

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of Earliest Event Reported): **September 17, 2004**

Dynamic Materials Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-8328

(Commission File Number)

84-0608431

(I.R.S. Employer
Identification Number)

(303) 655-5700

(Registrant's Telephone Number, Including Area Code)

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

80301
(Zip Code)

Not Applicable

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

The information set forth in Item 2.01 of this Current Report on Form 8-K is incorporated by reference herein.

Item 2.01 Completion of Acquisition or Disposition of Assets

On September 17, 2004, Dynamic Materials Corporation ("DMC") completed the divestiture of its Spin Forge business ("Spin Forge"), which manufactures certain rocket motor cases and pressure tanks. The divestiture was made pursuant to an Agreement, dated as of September 17, 2004 (the "Master Agreement"), between DMC and Aerojet-General Corporation ("Aerojet"). Pursuant to the Master Agreement, DMC sold the assets that constitute Spin Forge, excluding certain equipment and real estate which are being leased or subleased to Aerojet (as described below), for a sales price of approximately \$1,665,000 to be paid in cash according to the arrangement set forth in the Master Agreement and subject to post-closing adjustment to reflect final inventory values as of the closing date. DMC will also provide certain services to Aerojet in connection with the sale of Spin Forge pursuant to a Transition Services Agreement, dated as of September 17, 2004, between DMC and Aerojet (the "Transition Services Agreement").

In connection with the Master Agreement, DMC has agreed to lease certain equipment currently used by Spin Forge to Aerojet pursuant to an Equipment Lease Agreement (the "Equipment Lease"), dated as of September 17, 2004, between DMC and Aerojet. Aerojet will pay DMC monthly rental installments of \$21,921 under the Equipment Lease, which will terminate on January 1, 2007 unless extended at Aerojet's option until September 17, 2012. At the end of the initial term, Aerojet has the option to purchase all or a portion of the equipment being leased at its net book value as of the lease commencement date, less any rental installments paid pursuant to the Equipment Lease. If Aerojet chooses to exercise its rights under a separate Option Agreement, which is described below, then it is required to purchase all of the equipment at the aforementioned value no later than January 1, 2007.

DMC has also agreed to sublease (the "Sublease") to Aerojet the premises where Spin Forge is located (the "Premises") at a base rate of \$30,244 per month. Aerojet will pay additional rent of \$1,159 per month under the Sublease for its use of DMC-owned office equipment, furniture and fixtures and leasehold improvements that are currently available for use on the Premises. The Sublease expires on January 1, 2007 unless it is terminated sooner as a result of Aerojet exercising its rights under a separate Option Agreement as further described below.

DMC has the option, pursuant to an Option Agreement, dated March 18, 1998, as amended, to purchase the Premises (the "Master Option Agreement") from the current owner. The Master Option Agreement has been amended by Amendment Number 5 to Option Agreement, dated as of September 17, 2004 (the "Amendment"). The Amendment states that DMC may exercise its option to purchase the Premises beginning after November 1, 2006. In addition, the purchase price for the Premises upon exercise of the option is \$2,880,000; provided, however, that if the option is exercised after

January 31, 2007, the purchase price will be the greater of (i) the fair market value of the property at the time the option is exercised or (ii) \$2,880,000.

Pursuant to a separate Option Agreement, dated as of September 17, 2004 (the "Option Agreement"), DMC has granted Aerojet the option to have DMC assign all of its rights to the Premises, including rights under both the master lease relating to the Premises and the Master Option Agreement, for such reasonable consideration for the value of the option as the parties may mutually agree at a later date. Aerojet must exercise this option prior to August 1, 2005. If Aerojet does not exercise this option by August 1, 2005 or if the parties fail to reach agreement on consideration by December 15, 2004, DMC retains the option to purchase the Premises. In addition, if DMC purchases the Premises, DMC has agreed to continue to lease the property to Aerojet until January 1, 2007 under the same terms as the Sublease.

Copies of the Master Agreement, the Transition Services Agreement, the Lease Agreement, the Sublease, the Amendment, the Option Agreement and the press release relating to the disposition are attached as exhibits hereto and are incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information

DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2004 gives effect to the sale of Spin Forge as if it had occurred on June 30, 2004. The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2004 and the fiscal year ended December 31, 2003 give effect to the sale of Spin Forge as if it had occurred at the beginning of each of the periods presented.

Pro forma financial statements require the presentation of earnings from continuing operations after income tax but before discontinued operations, extraordinary items, and cumulative effect of a change in accounting principle. Therefore, the loss from discontinued operations of \$1,297,407, net of taxes, related to the sale of the DMC's Precision Machined Products division included in the historical consolidated statement of operations for the fiscal year ended December 31, 2003 has been omitted.

The unaudited pro forma condensed consolidated financial information has been prepared and should be read in conjunction with the historical consolidated financial statements and related notes thereto of DMC, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in DMC's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and DMC's Quarterly Report on Form 10-Q as of June 30, 2004 filed with the Securities and Exchange Commission ("SEC").

Unaudited pro forma condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the results that actually would have

been realized had the assets been sold during these periods. Additionally, the future consolidated financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein because of a variety of factors, including access to additional information and changes in values not currently identified due to post-closing adjustments and reconciliation, which could result in adjustment to, among other items, the ultimate loss in connection with the sale of Spin Forge.

To the extent that this pro forma financial information is forward looking, it is made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements reflect assumptions and involve a number of risks and uncertainties, which may be beyond the Company's control, including the risks detailed from time to time in DMC's SEC reports, including the report on Form 10-K for the fiscal year ended December 31, 2003.

DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2004

<u>ASSETS</u>	<u>Dynamic Materials</u>	<u>Sale of Spin Forge</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Balance</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 689,655	\$ —	\$ —	\$ 689,655
Accounts receivable	8,523,189	—	—	8,523,189
Inventories	6,298,450	—	—	6,298,450
Prepaid expense and other	804,585	—	—	804,585
Current portion of long-term receivables	210,000	1,211,746	—(1)	1,421,746
Current deferred tax asset	336,600	—	—	336,600
Total current assets	16,862,479	1,211,746	—	18,074,225
PROPERTY, PLANT AND EQUIPMENT, net	11,668,077	—	—	11,668,077
RESTRICTED CASH AND SHORT TERM INVESTMENTS	191,999	—	—	191,999
GOODWILL, net	847,076	—	—	847,076
INTANGIBLE ASSETS, net	55,668	—	—	55,668
OTHER ASSETS	172,628	—	—	172,628
LONG TERM RECEIVABLES	317,500	753,392	—(1)	1,070,892
ASSETS HELD FOR SALE	3,056,629	(1,965,138)	—(1)	1,091,491

TOTAL ASSETS	\$ 33,172,056	\$ —	\$ —	\$ 33,172,056
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See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

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	Dynamic Materials	Sale of Spin Forge	Pro Forma Adjustments	Pro Forma Balance
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Bank overdraft	\$ 182,613	\$ —	\$ —	\$ 182,613
Accounts payable	5,248,673	—	—	5,248,673
Accrued expenses	2,864,085	—	—	2,864,085
Line of credit	931,432	—	—	931,432
Current maturities of long-term debt	3,848,381	—	—	3,848,381
Total current liabilities	13,075,184	—	—	13,075,184
LONG-TERM BANK LINE OF CREDIT	1,175,838	—	—	1,175,838
LONG-TERM DEBT	3,260,137	—	—	3,260,137
NET DEFERRED TAX LIABILITIES	244,191	—	—	244,191
DEFERRED GAIN ON SWAP TERMINATION	32,571	—	—	32,571
OTHER LONG-TERM OBLIGATIONS	130,425	—	—	130,425
Total liabilities	17,918,346	—	—	17,918,346
STOCKHOLDERS' EQUITY				
Common stock	255,914	—	—	255,914
Additional paid-in capital	12,490,208	—	—	12,490,208
Retained earnings	1,757,096	—	—	1,757,096
Other cumulative comprehensive income	750,492	—	—	750,492
Total stockholder's equity	15,253,710	—	—	15,253,710
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 33,172,056	\$ —	\$ —	\$ 33,172,056

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

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DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2004

	Dynamic Materials	Sale of Spin Forge (2)	Pro Forma Adjustments	Pro Forma Results
NET SALES	\$ 22,145,213	\$ —	\$ —	\$ 22,145,213
COST OF PRODUCTS SOLD	16,931,035	—	—	16,931,035
Gross profit	5,214,178	—	—	5,214,178
EXPENSES:				
General and administrative	1,684,498	—	—	1,684,498
Selling expense	1,696,685	—	—	1,696,685
	3,381,183	—	—	3,381,183
INCOME FROM OPERATIONS	1,832,995	—	—	1,832,995
Other expense, net	7,042	—	—	7,042
Interest expense	(234,022)	—	—	(234,022)
Interest income	11,619	—	—	11,619
Income (loss) before income taxes	1,617,634	—	—	1,617,634
INCOME TAX PROVISION	(645,243)	—	—	(645,243)
INCOME FROM CONTINUING OPERATIONS	\$ 972,391	\$ —	\$ —	\$ 972,391
PER SHARE - BASIC AND DILUTED:				
Income from continuing operations	\$ 0.19			\$ 0.19

WEIGHTED AVERAGE SHARES OUTSTANDING:

BASIC	5,098,231	5,098,231
DILUTED	5,180,286	5,180,286

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

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DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

	<u>Dynamic Materials</u>	<u>Sale of Spin Forge (2)</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Results</u>
NET SALES	\$ 40,277,970	\$ 4,498,641	\$ —	\$ 35,779,329
COST OF PRODUCTS SOLD	31,405,999	4,900,547	—	26,505,452
Gross profit (loss)	8,871,971	(401,906)	—	9,273,877
EXPENSES:				
General and administrative	3,682,150	740,289	—	2,941,861
Selling expense	3,016,154	—	—	3,016,154
	6,698,304	740,289	—	5,958,015
INCOME (LOSS) FROM OPERATIONS	2,173,667	(1,142,195)	—	3,315,862
Other income (expense), net	(18,907)	—	—	(18,907)
Interest expense	(518,065)	—	—	(518,065)
Interest income	9,560	—	—	9,560
Income (loss) before income taxes	1,646,255	(1,142,195)	—	2,788,450
INCOME TAX PROVISION	(1,058,006)	—	(445,456)(3)	(1,503,462)
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 588,249	\$ (1,142,195)	\$ (445,456)	\$ 1,284,988
PER SHARE - BASIC AND DILUTED:				
Income from continuing operations	\$ 0.12			\$ 0.25
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	5,067,324			5,067,324
DILUTED	5,110,806			5,110,806

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

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DYNAMIC MATERIALS CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (1) Represents the reclassification of inventory from assets held for sale to note receivable to reflect the transfer in ownership of the Spin Forge inventory. A portion of the receivable will be collected within one year and, as such, has been classified as current in the June 30, 2004 Pro Forma Condensed Consolidated Balance Sheet with the balance classified as long term.
- (2) Spin Forge's operating results are eliminated from the December 31, 2003 Pro Forma Condensed Statement of Operations. This elimination is not necessary for the June 30, 2004 Pro Forma Condensed Statement of Operations since Spin Forge was reflected as discontinued operations for that period.
- (3) Represents a tax adjustment to reverse the tax benefit associated with Spin Forge's operating loss.

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(c) Exhibits

- 10.1 Agreement, dated as of September 17, 2004, between DMC and Aerojet.
- 10.2 Transition Services Agreement, dated as of September 17, 2004, between DMC and Aerojet.
- 10.3 Equipment Lease Agreement, dated as of September 17, 2004, between DMC and Aerojet.
- 10.4 Sublease, dated as of September 17, 2004, between DMC and Aerojet
- 10.5 Amendment Number 5 to Option Agreement, , dated as of September 17, 2004, between DMC and Spin Forge, LLC
- 10.6 Option Agreement, dated as of September 17, 2004, between DMC and Aerojet
- 99.1 Press Release dated September 20, 2004.

