall have been true and correct as of such earlier date). The Company shall have performed and complied in all material respects with all covenants and agreements contained herein and required to be performed or complied with by it on or prior to the Closing Date.

SECTION 7.2 CLOSING CERTIFICATE. Buyer shall have received certificates to the effect set forth in SECTION 7.1 and SECTION 7.5 hereof signed by a duly authorized Officer of the Company, and dated as of the Closing Date.

Section 7.3 LEGAL OPINION. Buyer shall have received the opinion of Davis, Graham, Stubbs LLP, counsel to the Company, dated as of the Closing Date in substantially the form attached hereto as Exhibit C.

SECTION 7.4 NO ADVERSE PROCEEDINGS. No suit, action, claim, or governmental proceeding shall be pending against, and no order, decree, or judgment of any court, agency, or other Governmental Entity shall have been rendered against, any party hereto which would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms.

SECTION 7.5 NO COMPANY MATERIAL ADVERSE EFFECT. Since the date hereof, there shall not have occurred a Company Material Adverse Effect, including without limitation as a result of a change in the laws or regulations that govern the business of the Company.

SECTION 7.6 COMPANY CONSENTS. The Company Consents shall have been duly and validly obtained, and all statutory waiting periods under the HSR Act and the Exon-Florio Amendment or otherwise shall have expired or been terminated. The Company Consents shall be in full force and effect as of the Closing Date, and they shall not have required as a condition thereto the payment of any consent fee or other financial consideration or the modification or amendment to any Material Contract or Permit, or any agreement to materially modify the future conduct of the business of the Company from the manner in which such business is currently conducted (all as determined by Buyer in the reasonable exercise of its discretion), except for the payment of filing and other customary fees to any Governmental Entity or such payments or such material modifications or amendments as were previously approved in writing by the Buyer.

SECTION 7.7 STOCKHOLDER APPROVAL. This Agreement and the transactions contemplated hereby shall have been approved by the requisite affirmative vote of the stockholders of the Company in accordance with the Company's Certificate of Incorporation, Bylaws, the Securities Act, the Delaware General Corporation Law and all other applicable laws.

SECTION 7.8 AMENDMENT TO SHAREHOLDER RIGHTS PLAN. The Rights Agreement dated as of January 8, 1999 between the Company and Harris Trust and Savings Bank, as Rights Agent, shall have been amended to exempt (i) the transactions

contemplated by this Agreement, and (ii) any purchase of any number of shares of Company Common Stock by Buyer that the Buyer deems necessary to maintain Buyer's legal and beneficial ownership of not less than 50.1% of Company Common Stock (excluding for the purposes of such calculation the number of shares of Company Common Stock which Buyer shall be entitled to receive upon Conversion of the Note) from the triggering provisions thereof with respect to exercise of the Rights (as defined therein).

SECTION 7.9 CLEAN-UP MT. BRADDOCK FACILITY. The Company shall, after consultation with Buyer, undertake such additional subsurface environmental investigations as may be reasonably necessary to ascertain the presence or Release, if any, of Hazardous Materials at the Mount Braddock Facility. To the extent indicated by the results of such environmental investigation, the Company shall promptly perform such remediation as may be required by or pursuant to applicable Environmental Laws, including without limitation, the Pennsylvania Land Recycling and Environmental Standards Act (Act 2), where appropriate.

SECTION 7.10 NOTE. The Company shall have issued and delivered to Buyer the Note, substantially in the form attached hereto as Exhibit B.

SECTION 7.11 REGISTRATION RIGHTS AGREEMENT. The Company and the Buyer shall have entered into the Registration Rights Agreement.

Section 7.12 BANKING AUTHORITY. The Company shall have prepared all necessary documentation required by each bank at which the Company holds accounts to change the signatory authority on each account as specified by the Buyer.

Section 7.13 FINAL MONTHLY BALANCE SHEET. The Buyer shall have received the Monthly Balance Sheet of the Company for the month immediately preceding the month in which the stockholders of the Company shall be required to vote to approve the transactions contemplated hereby, and such Monthly Balance Sheet shall reflect Indebtedness not in excess of that described in Section 3.5(Q) hereof.

Section 7.14 ENVIRONMENTAL MATTERS. The Company (a) shall have obtained, at the Company's sole cost and expense, for the benefit of Buyer and the Company, an environmental insurance policy in scope and coverage substantially similar to that set

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forth on Exhibit D for a term of not less than ten (10) years with an aggregate policy limit of not less than \$10 million inclusive of those sites and facilities as set forth in Exhibit D; and (b) is maintaining all its operations and Real Property in compliance with all Environmental Laws and Environmental Permits to the reasonable satisfaction of the Buyer.

