U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____________________ to

Commission file number: 0-8328

DYNAMIC MATERIALS CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)

84-0608431 (I.R.S. Employer Identification No.)

551 ASPEN RIDGE DRIVE, LAFAYETTE (Address of principal executive office)

80026 (Zip Code)

Issuer's telephone number, including Area Code (303) 665-5700

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $.05 PAR VALUE
(TITLE OF CLASS)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _____

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,828,577 SHARES OF COMMON STOCK AS OF JULY 31,1999.

ITEM 1. FINANCIAL STATEMENTS

<TABLE>
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DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS	June 30, 1999	December 31, 1998
<S>	<C>	<C>
CURRENT ASSETS:		
Accounts receivable, net of allowance for doubtful accounts of $133,000 and $225,000, respectively	$ 4,753,979	$ 4,832,658
Inventories	4,002,421	5,373,829
Prepaid expenses and other	230,014	214,776
Income tax receivable	1,195,409	499,932
Deferred tax asset	224,800	224,800
Total current assets	10,406,623	11,145,995
PROPERTY, PLANT AND EQUIPMENT	12,307,882	12,729,209
Less- Accumulated depreciation	(3,951,930)	(3,931,495)

Property, plant and equipment-net	8,355,952	8,797,714
CONSTRUCTION IN PROCESS	5,434,720	1,853,723
RESTRICTED CASH AND INVESTMENTS	2,260,374	5,048,981
RECEIVABLE FROM RELATED PARTY	318,882	280,000
INTANGIBLE ASSETS, net of accumulated amortization of $626,871 and $459,759, respectively	5,440,749	5,607,861
OTHER ASSETS	415,986	467,304
TOTAL ASSETS	$ 32,633,286	$ 33,201,578

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

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DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1999	December 31, 1998
<S>	<C>	<C>
CURRENT LIABILITIES:		
Bank overdraft	$ 801,706	$ 805,304
Accounts payable	1,412,878	2,348,090
Accrued expenses	1,578,218	1,734,282
Current maturities on long-term debt (see note 5)	16,850,000	1,148,924
Current portion of capital lease obligation	33,122	32,450
Total current liabilities	20,675,924	6,069,050
LONG-TERM DEBT	--	14,306,818
CAPITAL LEASE OBLIGATION	18,983	38,299
DEFERRED TAX LIABILITY	158,500	158,500
Total liabilities	20,853,407	20,572,667
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $.05 par value; 4,000,000 shares authorized: no issued and outstanding shares	--	--
Common stock, $.05 par value; 15,000,000 shares authorized; 2,828,577 and 2,798,391 shares issued and outstanding, respectively	141,429	139,920
Additional paid-in capital	7,109,263	7,022,450
Deferred compensation	(46,407)	(54,845)
Retained earnings	4,575,594	5,521,386
	11,779,879	12,628,911
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$32,633,286	$33,201,578

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

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DYNAMIC MATERIALS CORPORATION

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1999 AND 1998

(UNAUDITED)

	Three months ended June 30, 1999	Three months ended June 30, 1998	Six months ended June 30, 1999	Six months ended June 30, 1998
NET SALES	$ 7,737,924	$ 11,372,968	$ 17,444,185	$ 20,868,122
COST OF PRODUCTS SOLD	6,924,649	9,000,356	14,768,711	16,515,635
Gross profit	813,275	2,372,612	2,675,474	4,352,487
COSTS AND EXPENSES:				
General and administrative expenses	927,743	749,701	1,882,107	1,358,038
Selling expenses	388,733	478,123	783,185	1,000,623
New facility start up costs	143,735	--	208,958	--
Plant closing costs	549,298	--	549,298	--
Impairment of long-lived assets	188,079	--	188,079	--
Costs related to sale of bonding business	199,007	--	199,007	--
	2,396,595	1,227,824	3,810,634	2,358,661
INCOME (LOSS) FROM OPERATIONS	(1,583,320)	1,144,788	(1,135,160)	1,993,826
OTHER INCOME (EXPENSE):				
Other income	1,583	5,482	8,315	5,482
Interest expense	(217,172)	(94,297)	(426,749)	(123,647)
Interest income	274	796	1,802	2,085
Income (loss) before income taxes	(1,798,635)	1,056,769	(1,551,792)	1,877,746
INCOME TAX BENEFIT (EXPENSE)	708,000	(420,000)	606,000	(732,000)
NET INCOME (LOSS)	$ (1,090,635)	$ 636,769	$ (945,792)	$ 1,145,746
NET INCOME (LOSS) PER SHARE				
Basic	$ (0.39)	$ 0.23	$ (0.34)	$ 0.41
Diluted	$ (0.39)	$ 0.22	$ (0.34)	$ 0.39
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	2,817,891	2,796,636	2,815,685	2,766,149
Diluted	2,817,891	2,932,188	2,815,685	2,901,232

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

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DYNAMIC MATERIALS CORPORATION

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1999

(UNAUDITED)

Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings

<S>	<C>	<C>	<C>	<C>	
Balances, December 31, 1998	2,798,391	$ 139,920	$ 7,022,450	$ (54,845)	$ 5,521,386
Common stock issued for stock option exercises	19,500	974	52,150	--	--
Amortization of deferred compensation	--	--	--	8,438	--
Common stock issued in connection with the employee stock purchase plan	10,686	535	34,663	--	--
Net loss	--	--	--	--	(945,792)
Balances, June 30, 1999	2,828,577	$ 141,429	$ 7,109,263	$ (46,407)	$ 4,575,594

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

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DYNAMIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998
(UNAUDITED)

<S>	1999 <C>	1998 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ (945,792)	$ 1,145,746
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation	532,013	447,149
Amortization	167,110	69,281
Amortization of deferred compensation	8,438	--
Impairment of long-lived assets	188,079	--
Change in (excluding acquisitions)-		
Accounts receivable, net	78,679	(1,594,629)
Inventories	1,371,408	417,603
Prepaid expenses and other	(15,238)	(185,041)
Income tax receivable	(695,477)	258,294
Bank overdraft	(3,598)	269,541
Accounts payable	(935,212)	(809,351)
Accrued expenses	(156,064)	(117,078)
Net cash flows from operating activities	(405,654)	(98,485)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Release of restricted cash and investments	2,788,607	--
Cash paid in connection with the construction of the new facility	(3,580,997)	--
Purchase of AMK assets	--	(905,873)
Purchase of Spin Forge assets	--	(2,348,589)
Acquisition of property, plant and equipment	(278,328)	(351,727)
Loan to related party	(38,882)	(280,000)
Change in other noncurrent assets	51,318	(96,462)
Net cash flows from investing activities	(1,058,282)	(3,982,651)

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

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<CAPTION>

DYNAMIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998
(UNAUDITED)

	1999	1998
<S>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on line of credit, net	1,400,000	3,955,000
Payments on long-term debt	(5,742)	(52,785)
Payments on capital lease obligation	(18,644)	(12,831)
Net proceeds from issuance of common stock	88,322	137,943
Net cash flows from financing activities	1,463,936	4,027,327
NET DECREASE IN CASH AND CASH EQUIVALENTS	--	(53,809)
CASH AND CASH EQUIVALENTS, beginning of the period	--	53,809
CASH AND CASH EQUIVALENTS, end of the period	$ --	$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for-		
Interest, net of amounts capitalized	$ 283,191	$ 66,820
Income taxes	$ 6,518	$ 344,587

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The information included in the Condensed Financial Statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These Condensed Financial Statements should be read in conjunction with the financial statements that are included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 1998.

Certain prior period amounts have been reclassified to conform to the current year presentation.

2. NEW ACCOUNTING PRINCIPLE

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which requires that companies recognize all derivatives as either assets or liabilities in the balance sheet at fair value. Under SFAS 133, accounting for changes in fair value of a derivative depends on its intended use and designation. SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. The Company is currently assessing the effect of this new standard.

3. INVENTORIES

This caption on the Condensed Balance Sheet includes the following:

	June 30, 1999	December 31, 1998
Raw Materials	$1,705,890	$1,534,800
Work-in-Process	2,127,817	3,614,485
Supplies	168,714	224,544
	$4,002,421	$5,373,829

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4. CONSTRUCTION IN PROCESS

The construction in process balance of $5,434,720 represents costs incurred through June 30, 1999 related to the construction of the Company's new manufacturing facility and acquisition of related

manufacturing equipment for the Company's explosive metalworking business. Construction began in September 1998 and is expected to be completed during the third quarter of 1999, at which time the assets placed in service will be depreciated consistent with other similar assets of the Company. The project is being financed using proceeds from the issuance of industrial development revenue bonds (the "Bonds") . The Company is capitalizing the interest expense related to the Bonds net of the interest earned on the investments purchased with the excess proceeds. The portion of the borrowings on the bonds not yet expended for construction was $2,260,374 (which includes accrued interest) as of June 30, 1999 and was classified as restricted cash and investments (non-current) in the accompanying balance sheet. The proceeds are held by a trustee until qualified expenditures are made and reimbursed to the Company.

5. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 1999 and December 31, 1998:

	June 30, 1999	December, 31 1998
Lines of credit	$ 10,000,000	$ 8,600,000
Industrial development revenue bonds	6,850,000	6,850,000
Notes payable to financial institution	--	5,742
Total long-term debt	16,850,000	15,455,742
Less current maturities	(16,850,000)	(1,148,924)
	$ --	$ 14,306,818

As a result of the operating loss incurred by the Company during the three months ended June 30, 1999, the Company violated certain financial covenants under both its amended and restated credit facility with its bank and its reimbursement agreement relating to the bank's letter of credit that supports payment of principal and interest under the industrial development revenue bonds. The Company has received a waiver letter from its bank that waives compliance with these covenant requirements until September 30, 1999. Since the waiver extends only through September 30, 1999 and covenant violations are likely to continue beyond this date, generally accepted accounting principles require that the entire amount of the subject debt be classified as a current liability. The Company believes that proceeds from the pending sale of certain assets of the Explosive Metalworking Group (see note 8) will enable the Company to fully retire the bonds and repay the majority of these debt obligations by the end of 1999. After the sale closes, the Company expects to negotiate a new credit facility with its bank.

6. BUSINESS SEGMENTS

The Company is organized in the following two segments: the Explosive Metalworking Group and the Aerospace Group. The Explosive Metalworking Group uses explosives to perform metal cladding, metal forming and shock synthesis. The most significant product of this group is clad metal which is used in the fabrication of pressure vessels, heat exchangers and transition joints used in the hydrocarbon processing, chemical processing, power generation, petrochemical, pulp and paper, mining, shipbuilding and heat, ventilation and air conditioning industries. The Aerospace Group machines, forms and welds parts for the commercial aircraft, aerospace and defense industries.