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SIGNATURES

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

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard A. Santa
Name: _____ Richard A. Santa
Title: _____ Vice President
and Chief
Financial Officer

Dated: September 23, 2004

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INDEX TO EXHIBITS

<u>Number</u>	<u>Description</u>
10.1	Agreement, dated as of September 17, 2004, between DMC and Aerojet.
10.2	Transition Services Agreement, dated as of September 17, 2004, between DMC and Aerojet.
10.3	Equipment Lease Agreement, dated as of September 17, 2004, between DMC and Aerojet.
10.4	Sublease, dated as of September 17, 2004, between DMC and Aerojet
10.5	Amendment Number 5 to Option Agreement, dated as of September 17, 2004, between DMC and Spin Forge, LLC
10.6	Option Agreement, dated as of September 17, 2004, between DMC and Aerojet
99.1	Press Release dated September 20, 2004.

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AGREEMENT

This Agreement is entered into as of the 17th day of September 2004, between DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("DMC"), acting through its unincorporated division SPIN FORGE ("DMC/SF") and AEROJET-GENERAL CORPORATION, an Ohio corporation ("Aerojet").

RECITALS

WHEREAS, DMC/SF is the owner and operator of certain technology, equipment and tooling used in the manufacture of certain rocket motor case and pressure tanks manufactured at DMC/SF's El Segundo facility (the "Facility");

WHEREAS, DMC/SF is terminating all of its operations at the Facility, including its rocket motor case and pressure tanks manufacturing operations (the "Business");

WHEREAS, DMC is leasing to Aerojet certain equipment used in the manufacture of rocket motor case and pressure tanks (the "Spin Forge Assets");

WHEREAS, Aerojet desires to lease the Facility and the Spin Forge Assets, and to acquire the necessary technology, in order to manufacture rocket motor cases and pressure tanks and continue operation of the Business, and DMC/SF is willing to lease the Facility and Spin Forge Assets and sell the technology to Aerojet on the terms and conditions set forth in this Agreement and the Ancillary Agreements (as hereinafter defined);

NOW, THEREFORE, the parties agree as follows:

1. Ancillary Agreements. Concurrently with the execution and delivery of this Agreement, the parties shall execute and deliver a Real Property Lease with respect to the Facility which Aerojet shall lease from DMC/SF (the "Sublease"), an Equipment Lease for the lease of the Spin Forge Assets (the "Equipment Lease"), a Transition Services Agreement (the "TSA") relating to certain services to be provided by DMC to Aerojet after Closing in connection with the transfer of the Business; and an Option Agreement relating to the Real Property (the

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"Option Agreement"). The Sublease, the Equipment Lease, the TSA and the Option Agreement are referred to herein as the "Ancillary Agreements."

2. Sale and Purchase of Assets; Liabilities.

2.1 Sale and Purchase. Upon the terms and subject to the conditions of this Agreement, DMC/SF shall sell, convey, assign, transfer and deliver to Aerojet, and Aerojet shall purchase and acquire from DMC/SF, free and clear of any encumbrances, all of DMC/SF's right, title and interest in DMC/SF's property and assets, tangible and intangible, used in the Business and described below (but excluding the Excluded Assets):

(a) the property listed or described in Schedule 2.1(a), including, without limitation, usable inventory together with any existing warranty by the manufacturers or sellers or lessors of any item or component part thereof and all existing maintenance records and other documents related thereto (collectively, the "Scheduled Property");

(b) the books and records, including business records, books, models, tracings, films, slides, art work and printing plates, tool drawings, plans, designs, blueprints, schematic drawings, engineering data, computer software (object code, and, to the extent transferable, source code) data and the like in the possession of and used by DMC/SF relating specifically to the Business, including, records relating to the purchase of materials, supplies and services, as set forth in Schedule 2.1(b); (collectively, the "Books and Records");

(c) all right, title and interest to the intangible personal property of DMC/SF used in connection with the Business as currently conducted, including all copyrights, trademark and trade name rights to the name "Spin Forge," and any other Information used in connection with the Business as currently conducted, as listed in Schedule 2.1(c), together with the goodwill of the Business associated therewith. "Information" means any and all documented and undocumented information (including patents and patent applications), including software code, documentation, maskworks, test algorithms, technical information, data and drawings of whatever kind in whatever medium, specifications, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, nonpatented inventions, discoveries, and ideas, past and current manufacturing and distribution methods and processes, current and anticipated customer requirements, price lists, part lists, customer lists, market

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studies, business plans, database technologies, systems, structures, architectures, improvements, devices, concepts, methods and information, however documented, and any and all notes, analysis, compilations, studies, summaries, and other material containing or based, in whole or in part, on any information included in the foregoing. "Spin Forge Technology" means Information, including Information relating to the manufacture of ATACMS, HAWK, HSAD and other rocket motor cases, as well as pressure tanks for the Minuteman and Delta II rockets and certain forging and machining development work for General Electric Corporation and Chart Industries owned by DMC/SF or for which DMC/SF has a right to license to Aerojet without any cost to DMC/SF; that is or has been used in or is necessary for the use in the operation of the Spin Forge business or the manufacture of the Products. DMC/SF will promptly deliver to Aerojet, the Spin Forge Technology with respect to the Products as set forth in Schedule 2.1(c);

(d) the contracts listed in Schedule 2.1(d); and

(e) the Licenses and Permits relating exclusively to the Business and listed on Schedule 2.1(e).

All of the property and assets to be transferred to Aerojet as set forth in Section 2.1 (a)-(e) is referred to collectively as the "**Acquired Assets**," which the parties hereto acknowledge does not include the assets subject to the Equipment Lease.

2.2 Excluded Assets. Notwithstanding anything to the contrary contained in Article 2.1 or elsewhere in this Agreement, all assets of DMC/SF not described in Article 2.1 hereof (collectively, the "**Excluded Assets**") are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of DMC/SF after the Closing.

2.3 Purchase Price. The aggregate purchase price for the Assets shall be One Million Six Hundred and Sixty Six Thousand Nine Hundred and Twenty Seven Dollars (\$1,664,927) as determined by the parties acting in good faith, such amount being equal to DMC/SF's direct costs plus manufacturing overhead, determined in accordance with applicable federal acquisition regulations, cost accounting standards and generally accepted accounting principles, but not to exceed contracted or budgeted value, if such contracted or budgeted values

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exist. This lump-sum price shall be adjusted based on mutual agreement of inventory value at the time of Closing. Payment will be made net ninety (90) days after the inventory enters Aerojet's manufacturing Work-in-Process accounts, but in no event later than January 1, 2007. Aerojet shall notify DMC on the first day after the accounting close of each month as to which products entered Work-in-Process in the prior month. The value the parties attributed to each item included in the Scheduled Property shall be listed on Schedule 2.1(a), as adjusted for sales and production activity through the Closing Date pursuant to mutually-agreed upon criteria.