Section 7.15 ENVIRONMENTAL PERMITS AND RELEASES . The Company shall have obtained any required transfer, renewal, assignment or application of any Environmental Permits pursuant to an Environmental Law.

Section 7.16 PERCENTAGE OF OWNERSHIP OF COMPANY COMMON STOCK. As of the Closing Date, and after giving effect to the transactions contemplated by this Agreement, Buyer will be the owner, legally and beneficially, of not less than 50.1% of the outstanding Company Common Stock (excluding for purposes of such calculation the number of shares of Company Common Stock which Buyer shall be entitled to receive upon conversion of the Note).

ARTICLE VIII

TERMINATION

SECTION 8.1 TERMINATION. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated at any time prior to the Closing:

(a) By the mutual written consent of Buyer and the Company;

(b) By either Buyer or the Company, if the Closing shall not have occurred on or before May 15, 2000 or such other date as the parties may mutually agree upon, (the "TERMINATION DATE") or any closing condition set forth in Articles VI or VII has not been satisfied by the date required for such satisfaction by the party of whom performance is required; PROVIDED, HOWEVER, that the right to terminate this Agreement pursuant to this SECTION 8.1(B) shall not be available to any party that is in material breach of this Agreement at the time the notice of termination is delivered or whose delay or failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date nor to Buyer if not available to Buyer under Section 8.1(d)(ii);

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(c) By either Buyer or the Company, if there shall have been entered a final, nonappealable order or injunction of any Governmental Entity restraining or prohibiting the consummation of the transactions contemplated hereby or any material part hereof;

(d) By either Buyer or the Company, if, prior to the Closing Date, the other party is in material breach of any representation, warranty, covenant or agreement herein contained and such breach shall not be cured within 10 days of the date of notice of default served by the party claiming such material default; PROVIDED, HOWEVER, that the right to terminate this Agreement pursuant to this SECTION 8.1(D) (i) shall not be available to any party who is in material breach of this Agreement at the time notice of termination is delivered, and (ii) shall not be available to the Buyer if the aggregate effect of (x) breaches by the Company of this Agreement and (y) the nonfulfillment by the Company (whether or not such nonfulfillment constitutes such a breach) of any unwaived condition set forth in Article VII hereof results in or is reasonably likely to result in a Company Material Adverse Effect of less than \$1,500,000, PROVIDED FURTHER, that the limitations on Buyer's right to terminate set forth in this Section 8.1(d) shall not apply to the condition precedent to Buyer's Obligations at Closing set forth in Section 7.16;

(e) By the Company, if it receives an unsolicited Acquisition Proposal and the Board of Directors of the Company determines in good faith, following consultation with outside counsel, in order to comply with its fiduciary duties to stockholders under applicable law, to approve or recommend such Acquisition Proposal, to cause the Company to enter into an agreement with respect to such Acquisition Proposal and to terminate this Agreement. In the

event this Agreement is terminated by the Company pursuant to this Section 8.1(e) as a result of the consideration of an Acquisition Proposal, within 30 days after such termination, the Company will pay to the Buyer, in immediately available funds, as liquidated damages and not as a penalty, an amount equal to all out-of-pocket fees and expenses (including fees and disbursements of counsel) incurred or paid by or on behalf of the Buyer in connection with the transactions contemplated by this Agreement ("EXPENSES"); or

(f) By Buyer, if (i) the Board of Directors of the Company withdraws, modifies or changes its approval or recommendation of this Agreement in a manner adverse to Buyer or

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shall have resolved to do so, (ii) the Board of Directors of the Company shall have recommended to the stockholders of the Company an Acquisition Proposal or shall have resolved to do so, or (iii) a tender offer or exchange offer for 20% or more of the outstanding shares of capital stock or other Acquisition Proposal is tendered to the stockholders of the Company and the Board of Directors of the Company fails to recommend against acceptance of such tender offer, exchange offer or Acquisition Proposal by its stockholder (including by taking no position with respect to the acceptance of such tender offer, exchange offer or Acquisition Proposal by its stockholders).

If either Buyer or the Company terminates this Agreement pursuant to the foregoing provisions of this SECTION 8.1, such termination shall be effected by written notice by the terminating party to the other party specifying the provision pursuant to which such termination is made.