The accounting policies of both segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are strategic business units that offer different products and services and are separately managed. Each segment is marketed to different customer types and requires different manufacturing processes and technologies. Segment information is presented for the three and six months ended June 30, 1999 and 1998 as follows:

<TABLE>
<CAPTION>

<S>	Explosive Metalworking <C>	Aerospace <C>	Total <C>
For the three months ended June 30, 1999:			
Net sales	$ 4,529,853	$ 3,208,071	$ 7,737,924
Depreciation and amortization	$ 198,897	$ 176,237	$ 375,134
Income (loss) from operations	$(1,853,809)	$ 270,489	$(1,583,320)
Unallocated amounts:			
Other income			1,583
Interest expense			(217,172)
Interest income			274
Consolidated loss before income tax provision			$(1,798,635)

	Explosive Metalworking	Aerospace	Total
For the three months ended June 30, 1998:			
Net sales	$ 9,010,723	$ 2,362,245	$11,362,968
Depreciation and amortization	$ 207,951	$ 81,162	$ 289,113
Income from operations	$ 913,446	$ 231,342	$ 1,144,788
Unallocated amounts:			
Other income			5,482
Interest expense			(94,297)
Interest income			796
Consolidated income before income tax provision			$ 1,056,769

	Explosive Metalworking	Aerospace	Total
For the six months ended June 30, 1999:			
Net sales	$10,895,341	$ 6,548,844	$17,444,185
Depreciation and amortization	$ 364,424	$ 350,134	$ 714,558

	Explosive Metalworking	Aerospace	Total
Income (loss) from operations	$(1,818,824)	$ 683,664	$(1,135,160)
Unallocated amounts:			
Other income			8,315
Interest expense			(426,749)
Interest income			1,802
Consolidated loss before income tax provision			$(1,551,792)

	Explosive Metalworking	Aerospace	Total
For the six months ended June 30, 1998:			
Net sales	$17,706,516	$ 3,161,606	$20,868,122
Depreciation and amortization	$ 407,360	$ 109,070	$ 516,430
Income from operations	$ 1,515,632	$ 478,194	$ 1,993,826
Unallocated amounts:			
Other income			5,482
Interest expense			(123,647)

Interest income	2,085
Consolidated income before income tax provision	$ 1,877,746

</TABLE>

All of the Company's sales are shipped from domestic locations and all of the Company's assets are located within the United States. The following represents the Company's net sales based on the geographic location of the customer:
<TABLE>
<CAPTION>

	For the three months ended June 30,	
	1999	1998
<S>	<C>	<C>
United States	$ 7,303,003	$ 8,969,497
Canada	351,441	2,038,684
Australia	36,800	31,777
Other foreign countries	46,680	333,010
Total consolidated net sales	$ 7,737,924	$11,372,968

	For the six months ended June 30,	
	1999	1998
United States	$16,068,278	$16,601,843
Canada	1,031,191	2,720,569
Australia	149,626	--
Other foreign countries	195,090	1,545,710
Total consolidated net sales	$17,444,185	$20,868,122

</TABLE>

During the three months and six months ended June 30, 1999, one customer accounted for 13% and 14% of net sales, respectively. During the three months and six months ended June 30, 1998, no one customer accounted for more than 10% of net sales.

7. PLANT CLOSING/ IMPAIRMENT OF LONG-LIVED ASSETS

On April 22, 1999, the Company announced that it would be closing its Louisville, Colorado-based explosion bonded clad metal plate manufacturing facility in the third quarter of 1999 and consolidating all of its Explosive Metalworking Group operations into the new Pennsylvania-based clad plate manufacturing facility. The Company recorded non-recurring charges of $549,298 in the second quarter of 1999 to cover costs associated with this plant closing. Plant closing costs include severance pay to terminated employees, outplacement service fees and certain expenses to be incurred in connection with final plant shutdown, clean-up and site reclamation work subsequent to the discontinuation of manufacturing activities at this facility in July.

In connection with the plant closing discussed above, the Company identified certain long-lived assets associated with its Colorado manufacturing operations that will be abandoned and have negligible fair market values. Accordingly, the Company recorded asset impairment write-downs of $188,079 during the second quarter of 1999. The impaired assets, which after the write-down have no carrying value, will be disposed of in the third and fourth quarters of 1999.

The Company also identified certain inventory that was determined to have little value as a result of the plant closing. This inventory, which totaled approximately $108,000, was consequently written off in the second quarter of 1999. This charge is included in cost of products sold.

8. DIVESTITURE OF EXPLOSIVE METALWORKING BUSINESS SEGMENT

On June 23, 1999, the Company announced that it had entered into an agreement to sell certain assets relating to its Explosive Metalworking Group to AMETEK, Inc. ("AMETEK") for approximately $17 million. The closing of the transaction is expected to occur in the third or fourth quarter of 1999, pending the satisfaction of certain conditions. The sale will enable DMC to focus its business strategy on consolidating suppliers in the aerospace manufacturing industry through the acquisition of complementary businesses. Upon the closing of this sale, the Company's Explosive Metalworking business segment will be

discontinued.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion should be read in conjunction with the Condensed Financial Statements included elsewhere within this quarterly report. Fluctuations in annual and quarterly operating results may occur as a result of certain factors such as the size and timing of customer orders and competition. Due to such fluctuations, historical results and percentage relationships are not necessarily indicative of the results for any future period. Statements which are not historical facts contained in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Factors that could cause actual results to differ materially include, but are not limited to the following: the proposed sale of certain assets of the Company's Explosive Metalworking Group, the ability to obtain new contracts at attractive prices; the size and timing of customer orders; fluctuations in customer demand; competitive factors; the timely completion of contracts; construction-related delays and associated costs; the timing and size of expenditures; the timely receipt of government approvals and permits; the adequacy of local labor supplies at the Company's facilities; the availability and cost of funds; and general economic conditions, both domestically and abroad. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The Company further directs readers to the factors discussed in the Company's Form 10-K for the year ended December 31, 1998.

GENERAL

Dynamic Materials Corporation ("DMC" or the "Company") is a worldwide leader in the high energy metal working business. The high energy metal working business includes the use of explosives to perform both metallurgical bonding, or metal "cladding," and metal forming. The Company performs metal cladding using its proprietary Dynaclad(and Detaclad(R) technologies. The Explosive Metalworking Group comprised a substantial portion of the Company's business until 1998 when the Company formed its Aerospace Group as a result of the acquisition of AMK Welding, Inc. ("AMK"), Spin Forge, LLC ("Spin Forge") and Precision Machined Products, Inc. ("PMP"). The revenues from the Aerospace Group accounted for 22% of the Company's revenues and 51% of the Company's operating income for the year ended December 31, 1998. The proportion of revenues accounted for by the Aerospace Group for the quarter and six months ended June 30, 1999 was 41% and 38%, respectively, compared to 21% and 15% for the comparable periods of 1998.

On June 23, 1999, the Company announced that it had entered into an agreement to sell certain assets relating to its Explosive Metalworking Group to AMETEK for approximately $17 million. The closing of the transaction is expected to occur in the third or fourth quarter of 1999, pending the satisfaction of certain conditions. The sale will enable DMC to focus its business strategy on consolidating suppliers in the aerospace manufacturing industry through the acquisition of complementary businesses. Upon the closing of this sale, the Company's Explosive Metalworking business segment will be discontinued.

EXPLOSIVE METALWORKING GROUP. Clad metal products are used in manufacturing processes or environments which involve highly corrosive chemicals, high temperatures and/or high pressure conditions. For example, the Company fabricates clad metal tube sheets for heat exchangers. Heat exchangers are used in a variety of high temperature, high pressure, highly corrosive chemical processes, such as processing crude oil in the petrochemical industry and processing chemicals used in

the manufacture of synthetic fibers. In addition, the Company has produced titanium clad plates used in the fabrication of metal autoclaves to replace autoclaves made of brick and lead for two customers in the mining industry. The Company believes that its clad metal products are an economical, high-performance alternative to the use of solid corrosion-resistant alloys. In addition to clad metal products, the explosive metalworking business includes shock synthesis of synthetic diamonds and, through the first half of 1999, included explosive forming of metal parts. Concurrent with the closing of its Colorado explosive metalworking manufacturing facility in July, the Company

discontinued its explosive forming manufacturing activities.

AEROSPACE GROUP. Formed metal products are made from sheet metal and forgings that are subsequently formed into precise, three-dimensional shapes that are held to tight tolerances. Metal forming is accomplished through traditional forming technologies, including spinning, machining, rolling and hydraulic expansion. DMC also performs welding services utilizing a variety of manual and automatic welding techniques that include electron beam and gas tungsten arc welding processes. The Company's forming and welding operations are often performed to support the manufacture of completed assemblies and sub-assemblies required by its customers. Assembly and fabrication services are performed utilizing the Company's close-tolerance machining, forming, welding, inspection and other special service capabilities. The Company's forming, machining, welding and assembly operations serve a variety of product applications in the commercial aircraft, aerospace, defense and power generation industries.

STRATEGY. The Company is continually working to generate solutions to the materials needs of customers in its target markets. Key elements of the Company's strategy include continual improvement of its basic processes and product offerings and the acquisition of businesses that broaden or complement the Company's existing product lines. The Company completed three separate acquisitions during 1998. In January 1998, the Company completed its acquisition of AMK, a supplier of commercial aircraft and aerospace-related automatic and manual gas tungsten and arc welding services. The Company completed its acquisition of Spin Forge, one of the country's leading manufacturers of tactical missile motor cases and titanium pressure vessels for commercial aerospace and defense industries, in March 1998. In December 1998, the Company completed its acquisition of PMP, a contract machining shop specializing in high precision, high quality, complex machined parts used in the aerospace, satellite, medical equipment and high technology industries.

RISKS. The Company has experienced and expects to continue to experience, quarterly fluctuations in operating results caused by various factors, including the changes related to the recent closing of the Company's Colorado manfuacuring facility, timing and size of orders from major customers, worldwide industry demand, customer inventory levels, shifts in product mix, the occurrence of acquisition-related costs and general economic conditions. In addition, the Company typically does not obtain long-term volume purchase contracts from its customers. Quarterly sales and operating results therefore depend on the volume and timing of backlog as well as bookings received during the quarter. A significant portion of the Company's operating expenses are fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet the Company's expectations in any given period, the adverse impact on operating results may be magnified by the Company's inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. In addition, the Company uses numerous suppliers of alloys, steels and other materials for its operations. The Company typically bears a short-term risk of alloy, steel and other component price increases, which could adversely affect the Company's gross profit margins. Although the Company will work with customers and suppliers to minimize the impact of any component shortages, component shortages have had, and are expected from time to time to have, short-term adverse effects on the Company's business. Results of operations in any period should not be considered indicative of

the results to be expected for any future period. Fluctuations in operating results may also result in fluctuations in the price of the Company's Common Stock.

YEAR 2000 COMPLIANCE

The Year 2000 issue is the result of many computer programs being written such that they will malfunction when reading a year of "00." This problem could cause system failure or miscalculations causing disruptions of business processes. For the past year and a half, the Company has pursued a two-prong approach to the Year 2000 issue.

The first prong has and continues to involve an internal evaluation of the Company's computer systems. The Company has completed a risk assessment to identify Year 2000 priorities by analyzing and determining whether the Year 2000 related risks were low, medium or high and whether the business impact would be marginal, manageable, critical or fatal for each system and device that may be affected by the Year 2000 issue. Based on this risk assessment, the Company determined that its first priority would be evaluating its MRP software. The Company found this software to be Year 2000 compliant as certified by the vendor and through internal testing. The Company continued this procedure for each of the areas identified during its risk assessment as follows. The Company's

hardware was tested by advancing dates and checking for power-off date changes and power-on date changes as well as software and hardware operation at the advanced dates. Based upon those tests the Company believes its hardware to be Year 2000 compliant. The Company's network operating system became Year 2000 compliant with the installation of a patch from the vendor in January 1999. The Company expects that its desktop applications will be Year 2000 compliant before the end of the third quarter of 1999 with the announced patches that are forthcoming from various vendors. Finally, the Company has determined through testing that its various computer controlled manufacturing equipment is either Year 2000 compliant or will not have any adverse effects on manufacturing processes in the Year 2000.

The second prong of the Company's approach, which the Company began to emphasize in the second and third quarter of 1998 and expects to complete before the end of the third quarter of 1999, is an integrated process of working with suppliers and customers to ensure that the flow of goods, services or payments will not be interrupted because of Year 2000 issues. To achieve this, the Company has been working to implement mechanical or manual workarounds even if Year 2000 problems arise. In many cases, such workarounds are already in place. Additionally, the Company is requesting that its suppliers and customers include language in their material subcontractor and consulting agreements that request these third parties to be "internally" Year 2000 capable.