2.4 Liabilities.

(a) No Assumed Liabilities. Aerojet shall assume no liabilities of DMC/SF in connection with the transactions contemplated by this Agreement. Aerojet shall assume only those liabilities of DMC/SF that are arising out of, relating to or otherwise in any respect of contracts included in the Acquired Assets to the extent such obligations or liabilities (1) arise out of events or conditions occurring after the Closing Date or arise out of the operation of the Business after the Closing Date, or (2) arise out of events or conditions occurring after the Closing Date. The Assumed Liabilities include:

(i) any Environmental Matter (as defined in Article 3.10 hereof) including but not limited to (1) any violation, liability, penalty, cost, damage, fine, order, judgment or obligation under Environmental Laws (as defined in Article 3.10 hereof) to the extent they arise out of acts or omissions occurring after the Closing Date, (2) the presence of any and all environmental conditions, environmental liabilities or Hazardous Substances (as defined in Article 3.10 hereof) at, in, by, from, or related to, the Facility or the operation of the Business that arose, commenced, occurred or existed after the Closing Date; or (3) the recycling, reclamation, incineration, or the arrangement of transportation, by Aerojet in the operation of the Facility or of the Business of any Hazardous Substances (as defined in Article 3.10 hereof) that occurred after the Closing Date;

(ii) any workplace safety liability arising under federal, state, or local occupational safety laws for acts or incidents occurring after the Closing Date (e.g., OSHA);

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(b) Retained Liabilities. All debts, liabilities, or obligations that (1) arise out of events or conditions occurring on or prior to the Closing or arise out of the operation of the Business at or prior to the Closing or (2) arise, mature or become due at or prior to the Closing, shall remain the sole responsibility of and shall be retained, paid, performed and discharged by DMC/SF. Aerojet shall not assume, pay, or in any way be liable or responsible for any of such debts, liabilities, or obligations (collectively, the "Retained Liabilities"), including but not limited to:

(i) any wages, salary, severance, bonuses, commissions, vacation or holiday pay, post retirement medical benefits, fringe benefits, long-term disability benefits, life insurance benefits, any duties, obligations or liabilities arising under any employee benefit plan, policy or practice, whether defined by ERISA or otherwise, relating to the Business employees or other amounts due to any employees or former employees of the Business which accrue on or before the date such employees become employees of Aerojet (as provided in Article 6.1 hereof), including but not limited to claims (for severance benefits and otherwise) by such employees that were discharged or constructively discharged pursuant to the transactions contemplated pursuant to this Agreement; as well as any federal, state, or local government claims, audit charges, enforcement actions, or other proceedings regarding labor, employment or socioeconomic issues;

(ii) any liability or obligation of DMC/SF relating to, resulting from, caused by, or arising out of the ownership, operations or control of the Business (including but not limited to breach of contract and warranty claims relating to products delivered prior to the Closing Date, except for those products delivered to Aerojet) by DMC/SF,

(iii) any Environmental Matter (as defined in Article 3.10 hereof) including but not limited to (1) any violation, liability, penalty, cost, damage, fine, order, judgment or obligation under Environmental Laws (as defined in Article 3.10 hereof) to the extent they arise out of acts or omissions occurring on or prior to the Closing Date, (2) the presence of any and all environmental conditions, environmental liabilities or Hazardous Substances (as defined in Article 3.10 hereof) at, in, by, from, or related to, the Premises or the operation of the Business that arose, commenced, occurred or existed prior to the Closing Date; and (3) the recycling, reclamation, incineration, or the arrangement of transportation, by

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DMC/SF in the operation of the Premises or of the Business of any Hazardous Substances (as defined in Article 3.10 hereof) that occurred on or before the Closing Date;

(iv) any Worker's Compensation liability;

(v) any workplace safety liability arising under federal, state, or local occupational safety laws (e.g., OSHA);

(vi) any supplier or vendor liabilities, except as specifically agreed to at Closing and pursuant to assignment or novation of any such contract.

3. Representations and Warranties of DMC/SF. DMC/SF represents and warrants to Aerojet as follows:

3.1 DMC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the power and authority to own its properties and to carry on its business as now conducted.

3.2 DMC/SF has the power and authority to enter into this Agreement and the Ancillary Agreements and to consummate the transactions contemplated herein and therein. This Agreement has been duly executed and delivered by DMC/SF and the Ancillary Agreements, upon execution by DMC/SF, will have been duly executed and delivered by DMC/SF, and each such agreement is or upon execution will be a valid and binding obligation of DMC/SF, enforceable against DMC/SF in accordance with its terms. Neither the execution of this Agreement or the Ancillary Agreements by DMC/SF nor the consummation of the transactions contemplated herein or therein by DMC/SF will violate, conflict with or result in the breach of any provision of the Certificate of Incorporation or Bylaws of DMC or any contract, agreement, license, lease, sublease or arrangement or series of related contracts (excluding purchase orders and customer orders in the ordinary course of business), (i) which involves annual expenditures or receipts by DMC/SF of more than \$[25,000] or (ii) which provides for performance, regardless of amount, over a period in excess of one year after the date of such contract, arrangement or commitment, except as would not have a Material Adverse Effect.

3.3 Except as would not reasonably be likely to have, individually or in the aggregate, a material adverse effect on the operation of the Business (a "Material Adverse

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Effect"), no approval of or filing, other than those approvals or filings that have been obtained or made, with any foreign, federal, state or local court, authority or

administrative agency is necessary to authorize the execution and delivery of this Agreement and the Ancillary Agreements by DMC/SF or the consummation of the transactions contemplated herein and therein by DMC/SF.

3.4 To the knowledge of DMC/SF, as of the date hereof there are no pending complaints, investigations or other enforcement proceedings by OSHA or other state, county or local health and safety agencies against DMC/SF relating to the equipment leased pursuant to the Equipment Lease (the "Leased Equipment") in a manner that would have a Material Adverse Effect.