SECTION 8.2 LIABILITIES UPON TERMINATION. Except for this SECTION 8.2, SECTION 9.2, SECTION 9.12 and the confidentiality provisions of SECTION 5.1 hereof, which shall survive any termination of this Agreement, upon the termination of this Agreement, this Agreement shall forthwith become null and void, and no party hereto or any of its officers, directors, partners, employees, agents, consultants, stockholders, principals or other affiliates shall have any rights, obligations or liabilities hereunder or with respect hereto; PROVIDED, HOWEVER, that nothing contained in SECTION 8.1 or this SECTION 8.2 shall relieve any party from liability for any breach of any representation or warranty or failure to comply with any covenant or agreement contained herein.

SECTION 8.3 TERMINATION FEE. (a) The Company agrees that, if (i) the Company shall terminate this Agreement pursuant to SECTION 8.1(E), (ii) Buyer shall terminate this Agreement pursuant to SECTION 8.1(F), or (iii) Buyer or the Company shall terminate this Agreement pursuant to Section 8.1(b) due to the failure to obtain the approval of the Company's stockholders and at the time of such failure, any Person shall have made a public announcement or otherwise communicated to the Company or its stockholders an Acquisition Proposal with respect to the Company which has not been rejected by the Company or terminated or withdrawn by the party making the Acquisition Proposal, then in accordance with SECTION 8.3(C), immediately prior to such termination in the case of clause (i), or in the case of clause (ii) or (iii) if, within one year following the date of termination, the Company enters into a definitive acquisition,

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merger or similar agreement to effect an Acquisition Proposal upon execution of such agreement, the Company shall pay to Buyer a termination fee in an amount equal to \$250,000 (the "TERMINATION FEE") and, in addition, the Company shall pay to the Buyer Expenses (as defined in Section 8.1(e) hereof), in the case of clause (i), according to the terms of Section 8.1(e), and in the case of clause (ii) or (iii), within 30 days after the Company enters into a definitive acquisition, merger or similar agreement to effect an Acquisition Proposal.

(b) Each of Buyer and the Company agrees that the payments provided for in SECTION 8.3(A) and 8.1(E) shall be the sole and exclusive remedy of the parties upon a termination of this Agreement pursuant to SECTION 8.1, (E) or (F), as the case may be, and such remedy shall be limited to the payment stipulated in SECTION 8.3(A); PROVIDED, HOWEVER, that nothing in this Agreement shall relieve any party from liability for the willful breach of any of its representations and warranties or the willful breach of any of its covenants or agreements set forth in this Agreement.

(c) Any payment of a Termination Fee required to be made pursuant to SECTION 8.3(A) shall be made to Buyer by the Company within 30 days after the Company enters into a definitive acquisition, merger or similar agreement to effect an Acquisition Proposal and shall be paid by wire transfer of immediately

available funds to an account designated by Buyer.

(d) The parties agree that the agreements contained in this SECTION 8.3 are an integral part of the transactions contemplated by the Agreement and constitute liquidated damages and not a penalty. If the Company fails to promptly pay to Buyer any fee due hereunder, the Company shall pay the costs and expenses (including reasonable legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken by Buyer to collect payment, together with interest on the amount of such unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

ARTICLE IX

MISCELLANEOUS

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SECTION 9.1 DEFINITIONS. For purposes of this Agreement, the following terms have the meanings set forth in the sections indicated:

TERM	SECTION
----	-----
Acquisition Proposal	5.5
Affiliate	9.7
Agreement	Recitals
Buyer	Recitals
Buyer Consents	4.2
Closing	2.1
Closing Date	2.1
Code	3.18(a)
Company	Recitals
Company Common Stock	Recitals
Company Consents	3.2
Company Material Adverse Effect	3.5
Credit Agreement	3.5(Q)
Date Data	3.10
Date-Sensitive System	3.10
Encumbrances	3.7
Environmental Claim	3.17
Environmental Laws	3.17
Environmental Permits	3.17
ERISA	3.15(a)
Exchange Act	3.5(J)
Exon-Florio Amendment	6.4
Expenses	8.1(e)
Extension Option	3.7(g)
Financial Statements	3.6
GAAP	3.6
Governmental Entity	3.2
Hazardous Materials	3.17
HSR Act	6.4
IDRB Indebtedness	3.5(Q)
Indebtedness	3.4
Intellectual Property	3.11
Landlord	3.7(d)
Leased Real Property	3.7
Legal Proceedings	3.14
Liability/Liabilities	3.4
Louisville Facility	3.4(b)
Material Contracts	3.12(a)
Monthly Balance Sheet	5.1
Note	Recitals
Notice	9.4
Other Real Property Interests	3.7