However, there can be no assurance that the failure of the Company's suppliers and customers to be Year 2000 compliant would not have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the Company may be adversely affected by disruptions in the operations of other companies with which the Company does business, from general widespread problems or an economic crisis resulting from non-compliant Year 2000 systems.

The Company has not incurred any material historical Year 2000 costs to date. Management expects future incremental Year 2000 project costs to be minimal since all Year 2000 compliance work is expected to be performed by Company employees. Management expects, but makes no assurance that,

future Year 2000 project costs will not have a material adverse effect on its financial condition and results of operations.

The Company has not yet formulated contingency plans in the event that systems are not Year 2000 compliant. While management does not believe there to be significant Year 2000 risks for the Company, manual workarounds will be developed as part of the Company's Year 2000 compliance program.

Quarter Ended June 30, 1999 Compared to June 30, 1998

The following table sets forth for the periods indicated the percentage relationship to net sales of certain income statement data:

<TABLE>
<CAPTION>

	PERCENTAGE OF NET SALES			
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Products Sold	89.5%	79.1%	84.7%	79.1%
Gross Margin	10.5%	20.9%	15.3%	20.9%
General & Administrative	12.0%	6.6%	10.8%	6.5%
Selling Expenses	5.0%	4.2%	4.5%	4.8%
New Facility Start-up Costs	1.9%	--	1.2%	--
Plant Closing Costs	7.1%	--	3.1%	--
Asset Impairments	2.4%	--	1.1%	--
Costs related to sale of bonding business	2.6%	--	1.1%	--
Income (Loss) from Operations	-20.5%	10.1%	-6.5%	9.6%
Interest Expense	2.8%	0.8%	2.4%	0.6%
Income Tax (Expense) Benefit	9.2%	-3.7%	3.5%	-3.5%
Net Income (Loss)	-14.1%	5.6%	-5.4%	5.5%

</TABLE>

NET SALES. Net sales for the quarter ended June 30, 1999 decreased 32.0% to $7,737,924 from $11,372,968 in the second quarter of 1998. The Company's Aerospace Group, which was formed in 1998 as a result of the acquisitions of AMK, Spin Forge and PMP, contributed $3,208,070 (41.5% of total sales) to second quarter 1999 sales versus sales of $2,362,245 (20.8% of total sales) in the second quarter of 1998. Sales by the Company's Explosive Metalworking Group, which includes explosion bonding of clad metal, explosively formed metal products and shock synthesis of synthetic diamonds, decreased 49.7% from $9,010,723 in the second quarter of 1998 to $4,529,854 in the second quarter of 1999. For the six months ended June 30, 1999, net sales decreased 16.4% to $17,444,185 from $20,868,122 for the comparable period of 1998. Aerospace Group sales for the six months ended June 30, 1999 totaled $6,548,844 (37.5% of total sales), an increase of 107% from sales of $3,161,606 (15.1% of total sales) reported for the comparable period of 1998. These increases were largely due to the December 1, 1998 acquisition of PMP whose results are included in the Aerospace Group's sales and operating income calculations for 1999 but not 1998. Sales by the Explosive Metalworking Group for the comparable six-month period decreased by 38.5% from $17,706,516 in 1998 to $10,895,342 in 1999. The decreases in Explosive Metalworking Group sales for both the three-month and six-month periods reflect what management believes is a temporary slowdown in global market demand for explosion bonded clad metal plate that is expected to continue for at least the remainder of 1999.

GROSS PROFIT. As a result of the sharp decline in the Company's net sales, gross profit for the quarter ended June 30, 1999 decreased by 65.9% to $813,275 from $2,372,612 in the second quarter of 1998. The gross profit margin for the quarter ended June 30, 1999 was 10.5%, representing a 50% decline from the gross profit margin of 20.9% for the second quarter of 1998. For the six months ended June 30,

1999, gross profit decreased 38.5% to $2,675,474 from $4,352,487 in the comparable period of 1998. The gross profit margin for the six months ended June 30, 1999 was 15.3%, representing a 26.8% decline from the gross profit margin of 20.9% for the first six months of 1998. The gross profit margin for the Company's Explosive Metalworking Group decreased from 20.6% in the second quarter of 1998 to a negative gross margin of 0.3% in the second quarter of 1999. For the comparable six-month periods, Explosive Metalworking gross margins decreased from 20.0% in 1998 to 7.8% in 1999. The significant decrease in gross profit margins for the Explosive Metalworking Group are due to unfavorable fixed manufacturing overhead cost variances associated with the sharp declines in production and sales of clad plate and a significant reduction in sales of higher margin explosively formed products. Concurrently with the closing of its Colorado manufacturing facility in July 1999, the Company discontinued its explosive forming manufacturing activities. The gross profit margin for the Aerospace Group was 25.8% for the quarter ended June 30, 1999 as compared to 22.4% in the second quarter of 1998. For the comparable six-month periods, Aerospace Group gross margins increased from 26.5% in 1998 to 27.9% in 1999.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for the quarter ended June 30, 1999 increased 23.7% to $927,743 from $749,701 in the second quarter of 1998. This increase of $178,042 reflects an increase of $143,135 in direct general and administrative expenses of the Company's Aerospace Group. For the six months ended June 30, 1999, general and administrative expenses increased 38.6% to $1,882,107 from $1,358,038 in the comparable period of 1998. The increase of $524,069 for the six-month period includes a $464,152 increase in direct Aerospace Group general and administrative expenses. The increases in direct general and administrative expenses of the Aerospace Group relate to the timing of the 1998 acquisitions of AMK, Spin Forge and PMP which were completed on January 5, March 18 and December 1, 1998, respectively. As a percentage of net sales, general and administrative expenses increased from 6.6% in the second quarter of 1998 to 12.0% for the quarter ended June 30, 1999 and from 6.5% to 10.8% for the comparable six- month periods. These increased percentages are largely attributable to the significant decrease in sales by the Explosive Metalworking Group.

SELLING EXPENSE. Selling expenses decreased by 18.7% to $388,733 for the quarter ended June 30, 1999 from $478,123 in the second quarter of 1998. For the six months ended June 30, 1999, selling expenses decreased 21.7% to $783,185 from $1,000,623 in the comparable period of 1998. These decreases reflect lower expense levels in a number of categories, including compensation and benefits, advertising and promotion, reserves for bad debts and travel and entertainment expenses. Selling expenses as a percentage of net sales increased from 4.2% in the second quarter of 1998 to 5.0% for the quarter ended June 30, 1999, and decreased from 4.8% for the six months ended June 30, 1998 to 4.5% for the comparable period of 1999.

START-UP COSTS. Starting in the third quarter of 1998, the Company began to separately report the start-up costs associated with the construction of the new

facility in Pennsylvania. Start-up costs for the quarter and six months ended June 30, 1999 totaled $143,735 and $208,958, respectively, and include salaries, benefits and travel expenses for Company employees assigned to this project, field office expenses and other operating expenses directly associated with this project. The Company will continue to incur and separately report start-up costs until the new facility commences operations during the third quarter of 1999.

PLANT CLOSING COSTS. On April 23, 1999, the Company announced that it would be closing its Louisville, Colorado-based explosive metalworking manufacturing facility in the third quarter of 1999 and consolidating all of its Explosive Metalworking Group operations into the new Pennsylvania-based explosive metalworking manufacturing facility. The Company recorded non-recurring charges of

$549,298 in the second quarter of 1999 to cover costs associated with this plant closing. Plant closing costs include severance pay to terminated employees, outplacement service fees and certain expenses to be incurred in connection with final plant shutdown, clean-up and site reclamation work subsequent to the discontinuation of manufacturing activities at this facility in July.

IMPAIRMENT OF LONG-LIVED ASSETS. In connection with the plant closing discussed above, the Company identified certain long-lived assets associated with its Colorado manufacturing operations that will be abandoned and have negligible fair market values. Accordingly, the Company recorded asset impairment write-downs in the amount of $188,079 during the second quarter of 1999.

The Company also identified certain inventory that was determined to have little value as a result of the plant closing. This inventory, which totaled approximately $108,000, was consequently written off in the second quarter of 1999. This charge is included in cost of products sold.

COSTS RELATED TO SALE OF EXPLOSIVE METALWORKING GROUP. On June 23, 1999, the Company announced that it had entered into an agreement to sell certain assets relating to its Explosive Metalworking Group to AMETEK for approximately $17 million. The closing of the transaction is expected to occur in the third or fourth quarter of 1999, pending the satisfaction of certain conditions. The sale will enable DMC to focus its business strategy on consolidating suppliers in the aerospace manufacturing industry through the acquisition of complementary businesses. Upon the closing of this sale, the Company's Explosive Metalworking business segment will be discontinued. In connection with the pending sale of the Company's Explosive Metalworking Group, the Company recorded expenses of $199,007 for both the three and six months ended June 30, 1999. These expenses relate principally to investment banking, legal and other third party fees associated with the pending sales transaction and will continue to be incurred by the Company until the expected closing of the sale in the third or fourth quarter of 1999.

INCOME (LOSS) FROM OPERATIONS. For the second quarter ended June 30, 1999, the Company reported a $1,583,320 loss from operations compared to income from operations of $1,144,788 for the second quarter of 1998. This decrease is a result of the 32% decrease in net sales in the second quarter ended June 30, 1999 as compared to the comparable quarter in 1998 and non-recurring charges incurred in the second quarter of 1999 in the aggregate amount of $1,080,119 associated with plant closing costs, new facility start-up costs, asset impairment write-downs and expenses incurred in connection with the pending sale of the Company's Explosive Metalworking Group. For the six months ended June 30, 1999, the Company reported an operating loss of $1,135,160 compared to income from operations of $1,993,826 in the comparable period of 1998. This decrease is a result of the 16.4% decrease in sales for the six month period and non-recurring charges in the aggregate amount of $1,145,342 associated with plant closing costs, new facility start-up costs, asset impairment write-downs and expenses incurred in connection with the pending sale of the Company's Explosive Metalworking Group. For the quarter and six months ended June 30, 1999, the Company's Aerospace Group reported income from operations of $270,489 and $683,664, respectively, as compared to $231,342 and $478,194 for the respective comparable periods of 1998. For the quarter and six months ended June 30, 1999, the Company's Explosive Metalworking Group reported a loss from operations of $1,853,809 and $1,818,824, respectively, as compared to income from operations of $913,446 and $1,516,632 for the respective comparable periods of 1998.

INTEREST EXPENSE. Interest expense increased to $217,172 for the quarter ended June 30, 1999 from $94,297 in the second quarter of 1998. For the six months ended June 30, 1999, interest expense increased to $426,749 from $123,647 in the comparable period of 1998. These increases are principally due to borrowings under the Company's revolving line of credit with with the Company's financial institutions that were required to finance the AMK, Spin Forge and PMP acquisitions.

INCOME TAX BENEFIT (EXPENSE). Due to losses before income taxes and the ability to carry-back losses to prior years in which the Company generated taxable income, the Company recorded tax benefits of $708,000 and $606,000 for the quarter and six months ended June 30, 1999. For the comparable periods of 1998, the Company recorded income tax expense of $420,000 and $732,000,

respectively. For the quarter and six months ended June 30, 1999, the effective tax rate was 39.4% and 39.1%, respectively, as compared to 39.7% and 39.0% for the comparable 1998 periods.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has secured the major portion of its operational financing from operating activities and an asset-backed revolving credit facility. In connection with the Detaclad acquisition, the Company entered into a $7,500,000 asset-backed revolving credit facility ("Original Line") with its financial institution in July of 1996. The Original Line was to expire on July 19, 1999, at which time all or part of the outstanding balance could have been converted to a term loan which would mature on July 19, 2003. The maximum amount available under the line of credit was subject to borrowing base restrictions that were a function of defined balances in accounts receivable, inventory, real property and equipment.