3.5 To the knowledge of DMC/SF, as of the date hereof there are no actions, claims, proceedings, and investigations ("Actions"), including without limitation Actions for personal injuries, products liability, or breach of warranty arising from products sold by DMC/SF, threatened against DMC/SF or any properties or rights of DMC/SF (including, without limitation, the patents, trademarks, copyrights, technology, know-how, or processes sold pursuant to Sections 2.1(b) and (c) hereto), before any court, arbitrator, or administrative or governmental body. To the knowledge of DMC/SF, there are no such Actions threatened challenging the validity or propriety of, or otherwise relating to or involving, this Agreement, any Ancillary Agreement, or the transactions contemplated hereby or thereby. To the knowledge of DMC/SF, no state of facts exists that would constitute grounds for (i) the institution of any Action against DMC/SF or against any properties or rights of DMC/SF, except for those Actions that would not have a Material Adverse Effect, or (ii) the challenge of the validity or propriety of the transactions contemplated by this Agreement or any other Ancillary Agreement. DMC/SF is not subject to any judgment, order, or decree entered in any lawsuit or proceeding that has materially adversely affected, or that can reasonably be expected to materially affect, the transactions contemplated by this Agreement, DMC/SF, or the Transferred Assets, including, without limitation, DMC/SF's business practices and its ability to acquire any property or conduct business in any way.

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3.6 Contracts and Commitments.

(a) Schedule 3.6 hereto contains a complete list of each contract and commitment of DMC/SF that is material to the operations, assets, business, or financial condition of DMC/SF or that by its terms can reasonably be expected to require future payment by or to DMC/SF of \$25,000 or more, including but not limited to the following:

- (i) all employment contracts and commitments between the Business and its employees, other than those terminable by the Business at will and without payment or penalty;
 - (ii) all collective bargaining agreements and union contracts to which the Business is a party;
 - (iii) all contracts or commitments, written or oral, which involve annual expenditures or receipts by the Business in excess of \$25,000 with distributors, brokers, manufacturer's representatives, sales representatives, service or warranty representatives, customers, and other persons, firms, or corporations engaged in the sale or distribution of the Business' products;
 - (iv) all purchase orders issued by the Business in excess of \$25,000, all sales orders received by the Business in excess of \$25,000, and all purchase or sales orders that call for delivery or performance on a date more than one year from the date of this Agreement;
 - (v) all contracts and arrangements between the Business or any person or entity that controls, is controlled by, or is under common control with, the Business or any family member of any such person (such entity or person, being hereinafter referred to as an "Affiliate")
- (b) The Business is not a party to any written agreement that would restrict it from carrying on any line of business anywhere in the world.

(c) Each of the contracts listed on Schedules 2.1(d) and 3.6 is valid and binding and has been entered into in the ordinary course of business. The Business is not in default under or in material breach or violation of, and DMC/SF has not received notice of any asserted claim of default by any other party under, or a breach or violation of, any of the contracts, agreements, and commitments set forth in Schedules 2.1(d) and 3.6 hereto.

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3.7 Title to Properties; Absence of Liens and Encumbrances. Except as set forth on Schedule 3.7 hereto, DMC/SF has good and marketable title to or a valid leasehold interest in all of its properties and assets, tangible and intangible, free and clear of all liens and encumbrances. There is no material asset used or required by DMC/SF in the conduct of its business which is not owned by the DMC/SF or licensed or leased to it pursuant to one of the licenses or leases listed in Schedules 3.8 and 3.9 hereto.

3.8 Leases. Schedule 3.8 hereto contains a complete list of (i) each lease pursuant to which DMC/SF leases, as lessor or lessee, any real property interest and (ii) each lease pursuant to which DMC/SF leases, as lessor or lessee, any type of property where Aerojet's inability to acquire DMC/SF's rights thereunder would have a Material Adverse Effect. Each such lease is valid and binding and is in full force and effect, subject only to exceptions based on bankruptcy, insolvency or similar laws of general application, and, there are no existing defaults by any party to any such lease, or any condition, event or act known to DMC/SF which, with notice or lapse of time or both, would constitute such a default. Without limiting the foregoing, DMC/SF is not in default under any of such leases, and DMC/SF has not received any notice from any person asserting a default by DMC/SF under any such lease.

3.9 Intellectual Property. DMC/SF owns, licenses, or otherwise has the right to use all Information and Spin Forge Technology used in the Business as currently conducted. Schedule 2.1(c) hereto contains a complete and accurate list of (i) all patents, trademarks, copyrights, technology, know-how, work instructions, and processes used or proposed to be used by DMC/SF, all applications therefor, and all licenses and other agreements relating thereto; and (ii) all agreements relating to technology, know-how, or processes that DMC/SF is licensed or authorized to use by others or licenses or authorizes others to use. Except as set forth in any of such licenses or agreements, DMC/SF has the sole and exclusive right to use its patents, trademarks, copyrights, technology, know-how, and processes identified in Schedule 2.1(c) and no consent of any third party is required for the use thereof by Aerojet upon completion of the transfer of the Acquired Assets. To DMC/SF's knowledge, no claims have been asserted by any person to the use of any such patents, trademarks, copyrights, technology, know-how, or processes, or challenging or questioning the validity or effectiveness of any such license or agreement, and DMC/SF knows of no valid basis for any such claims. DMC/SF has not received

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any notice and is not aware of any facts or alleged facts indicating that the use of such patents, trademarks, copyrights, technology, know-how, or processes by DMC/SF infringes on the rights of any other person. No additional proprietary rights other than those listed on Schedule 2.1(c) are material to the conduct of the Business of DMC/SF.