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TERM	SECTION
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Owned Real Property	3.7
PBGC	3.15
Pennsylvania Facility	3.4(c)
Permits	3.13

Permitted Liens	3.7
Person	3.12(b)
Plans	3.15
Purchase Price	1.2
Real Property	3.7
Recorded Intellectual Property	3.11
Registration Rights Agreement	5.11
Release	3.17
SEC	3.25
SEC Documents	3.25
Securities Act	3.25
Shares	Recitals
Spin Forge Lease	3.7(g)
Subsidiaries/Subsidiary	3.31
Tangible Personal Property	3.8
Taxes	3.18
Tax Returns	3.18
Termination Date	8.1
Termination Fee	8.1
WARN Act	3.30
Year 2000 Compliant	3.10

SECTION 9.2 EXPENSES. The parties agree to share equally the filing fees for filing the notice required by the HSR Act. Each party shall be responsible for its own expenses incurred in connection with the transactions provided for herein or contemplated hereby.

SECTION 9.3 ATTORNEYS' FEES. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the party for whom judgment is finally granted by a court in connection with such action shall be entitled to recover in such action its reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which it may be entitled.

SECTION 9.4 NOTICES. Any notice, request, demand or other communication given by any party under this Agreement (each a "NOTICE") shall be in writing, may be given by a party or its legal counsel, and shall be deemed to be duly given: (i) when personally delivered; or (ii) upon delivery by an overnight courier service which provides evidence of delivery,

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or (iii) when five days have elapsed after its transmittal by registered or certified mail, postage prepaid, return receipt requested, addressed to the party to whom directed at that party's address as it appears below or another address of which that party has given written notice to the other parties hereto; or (iv) when transmitted by telex (or equivalent service), the sender having received the answer back of the addressee; or (v) when delivered by facsimile transmission, the sender having received machine confirmation thereof.

Notice to the Company shall be directed to:

Dynamic Materials Corporation
551 Aspen Ridge Drive
Lafayette, Colorado 80026

Attention: Joseph P. Allwein and Richard A. Santa

with a copy to:

Davis, Graham & Stubbs LLP
4410 Arapahoe Avenue, Suite 200
Viewpoint on the Parkway
Boulder, Colorado 80303

Attention: John McCabe, Esq.

Notice to Buyer shall be directed to:

SNPE, Inc.
5 Vaughn Drive, Suite III
Princeton, New Jersey 08540

Attention: Mr. Bernard Fontana

with a copy to:

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, New York 10019

Attention: Pierre F. de Ravel d'Esclapon, Esq.

SECTION 9.5 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement or any part hereof may not be assigned by any party without the

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prior written consent of the other party hereto; PROVIDED, however, that Buyer may assign its rights and obligations hereunder to an Affiliate. Any assignment in violation of the foregoing shall be null and void.

SECTION 9.6 ENTIRE AGREEMENT AND MODIFICATION. This Agreement, the Schedules and Exhibits hereto and agreements executed concurrently herewith (all of which are hereby incorporated by reference into and considered part of this Agreement) supersede all prior agreements and understandings among the parties or any of its respective affiliates (written or oral) relating to the subject matter of this Agreement, and are intended to be the entire and complete statement of the terms of the agreement among the parties, and may be amended or modified only by a written instrument executed by all of the parties. The waiver by one party of any breach of this Agreement by any other party shall not be considered to be a waiver of any succeeding breach (whether of a similar or a dissimilar nature) of any such provision or other provision or a waiver of any such provision itself. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any of the parties.

SECTION 9.7 CERTAIN INTERPRETIVE MATTERS. Unless the context otherwise requires: (i) all references to Sections, Articles, Schedules or Exhibits are to Sections, Articles, Schedules or Exhibits of or to this Agreement; (ii) each term defined in this Agreement has the meaning assigned to it; (iii) "or" is disjunctive but not necessarily exclusive; (iv) words in the singular include the plural and VICE VERSA; and (v) the term "AFFILIATE" means any Person controlling, controlled by or under common control with the applicable referenced Person. No provision of this Agreement will be interpreted in favor of, or against, either of the parties hereto by reason of the extent to which either such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

SECTION 9.8 GOVERNING LAW. THIS AGREEMENT, AND THE RESPECTIVE RIGHTS, DUTIES AND OBLIGATIONS OF THE PARTIES HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF DELAWARE, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PROVISIONS THEREOF.