On November 30, 1998 the Company and its financial institution entered into an amended and restated credit facility and security agreement which was further amended on December 31, 1998. The amended credit facility allows for maximum borrowings of $14,000,000 under the following three separate lines of credit: an "acquisition line" of $5,700,000, an "accommodation line" of $2,300,000 and a "working capital line" of $6,000,000 (subject to borrowing base restrictions). Beginning on September 30, 1999 and on the last day of each calendar quarter thereafter, the maximum borrowings available under the acquisition line become permanently reduced by $259,091, with ultimate maturity on December 31, 2004. Beginning on September 30, 1999 and on the last day of each calendar quarter thereafter, the maximum borrowings available under the accommodation line become permanently reduced by $230,000, with ultimate maturity on December 31, 2001. The working capital line expires on November 30, 2000. At the Company's option, the borrowings under the acquisition line and working capital line may be in the form of loans bearing an interest rate of 1 to 2% above the Libor rate, depending on certain financial ratios, or loans bearing an interest rate of 2% above the Federal Funds rate. Loans under the accommodation line bear interest at .25% above the bank's Prime Rate. The lines of credit are secured by the Company's accounts receivable, inventory and property, plant and equipment. Outstanding borrowings at June 30, 1999 on the acquisition line, accommodation line and working capital line totaled $5,700,000, $2,300,000 and $2,000,000, respectively.

In March 1998, the Company's Board of Directors approved the Company's proposal to build a new manufacturing facility in Pennsylvania at a cost of approximately $6.8 million. The project is being financed with proceeds from $6,850,000 in industrial development revenue bonds issued by Fayette County Industrial Development Authority (IDA). The Company closed its loan agreement with Fayette County IDA on September 17, 1998 and has established a bank letter of credit in favor of the bond trustee for the principal amount of the bonds plus 98 days of accrued interest. The letter of credit is secured by the Company's accounts receivable, inventory, property, plant and equipment, and bond proceeds not yet expended for construction of the facility and purchase of related equipment (classified as "Restricted Cash and Investments" on the Condensed Balance Sheets). Construction of the new facility began during the third quarter of 1998, and the new facility should become fully operational during the second half of 1999.

During the six months ended June 30, 1999, the Company used $405,654 in cash to fund operating activities as compared to using $98,485 during the first six months of 1998. The principal sources of

cash flow from operations for the six months ended June 30, 1999 were depreciation and amortization charges of $722,998 and a decrease in inventories of $1,371,408. These sources of operating cash flow were more than offset by the net loss of $945,792, a $695,477 increase in income tax receivable and a $1,091,276 decrease in accounts payable and accrued expenses. Investing activities for the six months ended June 30, 1999 used $1,058,282 of cash, including expenditures of $3,580,997 on the new Pennsylvania manufacturing facility and $278,328 for other capital expenditures, and are stated net of

$2,788,607 in reimbursement of bond proceeds from the trustee. Financing activities provided $1,463,936 of net cash for the six months ended June 30, 1999, including new line of credit borrowings of $1,400,000.

As a result of the operating loss the Company incurred for the quarter ended June 30, 1999, the Company violated certain financial covenants under both its amended and restated credit facility with its bank and its reimbursement agreement relating to the bank's letter of credit that supports payment of principal and interest under the industrial development revenue bonds. The Company has received a waiver from the bank that waives compliance with these covenant requirements until September 30, 1999. Proceeds from the pending sale to AMTEK of a substantial portion of the the Company's Explosive Metalworking Group would enable the Company to redeem $6,850,000 in outstanding industrial development revenue bonds and retire the majority of outstanding borrowings under its credit facility. Additionally, the closing of the sale would likely require significant amendments to the existing credit facility or replacement of this facility with a new facility. While the closing of the transaction with AMETEK is dependent on the satisfaction of certain conditions, management is not currently aware of any circumstances that would result in the Company's failure to satisfy any of these conditions. If the sale does not close on or before September 30, 1999 and the Company fails to meet financial covenants as of that date, the Company believes that its financial institution will extend the current waiver if the closing of the sale is expected to occur within a reasonable time period.

Although the Company believes that the closing of the transaction with AMETEK will occur during the third or fourth quarter of 1999, if the sale does not close as expected and sales by its Explosive Metalworking Group continue to be depressed, the Company is likely to incur additional operating losses. Such operating losses could result in continued violation of financial covenants and failure by the Company to meet debt service requirements under its existing credit facilities. If this were to occur, a major restructuring of the Company's credit facilities would be required.

Assuming that the closing of the transaction with AMETEK occurs as expected, the Company believes that its cash flow from operations and funds expected to be available under an amended or new credit facility will be sufficient to fund working capital and capital expenditure requirements of its current business operations. However, a significant portion of the Company's sales is derived from a relatively small number of customers; therefore, the failure to perform existing contracts on a timely basis, and to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect the Company's ability to meet its cash requirements exclusively through operating activities. Consequently, any restriction on the availability of borrowing under the line of credit could negatively affect the Company's ability to meet its future cash requirements. In addition, the Company plans to grow both internally and through the acquisition of complementary businesses. A significant acquisition may require the Company to secure additional debt or equity financing. While the Company believes it would be able to secure such additional financing at reasonable terms, there is no assurance that this would be the case.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company had been named as a defendant in a lawsuit filed in France by a French company with which the Company had preliminary acquisition discussions during 1997. On February 10, 1999, the Company reached a settlement with the plaintiff that effectively dropped all claims by each party and provided no damages to either party related to the lawsuit. Each party was deemed to be responsible for only its own legal costs. The Company is not a party to any other legal proceedings, the adverse outcome of which would, in management's opinion, have a material adverse effect on the Company's business, operation results and financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders (the "Annual Meeting") was held on May 21, 1999. At the Annual Meeting, the stockholders of the Company (i) elected the person listed below to serve as a director of the Company until the 2002 Annual Meeting of Shareholders or until his successor is elected, (ii) approved the amendment and restatement of the Company's Employee Stock Purchase Plan and increased the aggregate number of shares of Common Stock authorized for issuance under such plan by 75,000 shares, (iii) ratified the selection of Arthur Andersen LLP as independent accountants of the Company for its fiscal year ending December 31, 1999.

The Company had 2,817,891 shares of Common Stock outstanding as of April 15, 1999, the record date for the Annual Meeting. At the Annual Meeting, holders of a total of 2,819,491 shares of Common Stock were present in person or represented by proxy. The following sets forth information regarding the results of the voting at the Annual Meeting:

PROPOSAL 1: ELECTION OF DIRECTOR

DIRECTOR	VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES WITHHELD
Dean K. Allen	2,814,531	--	4,960

PROPOSAL 2: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE EMPLOYEE STOCK PURCHASE PLAN

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN	BROKER NON-VOTES
1,979,584	48,766	2,840	788,301

PROPOSAL 3: RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN
2,808,832	8,389	2,270

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement, dated as of June 22, 1999, by and between the Company and AMETEK, Inc. (incorporated herein by reference to Form 8-K filed on July 25, 1999).
10.1	Change of Control Agreement, dated as of March 26, 1999, by and between the Company and Joseph P. Allwein.
10.2	Change of Control Agreement, dated as of March 26, 1999, by and between the Company and Richard A. Santa.
10.3	Change of Control Agreement, dated as of March 26, 1999, by and between the Company and Mark W. Jarman.
10.4	Engagement Letter, dated as of January 19, 1999, by and between the Company and The Wallach Company, Inc. (incorporated herein by reference to Form 8-K filed on July 25, 1999).
99.1	Press Release dated February 25, 1999 (incorporated herein by reference to Form 8-K filed on February 25, 1999).
99.2	Press Release dated June 23, 1999 (incorporated herein by reference to Form 8-K filed on July 25, 1999).
27	Financial Data Schedule

(b) A report on Form 8-K was filed on June 25, 1999 reporting that the Company had entered into an Asset Purchase Agreement, dated as of June 22, 1999, to sell certain assets relating to its Explosive Metalworking Group to AMETEK.

A report on Form 8-K was filed on February 25, 1999 reporting the fourth quarter 1998 and December 31, 1998 year end financial results.

SIGNATURES

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

thereunto duly authorized.

DYNAMIC MATERIALS CORPORATION

(Registrant)

Date: August 13, 1999

/s/ RICHARD A. SANTA

Richard A. Santa, Vice President of Finance and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

CHANGE OF CONTROL AGREEMENT

This CHANGE OF CONTROL AGREEMENT (this "AGREEMENT"), is made this 26th day of March, 1999, between Mark W. Jarman ("EXECUTIVE") and Dynamic Materials Corporation, a Delaware corporation (the "COMPANY").

RECITALS

WHEREAS, the Company wishes to assure itself of continuity of management in the event of any actual or threatened change in the control of the Company;

WHEREAS, the Company believes it is important that Executive be able to assess and advise the Company whether supporting a change in control would be in the best interests of the Company and its shareholders without being influenced by the uncertain effect of such a change upon Executive's role within the Company;

WHEREAS, Executive has been employed by the Company and the Company wishes to demonstrate to Executive the Company's concern for his welfare.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I. OPERATION OF AGREEMENT

1.1 This Agreement will be binding immediately upon its execution by the parties hereto, but will operate as an employment contract only during the "Term of Employment" as described below.

1.2 The "Term of Employment" is the period beginning on the date of a "CHANGE OF CONTROL" and ending on the earliest of:

(a) Executive's 65th birthday,

(b) Executive's death,

(c) the date on which the Agreement terminates in accordance with paragraph 1.4 below, and

(d) the date on which all rights and obligations of the parties hereto have been satisfied in accordance with the terms of this Agreement.

Neither the expiration of the Term of Employment nor the termination of this Agreement will relieve the Company of the obligation to provide Executive, in accordance with the terms hereof, the payments, benefits and coverage to which he has become entitled under this Agreement.

1.3 "CHANGE OF CONTROL" means a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that without limitation, such a Change of Control shall be deemed to have occurred if:

(a) the Company has achieved net operating income for the four quarter period immediately prior to the occurrence of any of the events described in paragraph 1.3(b) below,

and

(b) the occurrence of any of the following events:

(i) any person or group (as such terms are used in connection with Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company in an amount sufficient to be deemed an Acquiring Person as defined in the Company's Rights Agreement dated as of January 8, 1999;

(ii) the Company is a party to a merger or consolidation whereby 50% or more of the assets or outstanding shares of Common and Preferred Stock of the Company are transferred to an acquiror, other than a merger solely to effect reincorporation or a merger of the Company as to which

stockholder approval is not required pursuant to Section 251(f) or 253 of the Delaware General Corporation Law;

(iii) sale, lease, exchange or other transfer of 50% or more of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or

(iv) during any period of 12 consecutive months, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

Notwithstanding the foregoing provisions of this paragraph 1.3, a "Change of Control" will not be deemed to have occurred solely because of the acquisition of securities of the Company (or any reporting requirement under the Act relating thereto) by an employee benefit plan maintained by the Company for its employees.

1.4 This Agreement shall terminate as of the first anniversary of the Change of Control.

ARTICLE II. EMPLOYMENT

2.1 The Company agrees to employ Executive throughout the Term of Employment as Vice President of Corporate Development of the Company without materially reducing Executive's authority, status or salary below the level he possessed immediately prior to the Change of Control. The Company agrees that Executive's situs of employment will be within a 60 miles radius of such Executive's situs of employment immediately before the Change of Control.