3.10 Environmental Matters. For purposes of this Article 3.10, the property of DMC/SF shall mean the Facility subject to the Sublease and the Leased Equipment. Additionally, for purposes of this Article 3.10, "Hazardous Substance" means any chemical, waste, pollutant, contaminant or toxic, reactive or corrosive material or substance, or any other chemical, material, or substance included in the definition of "pollutant," "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous materials," "toxic substances" or "toxic pollutants" or words of similar import, the release of which is prohibited, limited or

regulated by any governmental authority under any Environmental Law. Further, "Environmental Laws" means any U.S. federal, state, county or local law, statute, or ordinance that regulates or relates to the existence of, or provides a remedy for, release of Hazardous Substances, the protection of the environment, natural resources or the environment, the management of Hazardous Substances, or other activities involving Hazardous Substances. Environmental Laws include all of the following federal laws and amendments thereto, their implementing regulations and all state and local laws, regulations and ordinances that regulate the same subject matter: (a) the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 USC 9601 et seq.; (b) the Solid Waste Disposal Act, 42 USC 6901 et seq., including the Resource Conservation and Recovery Act (RCRA), and Laws governing underground storage tanks; (c) the Toxic Substances Control Act (TSCA), 15 USC 2601 et seq., including those provisions governing use and disposal of Polychlorinated Biphenyls (PCBs); (d) the Hazardous Materials Transportation Act (HMTA), 49 USC 5101 et seq.; (e) the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), 7 USC 136 et seq.; (f) the Clean Air Act, 42 USC 7401 et seq.; (g) the Federal Water Pollution Control Act, 33 USC 1251 et seq.; (h) the Emergency Planning and Community Right-to-Know Act (EPCRA), 42 USC 11001 et seq.; and (i) the Safe Drinking Water Act, 42 USC 300f et seq.

Except as set forth on Schedule 3.10, to the knowledge of DMC/SF:

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(a) the operations of DMC/SF comply in all material respects with all applicable Environmental Law.

(b) DMC/SF has obtained, is in compliance with, and has made all appropriate filings for issuance or renewal of, all permits, licenses, authorizations, registrations, notices or other governmental consents required by applicable Environmental Laws ("Environmental Permits") issued to, or required to be obtained or maintained by DMC/SF to carry on its business as presently conducted, including any amendment, modification, limitation, condition or renewal thereof. Schedule 3.10(b) hereto sets forth all such Environmental Permits required for the operation of the business of DMC/SF and all such Environmental Permits are in good standing and DMC/SF is in compliance in all material respects with all terms and conditions of such permits and there is no ongoing or threatened action to revoke or modify such permits. DMC/SF knows of no intention on the part of any relevant authority to revoke, suspend, invalidate, vary, or modify in any material respect or not renew any Environmental Permits. No Environmental Permits contain any conditions making them personal to DMC/SF.

(c) DMC/SF has not filed or received any notice under any Environmental Law indicating, at any time since DMC/SF has owned, leased or operated the Facility, a past or present unauthorized disposal or release of a Hazardous Substance in violation of or imposing liability under any Environmental Law, and DMC/SF has timely filed or prepared all material notices, reports and plans required to be filed or prepared, as the case may be, under all applicable Environmental Laws with respect to the past or present manufacturing, processing, use, treatment, storage or disposal of a Hazardous Substance or reporting of a spill or release of a Hazardous Substance during its lease of the Facility. No discharge, release, spillage, uncontrolled loss, seepage, or filtration of any Hazardous Substance has occurred at, upon or under the Premises at any time owned, leased or operated by DMC/SF which was not authorized pursuant to and in accordance with Environmental Permits.

(d) DMC/SF does not utilize, store, dispose of, treat, generate, process, transport, release, or own any Hazardous Substance, nor has DMC/SF ever done so.

(e) There are no above ground or underground storage tanks on or in the Facility owned or operated by DMC/SF from which there have been releases of Hazardous

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Substances, except as permitted by law or where the releases would not have a material adverse effect on human health or safety or DMC/SF.

(f) DMC/SF has not received any notice of writs, injunctions, decrees, orders, or judgments outstanding, or suits, claims, actions, proceedings, or investigations instituted or threatened under any Environmental Laws, including, but not limited to, any notice from any governmental authority or private or public entity advising DMC/SF that it is or is potentially responsible for response costs under CERCLA or any analogous state law with respect to a release or threatened release of Hazardous Substances.

(g) DMC/SF has not received notice of any failure of DMC/SF to comply in any material respect with any Environmental Law or the requirements of any Environmental Permit, or any failure of DMC/SF to have any Environmental Permit. DMC/SF has heretofore made available to Aerojet true, correct and complete copies of all material reports, correspondence, memoranda, computer data and the complete files relating to environmental matters in the possession or control of DMC/SF with respect to the Facility.

(h) DMC/SF has not paid any material fine, penalty or assessment within the prior five years with respect to environmental matters relating to the Premises.

(i) DMC/SF has in effect an environmental insurance policy that covers (subject to the terms and conditions of the policy) the Premises, among other properties, as summarized on the attached Schedule 3.10(i).

3.11 Compliance with Laws. DMC/SF is not in violation of, has not been charged with any violation of, or, to the best of its knowledge, is not under any investigation with respect to any charge concerning any violation of any requirements of law (other than Environmental Laws which are covered in Section 3.11). DMC/SF is in substantial compliance with respect to any order, writ, injunction or decree of any court, agency or instrumentality.

3.12 Licenses and Permits. Schedule 3.12 sets forth a complete and correct list of all material licenses and permits specifically related to the design, manufacture, and export licensing of the products of the Business (the "Licenses and Permits").

3.13 Litigation. No statute, regulation or order of any governmental body is in effect that restrains or prohibits the transactions contemplated hereby, nor are there any Actions or proceedings pending before any governmental body challenging the lawfulness,

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validity or propriety of or seeking to prevent, or otherwise relating to or involving, any of the transactions contemplated by this Agreement or any of the Ancillary Agreements or seeking monetary or other relief by reason of the consummation of any of such transactions.

4. Representations and Warranties of Aerojet. Aerojet represents and warrants to DMC/SF as follows:

4.1 Aerojet is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio, has full power and authority to own its properties and to carry on its business as now conducted.

4.2 Aerojet has full power and authority to enter into this Agreement and the Ancillary Agreements and to consummate the transactions contemplated herein and therein. This Agreement has been duly executed and delivered by Aerojet and the Ancillary Agreements, upon execution by Aerojet, will have been duly executed and delivered by Aerojet, and each such Agreement is or upon execution will be a valid and binding obligation of Aerojet, enforceable in accordance with its terms. Neither the execution of this Agreement or the Ancillary Agreements by Aerojet nor the consummation of the transactions contemplated herein or therein by Aerojet will constitute or

cause a breach or violation of any covenant or obligation binding upon Aerojet or affecting any of its properties.