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SECTION 9.9 COUNTERPARTS. This Agreement 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.

SECTION 9.10 FURTHER ASSURANCES. Each of the parties shall, at any time and from time to time after the Closing Date, and at the expense of the other parties but without further consideration, execute and deliver such further instruments, assignments or documents and other papers and take such further actions as may be reasonably required to carry out the provisions hereof and the transactions contemplated hereby. Each party shall use its reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing.

SECTION 9.11 SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 9.12 PUBLIC STATEMENTS. The Buyer, on the one hand, and the Company, on the other hand, will consult with the other before issuing, and will provide the other with a reasonable opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by this Agreement, and shall not issue any such press release or make any such public statements prior to such consultation except as may be required by applicable law or judicial process.

SECTION 9.13 SPECIFIC PERFORMANCE. In the event of a breach or threatened breach by any party hereto of any of his, her or its obligations hereunder to consummate the transactions provided for herein any other party

hereto shall be entitled to specific performance with respect to said obligation. Nothing herein shall be construed as prohibiting any party hereto from pursuing any other remedies available for such breach or threatened breach, including the recovery of damages.

SECTION 9.14 SCHEDULES. Except to the extent specifically provided herein to the contrary, inclusion of, or reference to, matters in a schedule to this Agreement does not

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constitute an admission of what is material or the materiality of such matter.

Section 9.15 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Company and the Buyer shall not survive the Closing Date.

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

DYNAMIC MATERIALS CORPORATION

By: /S/JOSEPH P. ALLWEIN

Name: Joseph P. Allwein
Title: President

Witness:

SNPE S.A.

SNPE, INC.

By: /S/JEAN FAURE

Name: Jean Faure
Title: Chairman

By: /S/BERNARD FONTANA

Name: Bernard Fontana
Title: President

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FOR IMMEDIATE RELEASE

CONTACT: MARK W. JARMAN	RICHARD A. SANTA
VP OF CORPORATE DEVELOPMENT	CHIEF FINANCIAL OFFICER
DYNAMIC MATERIALS CORPORATION	DYNAMIC MATERIALS CORPORATION
303-604-3923	303-604-3938

DMC AND SNPE, INC. SIGN DEFINITIVE AGREEMENT
DMC TO RECEIVE \$7 MILLION IN CASH

(Lafayette, CO - January 21, 2000) Dynamic Materials Corporation, (Nasdaq: BOOM), 'DMC', today announced that it has signed a definitive Stock Purchase Agreement (the Agreement) with SNPE, Inc. (SNPE), currently a 14.30% shareholder of the Company. The agreement provides for 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 and an additional \$1.2 million in cash borrowed under a five-year, 5% Convertible Subordinated Note (the Note) convertible in whole or in part into common stock by SNPE for \$6 per share. DMC plans to use the \$7 million primarily to repay debt, finance working capital requirements and make selective capital investments.

"Recapitalizing the balance sheet has obviously become a priority for the Company," said Joseph Allwein, DMC's president and chief executive officer. "The equity infusion and very favorable debt instrument accomplishes not only this important objective, but we also expect to benefit from certain synergies with the explosion bonded clad metal products business of SNPE S.A., the parent company of SNPE. Other benefits may include the opportunity to expand DMC's aerospace presence in the European market."

The transaction is subject to certain regulatory approvals and approval by stockholders of the Company. Both parties are working to complete the transaction, subject to said approvals, late in the first quarter or early in the second quarter of 2000.

Upon the approval and closing of the Agreement, SNPE would own a controlling interest in the Company. SNPE would own approximately 50.8% of the Company's outstanding Common Stock before conversion of the Note, or approximately 52.7% of the Common Stock if the Note is converted. Changes to DMC would include expanding the Board of Directors from five to seven members, comprised of four new SNPE members and three current DMC members.

This news release contains forward-looking statements that involve risks and uncertainties, including, but not limited to, whether the Company and SNPE, Inc. complete the transaction 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, 1998, and reports on Form 10-Q for the quarters ending March 31, June 30 and September 30, 1999.

DMC and SNPE Agreement, page 2

SNPE, Inc. is a wholly owned subsidiary of SNPE S.A., 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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