2.2 For purposes of this Agreement, employment by a subsidiary of the Company will be deemed to be employment by the Company, and the Company may cause its obligations hereunder to be discharged through such a subsidiary, provided that the Company will remain liable for the discharge of all such obligations and that the rights, benefits, authority, status and salary of the Executive are in no way diminished thereby. A subsidiary is any corporation of which more than 50% of the voting stock is owned by the Company or another subsidiary of the Company.

ARTICLE III. COMPENSATION

3.1 The Company will pay as compensation to Executive for his services as an employee during the Term of Employment base annual salary and bonus, with similar performance goals, at a rate equal to or greater than the rate of base salary and bonus in effect for Executive immediately prior to the Change of Control as determined and approved by the Board of Directors in its customary capacity.

3.2 In addition, for his services as an employee during the Term of Employment, Executive will:

(a) participate fully in the Company's stock option plan (and/or any successor plan);

(b) participate fully in all pension, profit sharing and similar benefit plans of the Company;

(c) participate fully, together with his dependents and beneficiaries, in all life insurance plans, accident and health plans and other welfare plans, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company;

(d) participate fully in any additional benefit plans offered by the Company to executives before or after the Change of Control; and

(e) receive fringe benefits (which shall not include any benefit referred to elsewhere in this Article 3) substantially equivalent to those provided to Executive immediately prior to the Change of Control as well as reimbursement, upon proper accounting, of reasonable expenses

and disbursements incurred by Executive in the course of his duties, including, but not limited to, an automobile allowance and a mobile phone allowance.

3.3 Amounts payable under this Article 3 for services rendered by Executive during his employment constitute reasonable compensation for such services. If any such amount (or, if by reason of such amount, any other amount in the nature of compensation payable to Executive) is determined to be subject to the excise tax imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, the Company will pay to Executive in cash an additional amount necessary to cause the total payments (including the additional payment required by this paragraph 3.3) and benefits received by him under this Article 3 (net of all federal and state taxes, including all taxes payable under section 4999 of the Code) to be equal to the total payments and benefits Executive would have received under this Article 3 (net of all federal, state and local taxes) if section 4999 of the Code had not applied. This paragraph 3.3 does not apply to amounts payable under Article 4.

ARTICLE IV. TERMINATION OF EMPLOYMENT

4.1 In the event Executive's employment is terminated by the Company during the Term of Employment for any reason other than "Cause" (as defined in paragraph 4.5 below) the Company will pay Executive a lump sum cash payment, payable within 10 days of his termination equal to one year of the Executive's annual base salary in effect immediately prior to his termination and an amount equal to the bonus earned by Executive in the fiscal year prior to the year in which such termination takes place. In addition, one hundred percent (100%) of all options to purchase Common Stock of the Company that are unvested at the time of such termination as determined in this paragraph 4.1 shall immediately vest and become exercisable.

4.2 In the event of a termination described in paragraph 4.1 above, Executive together with his dependents and beneficiaries, will continue following his termination to participate fully in accordance with paragraph 3.2(c), (d) and (e) above in all life insurance plans, accident and health plans, other welfare plans, any additional benefit plans and any fringe benefits, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company, until the first anniversary of his termination.

The period of time between such a termination and the first anniversary of the Change of Control will be counted as service with the Company for purposes of any benefit plan of the Company in which Executive is participating at the time of the termination.

4.3 (a) Upon the occurrence of any breach by the Company of this Agreement within the meaning of paragraph 4.3(b), below, Executive may give the Company written notice of his intention to resign effective the 30th day following the receipt of such notice. If the Company does not provide or determine a reasonably adequate remedy such breach within 30 days of the date of such notice, Executive's resignation will become effective on such 30th day. If Executive resigns in

accordance with this paragraph during the Term of Employment, his employment will be deemed to have been terminated by the Company for reasons other than Cause [(and he will be deemed to have offered to continue to provide services to the Company),] and he will be entitled to all the payments and rights and benefits described in paragraphs 4.1 and 4.2, provided that such payments and rights and benefits will in no event be less than they would have been had such termination taken place on the date that the Company first breached this Agreement.

(b) The following events are breaches by the Company of this Agreement within the meaning of this paragraph 4.3(b):

(i) any material reduction of, or failure to pay, Executive's salary or bonus as described in paragraph 3.1 above;

(ii) any failure to provide the benefits required by paragraph 3.2 above or to make any payment that might be due in accordance with paragraph 3.3 above;

(iii) assignment to Executive of any duties inconsistent in any respect with his position (including status, offices and titles), authority, duties or responsibilities as contemplated by paragraph 2.1 above or any other action by the Company

that results in a material diminution of such position or authority;

(iv) failure after a Change of Control to comply with and satisfy paragraph 7.1 or 7.2 below;

relocation of the Company's principal executive offices, or any event that causes Executive to have his principal place of work changed, to any location outside a 60-mile radius of the Executive's place of work immediately prior to the Change of Control; and

(vi) without limiting the generality or effect of the foregoing, any other material breach of this Agreement by the Company or any successor thereto or transferee of substantially all the assets thereof.

4.4 If Executive is dismissed by the Company for Cause, he will not be entitled to payments or benefits provided under paragraphs 4.1 or 4.2 above. "Cause" shall mean: (I) material and willful dishonesty with respect to the Company or its subsidiaries; (ii) material and willful misfeasance or nonfeasance of duty by the Executive intended to injure or having the effect of injuring in some material fashion the reputation, business or business relationships of the Company or any of its subsidiaries or any of their respective officers, directors or employees; (iii) the willful commission by Executive of theft, embezzlement or other serious and substantial crimes against the Company or any of its subsidiaries; (iv) the conviction of the Executive of any felony, any crime involving moral turpitude or any crime that could reflect in some material fashion unfavorably upon the Company or any of its subsidiaries; and (v) continued substantial and repeated neglect of his duties as an Executive (including continued and prolonged absences from the Company's headquarters or Executive's

prescribed post), gross negligence or willful misconduct in the performance of his duties, or substantial breaches of this Agreement or other agreement related to Executive's employment. For purposes of this definition, no act or omission shall be considered to have been "willful" unless it was not in good faith and Executive had knowledge at the time that the act or omission was not in the best interest of the Company.

4.5 If Executive's employment is alleged to be terminated for Cause or if Executive's right to resign under paragraph 4.3 is disputed, Executive may initiate binding arbitration before the American Arbitration Association by serving a notice to arbitrate upon the Company or, at Executive's election, institute judicial proceedings, in either case within 90 days of the effective date of his termination or, if later, his receipt of notice of termination, or such longer period as may be reasonably necessary for Executive to take such action if illness or incapacity should impair his taking such action within the 90-day period. Each Party agrees to pay its own costs and expenses relating to such arbitration or judicial proceeding, and share equally the costs of such arbitration or judicial proceeding.

4.6 Termination of employment due to the death or total and permanent disability of Executive will not be considered a termination for purposes of this Article 4.

4.7 If Executive dies following a termination of employment that entitled him to benefits under this Article 4 but prior to receipt of all such benefits:

(a) his beneficiary (as designated to the Company in writing) or, if none, his estate, will be entitled to receive all unpaid amounts due hereunder; and

(b) his beneficiary or estate will be entitled to exercise options in accordance with paragraph 4.3 above and the terms of the options.

ARTICLE V. NO OBLIGATION TO MITIGATE

5.1 There shall be no requirement on the Executive's part to seek other employment or otherwise mitigate in order to be entitled to the full amount of any payments or benefits hereunder.

5.2 In the event Executive obtains other employment, Executive shall continue to be entitled to receive 25% of the full amount of any payments or benefits hereunder regardless of his subsequent level of compensation. In addition, Executive shall receive the difference between (i) the full amount of any payments or benefits due under this Agreement less (ii) the full amount of any payment or benefits from any other employment; provided, however, that {in no event shall} [IF] Executve receives payments or benefits in an amount greater than provided for in this Agreement, Executive shall be obligated to reimburse

to the Company such amount pursuant to a schedule agreed to by the Company and Executive or, if a schedule cannot be agreed to, a reasonable schedule under the circumstances.

ARTICLE VI. LIMITATION

6.1 Notwithstanding any other provision of this Agreement, and except as provided in paragraph 6.2 below, the payments or benefits to which Executive will be entitled under Article 4 of this Agreement will be reduced to the extent necessary so that Executive will not be liable for the federal excise tax levied on certain "excess parachute payments" under section 4999 of the Code.

6.2 The limitation of paragraph 6.1 will not apply if:

(a) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement determined without regard to paragraph 6.1, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such payments;

exceeds

(b) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement calculated as if the limitation of paragraph 6.1 applies, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such reduced payments.

Present values will be determined using the interest rate specified in section 280G of the Code and will be the present values as of the date on which Executive's employment terminates (unless it is necessary to use a different date in order to avoid adverse consequences under section 280G).

To illustrate, an "excess parachute payment" is the difference between the executive's average salary for the past five years and the parachute payment; provided, however, that the parachute payment must be at least equal to three times the executive's annual base salary before it is considered an "excess parachute payment." For example, if an executive had an average base salary for the past five years of $100,000.00 and receives a parachute payment of $299,000.00, no excise tax is due. If the parachute payment is $301,000.00, excise tax is due on the entire $201,000.00 difference.

6.3 (a) Whether payments to the Executive are to be reduced pursuant to paragraph 6.1, and the extent to which they are to be so reduced, will be determined by the Executive.

(b) If a reduction is made pursuant to paragraph 6.1, Executive will have the right to determine the payments and benefits that will be reduced.

ARTICLE VII. EXPENSES

If Executive determines in good faith that the Company has failed to comply with any of its obligations under this Agreement, or if the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any legal action or arbitration proceeding designed to deny Executive, or to recover from him, the benefits intended to be provided hereunder, or in the event of actions instituted as contemplated by paragraph 4.5 above, the Company irrevocably authorizes Executive from time to time to retain counsel of his choice, at the expense of the Executive as hereafter provided, to represent Executive in connection with any and all actions and proceedings, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, which may adversely affect Executive's rights under this Agreement. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the

Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel and agrees that a confidential relationship shall exist between Executive and such counsel.

ARTICLE VIII. MERGER OR ACQUISITION

8.1 If the Company is at any time before or after a Change of Control merged with or consolidated into or with any other corporation or other entity (whether or not the Company is the surviving entity), or if substantially all of the assets of the Company are transferred to another corporation or other entity, the corporation or other entity resulting from such merger or consolidation, or the acquirer of such assets, shall (by agreement in form and substance satisfactory to Executive) expressly assume the obligations of the Company under this Agreement. In any event, however, the provisions of this Agreement shall be binding upon and inure to the benefit of the corporation or other entity resulting from such merger or consolidation or the acquirer of such assets, and this Article 7 will apply in the event of any subsequent merger or consolidation or transfer of assets.

8.2 In the event of any merger, consolidation or sale of assets described above, nothing contained in this Agreement will detract from or otherwise limit Executive's right to or privilege of participation in any stock option or purchase plan or any bonus, profit sharing, pension, group insurance, hospitalization or other incentive or benefit plan or arrangement that may be or become applicable to executives of the corporation resulting from such merger or consolidation or the corporation acquiring such assets of the Company.

8.3 In the event of any merger, consolidation or sale of assets described above, references to the Company in this Agreement shall, unless the context suggests otherwise, be deemed to include the entity resulting from such merger or consolidation or the acquirer of such assets of the Company.

ARTICLE IX. WITHHOLDING

All payments required to be made by the Company hereunder to Executive or his dependents, beneficiaries or estate will be subject to the withholding of such amounts relating to tax and/or other payroll deductions as may be required by law.

ARTICLE X. AMENDMENT

No amendment, change or modification of this Agreement may be made except in writing, signed by both parties.