4.3 No approval of or filing with any federal, state or local court, authority or administrative agency is necessary to authorize the execution of this Agreement by Aerojet or the consummation of the transactions contemplated herein by Aerojet.

4.4 No statute, regulation or order of any governmental body is in effect that restrains or prohibits the transactions contemplated hereby, nor are there any Actions or proceedings pending before any governmental body challenging the lawfulness, validity or propriety of or seeking to prevent, or otherwise relating to or involving, any of the transactions contemplated by this Agreement or any of the Ancillary Agreements or seeking monetary or other relief by reason of the consummation of any of such transactions.

5. Indemnification.

5.1 Indemnification by DCM/SF. Subject to the limits set forth in this Article 5, DMC/SF agrees to indemnify, defend and hold Aerojet and each of Aerojet's Affiliates,

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officers, directors, employees, agents, successors and assigns (Aerojet and such persons are collectively hereinafter referred to as "Aerojet's Indemnified Persons") harmless from and against any and all loss, liability, damage or deficiency (including reasonable attorneys' fees) (collectively "Losses") that Aerojet's Indemnified Persons may suffer, sustain, incur or become subject to, caused by or due to: (a) any breach of any representation or warranty of DMC/SF in this Agreement; (b) the failure to perform any covenant, undertaking, agreement or other obligation of DMC/SF under this Agreement; (c) any Excluded Asset; or (d) any Retained Liability.

5.2 Indemnification by Aerojet. Subject to the limits set forth in this Article 5, Aerojet agrees to indemnify, defend and hold DMC/SF and DMC/SF's Affiliates, officers, directors, employees, agents, successors and assigns (DMC/SF and such persons are hereinafter collectively referred to as "DMC/SF's Indemnified Persons"), harmless from and against any and all Losses that DMC/SF's Indemnified Persons may suffer, sustain, incur or become subject to, caused by or due to: (a) any breach of any representation or warranty of Aerojet in this Agreement; (b) the failure to perform any covenant, undertaking, agreement or other obligation of Aerojet under this Agreement; or (c) the ownership, operations or control of the Business after the Closing or (d) any of the Acquired Assets after they have been delivered from DMC/SF to Aerojet.

5.3 Survival of Representations and Warranties: Deductible. The several representations and warranties of the parties contained in this Agreement and the parties' right to indemnify in accordance with this Article 5 shall survive the Closing Date and shall remain in full force and effect thereafter as follows: with respect to Article 3 (except for Article 3.10) for a period of 12 months after the Closing Date; with respect to Article 3.10 upon the earlier of (i) the termination of the Sublease or (ii) the assumption by Aerojet of the Master Lease (as defined in the Sublease); for all other representations and warranties, for a period of 12 months after the Closing Date and shall be effective with respect to any inaccuracy therein or breach thereof, notice of which shall have been duly given within such 12 month period in accordance with Article 5.4 hereof, after which 12-month or the Sublease term, as the case may be, they shall terminate and be of no further force or effect. Anything to the contrary contained herein notwithstanding, neither party shall be entitled to any recovery from the other party with respect

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to any inaccuracy or breach of such warranties or representations unless and until the amount of such Loss suffered, sustained or incurred by the asserting party, or to which such party becomes subject, by reason of such inaccuracy or breach, shall exceed Ten Thousand Dollars (\$10,000.00) calculated on a cumulative basis and not a per item basis (the "Basket Amount"), and then only with respect to the excess over the Basket Amount but in no event shall either party be liable to the other in an aggregate amount in excess of Eight Hundred Thousand Dollars (\$800,000.00) (the "Cap"). The Basket Amount and the Cap shall not be applicable to claims arising under Article 3.12 (Title to Transferred Assets) or to claims based on fraud, willful misrepresentation or deceit.

5.4 Notice and Opportunity to Defend. If there occurs an event that either party asserts is an indemnifiable event pursuant to Articles 5.1 and 5.2 hereof, the party seeking indemnification (the "Indemnitee") shall notify the party obligated to provide indemnification (the "Indemnitor") promptly. If such event involves (i) any claim, or (ii) the commencement of any action or proceeding by a third person, the Indemnitee will give the Indemnitor written notice of such claim or the commencement of such action or proceeding within 15 days of the Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of 30 days within which to respond thereto. If the Indemnitor accepts responsibility within such 30 day period, the Indemnitor shall provide the Indemnitee with such assurances as may be reasonably required by the Indemnitee to assure that the Indemnitor will assume and be responsible for the entire liability at issue, subject to the Cap. The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee, which shall not be withheld unreasonably, and until such consent is obtained, the Indemnitor shall continue defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such

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event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (y) the amount of the offer of settlement which the Indemnitee refused to accept plus Indemnitee's Loss, if any, prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement, and (z) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter, in each case subject to the Cap. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter.

5.5 Exclusive Remedy. Except as provided in the Ancillary Agreements, each party hereto agrees that, from and after the Closing, its sole and exclusive remedy at law with respect to any and all claims relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this Article 5.

6. Other Agreements and Covenants.

6.1 Prorations. Aerojet shall reimburse DMC a pro rata portion of any operating expenses other than those governed by the Sublease or Equipment Lease relating to the Business paid prior to the Closing Date and paid by DMC for periods after the Closing Date. DMC shall reimburse Aerojet a pro rata portion of any operating expenses or taxes paid by Aerojet after the Closing Date relating to periods prior to the Closing Date.

6.2 DMC/SF Employees. At the time of the Closing, Aerojet will offer employment to selected employees of DMC/SF. Employees hired by Aerojet will be credited with a vacation accrual upon their hiring, using the Aerojet vacation accrual schedule, but based on each employee's years of service at DMC/SF as of the date of Closing. Aerojet will also offer the same benefits currently provided to Aerojet employees to any DMC/SF employee hired by Aerojet.