ARTICLE XI. GENERAL

11.1 The provisions of this Agreement shall be binding upon and shall inure to the benefit of Executive, his executors, administrators, legal representatives and assigns, and the Company and its successors.

11.2 The validity, interpretation and effect of this Agreement shall be governed by the laws of Colorado.

11.3 No right or interest to or in any payments shall be assignable by Executive, provided, however, that this provision shall not preclude him from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude the legal representative of his estate from assigning any right hereunder to the person or persons entitled thereto under his will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate. The term "beneficiaries" as used in this Agreement shall mean a beneficiary or beneficiaries so designated to receive any such amount, or if no beneficiary has been so designated, the legal representative of the Executive's estate.

11.4 No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

11.5 This Agreement does not supersede any other employment or severance agreements Executive has with the Company, including, but not limited to, the employment agreement attached hereto as Exhibit A (the "EMPLOYMENT AGREEMENT"), any proprietary information agreement, or non-competition agreement. Any payment made to Executive under the Employment Agreement shall be deducted from amounts due and payable to Executive under this Agreement; provided, however, that Executive shall not be liable for any amounts, either

under Article V herein or otherwise, in the event the amount paid under the Employment Agreement exceeds the amount due under this Agreement.

11.6 This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understanding, agreements or representations by or among th parties, written or oral, which may have related to the subject matter hereof in any way, except as discussed in paragraph 11.6 above.

11.7 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company and Executive have each caused this Agreement to be duly executed and delivered as of the date set forth above.

DYNAMIC MATERIALS CORPORATION,
a Delaware corporation

ATTEST:

____

By:_____________________________________
Name:___________________________________
Its:____________________________________

EXECUTIVE

ATTEST:

____

____
Mark W. Jarman

CHANGE OF CONTROL AGREEMENT

This CHANGE OF CONTROL AGREEMENT (this "AGREEMENT"), is made this 26th day of March, 1999, between Mark W. Jarman ("EXECUTIVE") and Dynamic Materials Corporation, a Delaware corporation (the "COMPANY").

RECITALS

WHEREAS, the Company wishes to assure itself of continuity of management in the event of any actual or threatened change in the control of the Company;

WHEREAS, the Company believes it is important that Executive be able to assess and advise the Company whether supporting a change in control would be in the best interests of the Company and its shareholders without being influenced by the uncertain effect of such a change upon Executive's role within the Company;

WHEREAS, Executive has been employed by the Company and the Company wishes to demonstrate to Executive the Company's concern for his welfare.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I. OPERATION OF AGREEMENT

1.1 This Agreement will be binding immediately upon its execution by the parties hereto, but will operate as an employment contract only during the "Term of Employment" as described below.

1.2 The "Term of Employment" is the period beginning on the date of a "CHANGE OF CONTROL" and ending on the earliest of:

(a) Executive's 65th birthday,

(b) Executive's death,

(c) the date on which the Agreement terminates in accordance with paragraph 1.4 below, and

(d) the date on which all rights and obligations of the parties hereto have been satisfied in accordance with the terms of this Agreement.

Neither the expiration of the Term of Employment nor the termination of this Agreement will relieve the Company of the obligation to provide Executive, in accordance with the terms hereof, the payments, benefits and coverage to which he has become entitled under this Agreement.

1.3 "CHANGE OF CONTROL" means a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that without limitation, such a Change of Control shall be deemed to have occurred if:

(a) the Company has achieved net operating income for the four quarter period immediately prior to the occurrence of any of the events described in paragraph 1.3(b) below,

and

(b) the occurrence of any of the following events:

(i) any person or group (as such terms are used in connection with Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company in an amount sufficient to be deemed an Acquiring Person as defined in the Company's Rights Agreement dated as of January 8, 1999;

(ii) the Company is a party to a merger or consolidation whereby 50% or more of the assets or outstanding shares of Common and Preferred Stock of the Company are transferred to an acquiror, other than a merger solely to effect reincorporation or a merger of the Company as to which

stockholder approval is not required pursuant to Section 251(f) or 253 of the Delaware General Corporation Law;

(iii) sale, lease, exchange or other transfer of 50% or more of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or

(iv) during any period of 12 consecutive months, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

Notwithstanding the foregoing provisions of this paragraph 1.3, a "Change of Control" will not be deemed to have occurred solely because of the acquisition of securities of the Company (or any reporting requirement under the Act relating thereto) by an employee benefit plan maintained by the Company for its employees.

1.4 This Agreement shall terminate as of the first anniversary of the Change of Control.

ARTICLE II. EMPLOYMENT

2.1 The Company agrees to employ Executive throughout the Term of Employment as Vice President of Corporate Development of the Company without materially reducing Executive's authority, status or salary below the level he possessed immediately prior to the Change of Control. The Company agrees that Executive's situs of employment will be within a 60 miles radius of such Executive's situs of employment immediately before the Change of Control.

2.2 For purposes of this Agreement, employment by a subsidiary of the Company will be deemed to be employment by the Company, and the Company may cause its obligations hereunder to be discharged through such a subsidiary, provided that the Company will remain liable for the discharge of all such obligations and that the rights, benefits, authority, status and salary of the Executive are in no way diminished thereby. A subsidiary is any corporation of which more than 50% of the voting stock is owned by the Company or another subsidiary of the Company.

ARTICLE III. COMPENSATION

3.1 The Company will pay as compensation to Executive for his services as an employee during the Term of Employment base annual salary and bonus, with similar performance goals, at a rate equal to or greater than the rate of base salary and bonus in effect for Executive immediately prior to the Change of Control as determined and approved by the Board of Directors in its customary capacity.

3.2 In addition, for his services as an employee during the Term of Employment, Executive will:

(a) participate fully in the Company's stock option plan (and/or any successor plan);

(b) participate fully in all pension, profit sharing and similar benefit plans of the Company;

(c) participate fully, together with his dependents and beneficiaries, in all life insurance plans, accident and health plans and other welfare plans, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company;

(d) participate fully in any additional benefit plans offered by the Company to executives before or after the Change of Control; and

(e) receive fringe benefits (which shall not include any benefit referred to elsewhere in this Article 3) substantially equivalent to those provided to Executive immediately prior to the Change of Control as well as reimbursement, upon proper accounting, of reasonable expenses

and disbursements incurred by Executive in the course of his duties, including, but not limited to, an automobile allowance and a mobile phone allowance.

3.3 Amounts payable under this Article 3 for services rendered by Executive during his employment constitute reasonable compensation for such services. If any such amount (or, if by reason of such amount, any other amount in the nature of compensation payable to Executive) is determined to be subject to the excise tax imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, the Company will pay to Executive in cash an additional amount necessary to cause the total payments (including the additional payment required by this paragraph 3.3) and benefits received by him under this Article 3 (net of all federal and state taxes, including all taxes payable under section 4999 of the Code) to be equal to the total payments and benefits Executive would have received under this Article 3 (net of all federal, state and local taxes) if section 4999 of the Code had not applied. This paragraph 3.3 does not apply to amounts payable under Article 4.

ARTICLE IV. TERMINATION OF EMPLOYMENT

4.1 In the event Executive's employment is terminated by the Company during the Term of Employment for any reason other than "Cause" (as defined in paragraph 4.5 below) the Company will pay Executive a lump sum cash payment, payable within 10 days of his termination equal to one year of the Executive's annual base salary in effect immediately prior to his termination and an amount equal to the bonus earned by Executive in the fiscal year prior to the year in which such termination takes place. In addition, one hundred percent (100%) of all options to purchase Common Stock of the Company that are unvested at the time of such termination as determined in this paragraph 4.1 shall immediately vest and become exercisable.

4.2 In the event of a termination described in paragraph 4.1 above, Executive together with his dependents and beneficiaries, will continue following his termination to participate fully in accordance with paragraph 3.2(c), (d) and (e) above in all life insurance plans, accident and health plans, other welfare plans, any additional benefit plans and any fringe benefits, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company, until the first anniversary of his termination.

The period of time between such a termination and the first anniversary of the Change of Control will be counted as service with the Company for purposes of any benefit plan of the Company in which Executive is participating at the time of the termination.

4.3 (a) Upon the occurrence of any breach by the Company of this Agreement within the meaning of paragraph 4.3(b), below, Executive may give the Company written notice of his intention to resign effective the 30th day following the receipt of such notice. If the Company does not provide or determine a reasonably adequate remedy such breach within 30 days of the date of such notice, Executive's resignation will become effective on such 30th day. If Executive resigns in

accordance with this paragraph during the Term of Employment, his employment will be deemed to have been terminated by the Company for reasons other than Cause [(and he will be deemed to have offered to continue to provide services to the Company),] and he will be entitled to all the payments and rights and benefits described in paragraphs 4.1 and 4.2, provided that such payments and rights and benefits will in no event be less than they would have been had such termination taken place on the date that the Company first breached this Agreement.

(b) The following events are breaches by the Company of this Agreement within the meaning of this paragraph 4.3(b):

(i) any material reduction of, or failure to pay, Executive's salary or bonus as described in paragraph 3.1 above;

(ii) any failure to provide the benefits required by paragraph 3.2 above or to make any payment that might be due in accordance with paragraph 3.3 above;

(iii) assignment to Executive of any duties inconsistent in any respect with his position (including status, offices and titles), authority, duties or responsibilities as contemplated by paragraph 2.1 above or any other action by the Company

that results in a material diminution of such position or authority;

(iv) failure after a Change of Control to comply with and satisfy paragraph 7.1 or 7.2 below;

relocation of the Company's principal executive offices, or any event that causes Executive to have his principal place of work changed, to any location outside a 60-mile radius of the Executive's place of work immediately prior to the Change of Control; and

(vi) without limiting the generality or effect of the foregoing, any other material breach of this Agreement by the Company or any successor thereto or transferee of substantially all the assets thereof.

4.4 If Executive is dismissed by the Company for Cause, he will not be entitled to payments or benefits provided under paragraphs 4.1 or 4.2 above. "Cause" shall mean: (I) material and willful dishonesty with respect to the Company or its subsidiaries; (ii) material and willful misfeasance or nonfeasance of duty by the Executive intended to injure or having the effect of injuring in some material fashion the reputation, business or business relationships of the Company or any of its subsidiaries or any of their respective officers, directors or employees; (iii) the willful commission by Executive of theft, embezzlement or other serious and substantial crimes against the Company or any of its subsidiaries; (iv) the conviction of the Executive of any felony, any crime involving moral turpitude or any crime that could reflect in some material fashion unfavorably upon the Company or any of its subsidiaries; and (v) continued substantial and repeated neglect of his duties as an Executive (including continued and prolonged absences from the Company's headquarters or Executive's

prescribed post), gross negligence or willful misconduct in the performance of his duties, or substantial breaches of this Agreement or other agreement related to Executive's employment. For purposes of this definition, no act or omission shall be considered to have been "willful" unless it was not in good faith and Executive had knowledge at the time that the act or omission was not in the best interest of the Company.

4.5 If Executive's employment is alleged to be terminated for Cause or if Executive's right to resign under paragraph 4.3 is disputed, Executive may initiate binding arbitration before the American Arbitration Association by serving a notice to arbitrate upon the Company or, at Executive's election, institute judicial proceedings, in either case within 90 days of the effective date of his termination or, if later, his receipt of notice of termination, or such longer period as may be reasonably necessary for Executive to take such action if illness or incapacity should impair his taking such action within the 90-day period. Each Party agrees to pay its own costs and expenses relating to such arbitration or judicial proceeding, and share equally the costs of such arbitration or judicial proceeding.

4.6 Termination of employment due to the death or total and permanent disability of Executive will not be considered a termination for purposes of this Article 4.

4.7 If Executive dies following a termination of employment that entitled him to benefits under this Article 4 but prior to receipt of all such benefits:

(a) his beneficiary (as designated to the Company in writing) or, if none, his estate, will be entitled to receive all unpaid amounts due hereunder; and

(b) his beneficiary or estate will be entitled to exercise options in accordance with paragraph 4.3 above and the terms of the options.

ARTICLE V. NO OBLIGATION TO MITIGATE

5.1 There shall be no requirement on the Executive's part to seek other employment or otherwise mitigate in order to be entitled to the full amount of any payments or benefits hereunder.

5.2 In the event Executive obtains other employment, Executive shall continue to be entitled to receive 25% of the full amount of any payments or benefits hereunder regardless of his subsequent level of compensation. In addition, Executive shall receive the difference between (i) the full amount of any payments or benefits due under this Agreement less (ii) the full amount of any payment or benefits from any other employment; provided, however, that {in no event shall} [IF] Executve receives payments or benefits in an amount greater than provided for in this Agreement, Executive shall be obligated to reimburse

to the Company such amount pursuant to a schedule agreed to by the Company and Executive or, if a schedule cannot be agreed to, a reasonable schedule under the circumstances.

ARTICLE VI. LIMITATION

6.1 Notwithstanding any other provision of this Agreement, and except as provided in paragraph 6.2 below, the payments or benefits to which Executive will be entitled under Article 4 of this Agreement will be reduced to the extent necessary so that Executive will not be liable for the federal excise tax levied on certain "excess parachute payments" under section 4999 of the Code.

6.2 The limitation of paragraph 6.1 will not apply if:

(a) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement determined without regard to paragraph 6.1, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such payments;

exceeds

(b) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement calculated as if the limitation of paragraph 6.1 applies, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such reduced payments.

Present values will be determined using the interest rate specified in section 280G of the Code and will be the present values as of the date on which Executive's employment terminates (unless it is necessary to use a different date in order to avoid adverse consequences under section 280G).

To illustrate, an "excess parachute payment" is the difference between the executive's average salary for the past five years and the parachute payment; provided, however, that the parachute payment must be at least equal to three times the executive's annual base salary before it is considered an "excess parachute payment." For example, if an executive had an average base salary for the past five years of $100,000.00 and receives a parachute payment of $299,000.00, no excise tax is due. If the parachute payment is $301,000.00, excise tax is due on the entire $201,000.00 difference.

6.3 (a) Whether payments to the Executive are to be reduced pursuant to paragraph 6.1, and the extent to which they are to be so reduced, will be determined by the Executive.

(b) If a reduction is made pursuant to paragraph 6.1, Executive will have the right to determine the payments and benefits that will be reduced.

ARTICLE VII. EXPENSES

If Executive determines in good faith that the Company has failed to comply with any of its obligations under this Agreement, or if the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any legal action or arbitration proceeding designed to deny Executive, or to recover from him, the benefits intended to be provided hereunder, or in the event of actions instituted as contemplated by paragraph 4.5 above, the Company irrevocably authorizes Executive from time to time to retain counsel of his choice, at the expense of the Executive as hereafter provided, to represent Executive in connection with any and all actions and proceedings, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, which may adversely affect Executive's rights under this Agreement. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the

Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel and agrees that a confidential relationship shall exist between Executive and such counsel.

ARTICLE VIII. MERGER OR ACQUISITION

8.1 If the Company is at any time before or after a Change of Control merged with or consolidated into or with any other corporation or other entity (whether or not the Company is the surviving entity), or if substantially all of the assets of the Company are transferred to another corporation or other entity, the corporation or other entity resulting from such merger or consolidation, or the acquirer of such assets, shall (by agreement in form and substance satisfactory to Executive) expressly assume the obligations of the Company under this Agreement. In any event, however, the provisions of this Agreement shall be binding upon and inure to the benefit of the corporation or other entity resulting from such merger or consolidation or the acquirer of such assets, and this Article 7 will apply in the event of any subsequent merger or consolidation or transfer of assets.

8.2 In the event of any merger, consolidation or sale of assets described above, nothing contained in this Agreement will detract from or otherwise limit Executive's right to or privilege of participation in any stock option or purchase plan or any bonus, profit sharing, pension, group insurance, hospitalization or other incentive or benefit plan or arrangement that may be or become applicable to executives of the corporation resulting from such merger or consolidation or the corporation acquiring such assets of the Company.

8.3 In the event of any merger, consolidation or sale of assets described above, references to the Company in this Agreement shall, unless the context suggests otherwise, be deemed to include the entity resulting from such merger or consolidation or the acquirer of such assets of the Company.

ARTICLE IX. WITHHOLDING

All payments required to be made by the Company hereunder to Executive or his dependents, beneficiaries or estate will be subject to the withholding of such amounts relating to tax and/or other payroll deductions as may be required by law.

ARTICLE X. AMENDMENT

No amendment, change or modification of this Agreement may be made except in writing, signed by both parties.

ARTICLE XI. GENERAL

11.1 The provisions of this Agreement shall be binding upon and shall inure to the benefit of Executive, his executors, administrators, legal representatives and assigns, and the Company and its successors.

11.2 The validity, interpretation and effect of this Agreement shall be governed by the laws of Colorado.

11.3 No right or interest to or in any payments shall be assignable by Executive, provided, however, that this provision shall not preclude him from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude the legal representative of his estate from assigning any right hereunder to the person or persons entitled thereto under his will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate. The term "beneficiaries" as used in this Agreement shall mean a beneficiary or beneficiaries so designated to receive any such amount, or if no beneficiary has been so designated, the legal representative of the Executive's estate.

11.4 No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

11.5 This Agreement does not supersede any other employment or severance agreements Executive has with the Company, including, but not limited to, the employment agreement attached hereto as Exhibit A (the "EMPLOYMENT AGREEMENT"), any proprietary information agreement, or non-competition agreement. Any payment made to Executive under the Employment Agreement shall be deducted from amounts due and payable to Executive under this Agreement; provided, however, that Executive shall not be liable for any amounts, either

under Article V herein or otherwise, in the event the amount paid under the Employment Agreement exceeds the amount due under this Agreement.

11.6 This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understanding, agreements or representations by or among th parties, written or oral, which may have related to the subject matter hereof in any way, except as discussed in paragraph 11.6 above.

11.7 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company and Executive have each caused this Agreement to be duly executed and delivered as of the date set forth above.

DYNAMIC MATERIALS CORPORATION,
a Delaware corporation

ATTEST:

____

By:______________________________________
Name:____________________________________
Its:_____________________________________

EXECUTIVE

ATTEST:

____

____
Mark W. Jarman

CHANGE OF CONTROL AGREEMENT

This CHANGE OF CONTROL AGREEMENT (this "AGREEMENT"), is made this 26th day of March, 1999, between Mark W. Jarman ("EXECUTIVE") and Dynamic Materials Corporation, a Delaware corporation (the "COMPANY").

RECITALS

WHEREAS, the Company wishes to assure itself of continuity of management in the event of any actual or threatened change in the control of the Company;

WHEREAS, the Company believes it is important that Executive be able to assess and advise the Company whether supporting a change in control would be in the best interests of the Company and its shareholders without being influenced by the uncertain effect of such a change upon Executive's role within the Company;

WHEREAS, Executive has been employed by the Company and the Company wishes to demonstrate to Executive the Company's concern for his welfare.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I. OPERATION OF AGREEMENT

1.1 This Agreement will be binding immediately upon its execution by the parties hereto, but will operate as an employment contract only during the "Term of Employment" as described below.

1.2 The "Term of Employment" is the period beginning on the date of a "CHANGE OF CONTROL" and ending on the earliest of:

(a) Executive's 65th birthday,

(b) Executive's death,

(c) the date on which the Agreement terminates in accordance with paragraph 1.4 below, and

(d) the date on which all rights and obligations of the parties hereto have been satisfied in accordance with the terms of this Agreement.

Neither the expiration of the Term of Employment nor the termination of this Agreement will relieve the Company of the obligation to provide Executive, in accordance with the terms hereof, the payments, benefits and coverage to which he has become entitled under this Agreement.

1.3 "CHANGE OF CONTROL" means a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that without limitation, such a Change of Control shall be deemed to have occurred if:

(a) the Company has achieved net operating income for the four quarter period immediately prior to the occurrence of any of the events described in paragraph 1.3(b) below,

and

(b) the occurrence of any of the following events:

(i) any person or group (as such terms are used in connection with Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company in an amount sufficient to be deemed an Acquiring Person as defined in the Company's Rights Agreement dated as of January 8, 1999;

(ii) the Company is a party to a merger or consolidation whereby 50% or more of the assets or outstanding shares of Common and Preferred Stock of the Company are transferred to an acquiror, other than a merger solely to effect reincorporation or a merger of the Company as to which

stockholder approval is not required pursuant to Section 251(f) or 253 of the Delaware General Corporation Law;

(iii) sale, lease, exchange or other transfer of 50% or more of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or

(iv) during any period of 12 consecutive months, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

Notwithstanding the foregoing provisions of this paragraph 1.3, a "Change of Control" will not be deemed to have occurred solely because of the acquisition of securities of the Company (or any reporting requirement under the Act relating thereto) by an employee benefit plan maintained by the Company for its employees.

1.4 This Agreement shall terminate as of the first anniversary of the Change of Control.

ARTICLE II. EMPLOYMENT

2.1 The Company agrees to employ Executive throughout the Term of Employment as Vice President of Corporate Development of the Company without materially reducing Executive's authority, status or salary below the level he possessed immediately prior to the Change of Control. The Company agrees that Executive's situs of employment will be within a 60 miles radius of such Executive's situs of employment immediately before the Change of Control.

2.2 For purposes of this Agreement, employment by a subsidiary of the Company will be deemed to be employment by the Company, and the Company may cause its obligations hereunder to be discharged through such a subsidiary, provided that the Company will remain liable for the discharge of all such obligations and that the rights, benefits, authority, status and salary of the Executive are in no way diminished thereby. A subsidiary is any corporation of which more than 50% of the voting stock is owned by the Company or another subsidiary of the Company.

ARTICLE III. COMPENSATION

3.1 The Company will pay as compensation to Executive for his services as an employee during the Term of Employment base annual salary and bonus, with similar performance goals, at a rate equal to or greater than the rate of base salary and bonus in effect for Executive immediately prior to the Change of Control as determined and approved by the Board of Directors in its customary capacity.

3.2 In addition, for his services as an employee during the Term of Employment, Executive will:

(a) participate fully in the Company's stock option plan (and/or any successor plan);

(b) participate fully in all pension, profit sharing and similar benefit plans of the Company;

(c) participate fully, together with his dependents and beneficiaries, in all life insurance plans, accident and health plans and other welfare plans, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company;

(d) participate fully in any additional benefit plans offered by the Company to executives before or after the Change of Control; and

(e) receive fringe benefits (which shall not include any benefit referred to elsewhere in this Article 3) substantially equivalent to those provided to Executive immediately prior to the Change of Control as well as reimbursement, upon proper accounting, of reasonable expenses

and disbursements incurred by Executive in the course of his duties, including, but not limited to, an automobile allowance and a mobile phone allowance.

3.3 Amounts payable under this Article 3 for services rendered by Executive during his employment constitute reasonable compensation for such services. If any such amount (or, if by reason of such amount, any other amount in the nature of compensation payable to Executive) is determined to be subject to the excise tax imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, the Company will pay to Executive in cash an additional amount necessary to cause the total payments (including the additional payment required by this paragraph 3.3) and benefits received by him under this Article 3 (net of all federal and state taxes, including all taxes payable under section 4999 of the Code) to be equal to the total payments and benefits Executive would have received under this Article 3 (net of all federal, state and local taxes) if section 4999 of the Code had not applied. This paragraph 3.3 does not apply to amounts payable under Article 4.

ARTICLE IV. TERMINATION OF EMPLOYMENT

4.1 In the event Executive's employment is terminated by the Company during the Term of Employment for any reason other than "Cause" (as defined in paragraph 4.5 below) the Company will pay Executive a lump sum cash payment, payable within 10 days of his termination equal to one year of the Executive's annual base salary in effect immediately prior to his termination and an amount equal to the bonus earned by Executive in the fiscal year prior to the year in which such termination takes place. In addition, one hundred percent (100%) of all options to purchase Common Stock of the Company that are unvested at the time of such termination as determined in this paragraph 4.1 shall immediately vest and become exercisable.

4.2 In the event of a termination described in paragraph 4.1 above, Executive together with his dependents and beneficiaries, will continue following his termination to participate fully in accordance with paragraph 3.2(c), (d) and (e) above in all life insurance plans, accident and health plans, other welfare plans, any additional benefit plans and any fringe benefits, maintained or sponsored by the Company immediately prior to the Change of Control, or receive substantially equivalent coverage (or the full value thereof in cash) from the Company, until the first anniversary of his termination.

The period of time between such a termination and the first anniversary of the Change of Control will be counted as service with the Company for purposes of any benefit plan of the Company in which Executive is participating at the time of the termination.

4.3 (a) Upon the occurrence of any breach by the Company of this Agreement within the meaning of paragraph 4.3(b), below, Executive may give the Company written notice of his intention to resign effective the 30th day following the receipt of such notice. If the Company does not provide or determine a reasonably adequate remedy such breach within 30 days of the date of such notice, Executive's resignation will become effective on such 30th day. If Executive resigns in

accordance with this paragraph during the Term of Employment, his employment will be deemed to have been terminated by the Company for reasons other than Cause [(and he will be deemed to have offered to continue to provide services to the Company),] and he will be entitled to all the payments and rights and benefits described in paragraphs 4.1 and 4.2, provided that such payments and rights and benefits will in no event be less than they would have been had such termination taken place on the date that the Company first breached this Agreement.

(b) The following events are breaches by the Company of this Agreement within the meaning of this paragraph 4.3(b):

(i) any material reduction of, or failure to pay, Executive's salary or bonus as described in paragraph 3.1 above;

(ii) any failure to provide the benefits required by paragraph 3.2 above or to make any payment that might be due in accordance with paragraph 3.3 above;

(iii) assignment to Executive of any duties inconsistent in any respect with his position (including status, offices and titles), authority, duties or responsibilities as contemplated by paragraph 2.1 above or any other action by the Company

that results in a material diminution of such position or authority;

(iv) failure after a Change of Control to comply with and satisfy paragraph 7.1 or 7.2 below;

relocation of the Company's principal executive offices, or any event that causes Executive to have his principal place of work changed, to any location outside a 60-mile radius of the Executive's place of work immediately prior to the Change of Control; and

(vi) without limiting the generality or effect of the foregoing, any other material breach of this Agreement by the Company or any successor thereto or transferee of substantially all the assets thereof.

4.4 If Executive is dismissed by the Company for Cause, he will not be entitled to payments or benefits provided under paragraphs 4.1 or 4.2 above. "Cause" shall mean: (I) material and willful dishonesty with respect to the Company or its subsidiaries; (ii) material and willful misfeasance or nonfeasance of duty by the Executive intended to injure or having the effect of injuring in some material fashion the reputation, business or business relationships of the Company or any of its subsidiaries or any of their respective officers, directors or employees; (iii) the willful commission by Executive of theft, embezzlement or other serious and substantial crimes against the Company or any of its subsidiaries; (iv) the conviction of the Executive of any felony, any crime involving moral turpitude or any crime that could reflect in some material fashion unfavorably upon the Company or any of its subsidiaries; and (v) continued substantial and repeated neglect of his duties as an Executive (including continued and prolonged absences from the Company's headquarters or Executive's

prescribed post), gross negligence or willful misconduct in the performance of his duties, or substantial breaches of this Agreement or other agreement related to Executive's employment. For purposes of this definition, no act or omission shall be considered to have been "willful" unless it was not in good faith and Executive had knowledge at the time that the act or omission was not in the best interest of the Company.

4.5 If Executive's employment is alleged to be terminated for Cause or if Executive's right to resign under paragraph 4.3 is disputed, Executive may initiate binding arbitration before the American Arbitration Association by serving a notice to arbitrate upon the Company or, at Executive's election, institute judicial proceedings, in either case within 90 days of the effective date of his termination or, if later, his receipt of notice of termination, or such longer period as may be reasonably necessary for Executive to take such action if illness or incapacity should impair his taking such action within the 90-day period. Each Party agrees to pay its own costs and expenses relating to such arbitration or judicial proceeding, and share equally the costs of such arbitration or judicial proceeding.

4.6 Termination of employment due to the death or total and permanent disability of Executive will not be considered a termination for purposes of this Article 4.

4.7 If Executive dies following a termination of employment that entitled him to benefits under this Article 4 but prior to receipt of all such benefits:

(a) his beneficiary (as designated to the Company in writing) or, if none, his estate, will be entitled to receive all unpaid amounts due hereunder; and

(b) his beneficiary or estate will be entitled to exercise options in accordance with paragraph 4.3 above and the terms of the options.

ARTICLE V. NO OBLIGATION TO MITIGATE

5.1 There shall be no requirement on the Executive's part to seek other employment or otherwise mitigate in order to be entitled to the full amount of any payments or benefits hereunder.

5.2 In the event Executive obtains other employment, Executive shall continue to be entitled to receive 25% of the full amount of any payments or benefits hereunder regardless of his subsequent level of compensation. In addition, Executive shall receive the difference between (i) the full amount of any payments or benefits due under this Agreement less (ii) the full amount of any payment or benefits from any other employment; provided, however, that {in no event shall} [IF] Executve receives payments or benefits in an amount greater than provided for in this Agreement, Executive shall be obligated to reimburse

to the Company such amount pursuant to a schedule agreed to by the Company and Executive or, if a schedule cannot be agreed to, a reasonable schedule under the circumstances.

ARTICLE VI. LIMITATION

6.1 Notwithstanding any other provision of this Agreement, and except as provided in paragraph 6.2 below, the payments or benefits to which Executive will be entitled under Article 4 of this Agreement will be reduced to the extent necessary so that Executive will not be liable for the federal excise tax levied on certain "excess parachute payments" under section 4999 of the Code.

6.2 The limitation of paragraph 6.1 will not apply if:

(a) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement determined without regard to paragraph 6.1, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such payments;

exceeds

(b) the difference between

(i) the present value of all payments to which Executive is entitled under Article 4 of this Agreement calculated as if the limitation of paragraph 6.1 applies, less

(ii) the present value of all federal, state, and other income and excise taxes for which Executive is liable as a result of such reduced payments.

Present values will be determined using the interest rate specified in section 280G of the Code and will be the present values as of the date on which Executive's employment terminates (unless it is necessary to use a different date in order to avoid adverse consequences under section 280G).

To illustrate, an "excess parachute payment" is the difference between the executive's average salary for the past five years and the parachute payment; provided, however, that the parachute payment must be at least equal to three times the executive's annual base salary before it is considered an "excess parachute payment." For example, if an executive had an average base salary for the past five years of $100,000.00 and receives a parachute payment of $299,000.00, no excise tax is due. If the parachute payment is $301,000.00, excise tax is due on the entire $201,000.00 difference.

6.3 (a) Whether payments to the Executive are to be reduced pursuant to paragraph 6.1, and the extent to which they are to be so reduced, will be determined by the Executive.

(b) If a reduction is made pursuant to paragraph 6.1, Executive will have the right to determine the payments and benefits that will be reduced.

ARTICLE VII. EXPENSES

If Executive determines in good faith that the Company has failed to comply with any of its obligations under this Agreement, or if the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any legal action or arbitration proceeding designed to deny Executive, or to recover from him, the benefits intended to be provided hereunder, or in the event of actions instituted as contemplated by paragraph 4.5 above, the Company irrevocably authorizes Executive from time to time to retain counsel of his choice, at the expense of the Executive as hereafter provided, to represent Executive in connection with any and all actions and proceedings, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, which may adversely affect Executive's rights under this Agreement. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the

Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel and agrees that a confidential relationship shall exist between Executive and such counsel.

ARTICLE VIII. MERGER OR ACQUISITION

8.1 If the Company is at any time before or after a Change of Control merged with or consolidated into or with any other corporation or other entity (whether or not the Company is the surviving entity), or if substantially all of the assets of the Company are transferred to another corporation or other entity, the corporation or other entity resulting from such merger or consolidation, or the acquirer of such assets, shall (by agreement in form and substance satisfactory to Executive) expressly assume the obligations of the Company under this Agreement. In any event, however, the provisions of this Agreement shall be binding upon and inure to the benefit of the corporation or other entity resulting from such merger or consolidation or the acquirer of such assets, and this Article 7 will apply in the event of any subsequent merger or consolidation or transfer of assets.

8.2 In the event of any merger, consolidation or sale of assets described above, nothing contained in this Agreement will detract from or otherwise limit Executive's right to or privilege of participation in any stock option or purchase plan or any bonus, profit sharing, pension, group insurance, hospitalization or other incentive or benefit plan or arrangement that may be or become applicable to executives of the corporation resulting from such merger or consolidation or the corporation acquiring such assets of the Company.

8.3 In the event of any merger, consolidation or sale of assets described above, references to the Company in this Agreement shall, unless the context suggests otherwise, be deemed to include the entity resulting from such merger or consolidation or the acquirer of such assets of the Company.

ARTICLE IX. WITHHOLDING

All payments required to be made by the Company hereunder to Executive or his dependents, beneficiaries or estate will be subject to the withholding of such amounts relating to tax and/or other payroll deductions as may be required by law.

ARTICLE X. AMENDMENT

No amendment, change or modification of this Agreement may be made except in writing, signed by both parties.

ARTICLE XI. GENERAL

11.1 The provisions of this Agreement shall be binding upon and shall inure to the benefit of Executive, his executors, administrators, legal representatives and assigns, and the Company and its successors.

11.2 The validity, interpretation and effect of this Agreement shall be governed by the laws of Colorado.

11.3 No right or interest to or in any payments shall be assignable by Executive, provided, however, that this provision shall not preclude him from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude the legal representative of his estate from assigning any right hereunder to the person or persons entitled thereto under his will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to his estate. The term "beneficiaries" as used in this Agreement shall mean a beneficiary or beneficiaries so designated to receive any such amount, or if no beneficiary has been so designated, the legal representative of the Executive's estate.

11.4 No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

11.5 This Agreement does not supersede any other employment or severance agreements Executive has with the Company, including, but not limited to, the employment agreement attached hereto as Exhibit A (the "EMPLOYMENT AGREEMENT"), any proprietary information agreement, or non-competition agreement. Any payment made to Executive under the Employment Agreement shall be deducted from amounts due and payable to Executive under this Agreement; provided, however, that Executive shall not be liable for any amounts, either

under Article V herein or otherwise, in the event the amount paid under the Employment Agreement exceeds the amount due under this Agreement.

11.6 This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understanding, agreements or representations by or among th parties, written or oral, which may have related to the subject matter hereof in any way, except as discussed in paragraph 11.6 above.

11.7 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company and Executive have each caused this Agreement to be duly executed and delivered as of the date set forth above.

DYNAMIC MATERIALS CORPORATION,
a Delaware corporation

ATTEST:

____

By:______________________________________
Name:____________________________________
Its:_____________________________________

EXECUTIVE

ATTEST:

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Mark W. Jarman

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