6.3 Pre-Closing Activities of DMC/SF. After the date hereof and until Aerojet takes possession of the Facility and DMC/SF Assets under the Sublease and Equipment Lease, DMC/SF shall maintain the Spin Forge Assets at the Facility. Upon reasonable notice to DMC/SF, Aerojet may enter the Facility to inspect the Spin Forge

6.4 Post-Closing Warranty Work. After the date hereof, as requested by DCM/SF Aerojet will perform, in a commercially reasonable manner, on behalf of DMC/SF any warranty repairs required on Spin Forge products manufactured by DMC/SF prior to the date hereof. DMC/SF will reimburse Aerojet at Aerojet's actual direct and indirect costs, such indirect costs to be calculated in a manner consistent with Aerojet's standard practice for internally allocating such indirect costs, but no profit. Services provided by Aerojet to DMC/SF pursuant to this Article 6.3 shall be provided in accordance with a mutually agreed upon scope of work, estimated cost, terms and conditions, and delivery schedule. DMC/SF shall be entitled to audit Aerojet's books and records with respect to any such warranty repairs. Nothing herein shall preclude DMC/SF from having such warranty repairs performed by another vendor, supplier, or affiliate of DMC/SF.

6.5 Termination of Certain Agreements. Upon Closing, the parties shall mutually terminate the "Teaming Agreement" between Aerojet-General Corporation and Spin Forge, dated May 3, 2002, pursuant to Article III.F.1.d. thereof. In addition, upon Closing, the parties shall also mutually terminate the "Joint Venture Agreement" between Spin Forge International, Inc. and Atlantic Research Corporation, as amended and assigned, dated November 27, 1995, pursuant to Article 7(a) thereof.

6.6 Novation/Assignment of Contracts. DMC/SF and Aerojet each will use its reasonable commercial efforts after the Closing Date to obtain all consents, approvals or authorizations of any government, governmental agency, authority or instrumentality, court or arbitration tribunal or third parties that are not obtained prior to the Closing Date and that are required in connection with the transactions contemplated by this Agreement and the Ancillary Agreements; provided that Aerojet will be required to make any expenditures or incur any liability to obtain any third party consent required in connection with the consummation of the transactions contemplated by this Agreement, except as expressly agreed in writing.

6.7 Nonassignable Authorizations. To the extent that the assignment of any contract, licenses, permit, or approval issued or to be issued or assigned or to be assigned to Aerojet pursuant to this Agreement, including but not limited to the Licenses and Permits, shall require the consent of any other party, this Agreement shall not constitute a contract to assign the

same if an attempted assignment would constitute a breach thereof. If any such consent is not obtained, then DMC/SF shall cooperate with Aerojet in any reasonable arrangement requested by Aerojet designed to provide to Aerojet the benefits under any such Licenses and Permits, including enforcement of any and all rights of DMC/SF against the other party thereto arising out of breach or cancellation thereof by such other party or otherwise.

6.8 Tax Matters.

All transfer, documentary, sales, use, stamp, registration and other such taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by Aerojet when due, and Aerojet will, at its own expense, file all necessary Tax Returns and other documentation with respect to such Taxes, fees and charges.

6.9 Access to Records. For a period of 90 days after Closing, subject to any laws relating to antitrust, export controls, employment or privacy issues and subject to rules applicable to visitors at either party's offices generally, each party shall afford to the other party and its representatives copies of and access to, upon reasonable notice and during normal business hours, all books and records, contracts, documents and information of and relating to the assets, liabilities, operations and other aspects of the Business; *PROVIDED, HOWEVER*, that such investigation shall be conducted in a manner which does not interfere with the normal operations, customers and employee relations of the party being investigated.

6.10 Environmental Matters.

Aerojet covenants and agrees to: (a) comply with all applicable Environmental Laws in the course of its Sublease of the Facility, Equipment Lease, ownership, operation, use and/or occupancy of the Facility; (b) take all necessary steps and measures to ensure that the subsurface of the Facility remains undisturbed, except in case of emergencies or imminent risk to human health or safety (in which case DMC/SF will immediately be contacted and consulted in its capacity as Lessee and Sublessor of the Facility), including without limitation, the prohibition of (i) the installation of any underground storage tank, (ii) the storage or use of fuel oil as a heating source, at the Facility, or (iii) the performance of any subsurface investigation, including the installation of groundwater monitoring wells or soil test pits or performance of subsurface

sampling in any manner unless directed to do so by court order or a government regulatory agency (in such instance, Aerojet shall provide written notice to DMC upon receipt of any and all orders or directives and shall not commence any required work without the prior written consent of DMC, such consent to not be unreasonably denied or delayed); and, (c) to the extent possible, use commercially reasonable best efforts to include in all legal instruments (e.g., permitted assignments or leases) whereby Aerojet transfers some or all of its interest in the Acquired Assets to another person or entity, a release of and covenant not to sue DMC by the transferee, from any and all claims, demands, causes of actions (including causes of action in tort), losses, damages, liabilities, costs and expenses (including consultant's and attorney's fees and court costs) at any time by reason or arising out of any Environmental Laws or issues concerning alleged Hazardous Substances that the transferee might assert or allege against DMC.

7. General.

7.1 Non-Competition. DMC/SF agrees that for so long as Aerojet is producing rocket motor cases or pressure tanks that were manufactured or offered for sale by DMC/SF as of the Closing utilizing the Leased Equipment and the technology sold pursuant to Sections 2.1(b) and (c) hereto (the "Spin Forge Products"), DMC shall not engage in the business of manufacturing and selling Spin Forge Products.

7.2 Publicity. No party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other party; *PROVIDED, HOWEVER*, that DMC may issue any press release or make any public announcement or filing it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities. Each party shall advise the other of any press release or announcements to the public with respect to this Agreement and provide an opportunity to review any such proposed communication prior to its release.

7.3 Governing Law. **This Agreement shall be governed by and construed in accordance with the domestic laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the state of California or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of California.**

7.4 Waiver of Jury Trial. DMC/SF AND AEROJET HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

7.5 Survival. The Ancillary Agreements shall survive the Closing in accordance with their terms. The representations, warranties, covenants and other agreements herein contained shall continue in full force and effect after the Closing as set forth in Section 5.3 hereto.

7.6 Entire Agreement. This Agreement, together with the Ancillary Agreements and the exhibits and schedules hereto and thereto, contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, with respect thereto. No amendment, supplement, modification, waiver or termination of this Agreement shall be implied or be binding (including any alleged waiver based on a party's knowledge of any inaccuracy in any representation or any breach of warranty or covenant contained herein) unless in writing and signed by the party against which such amendment, supplement, modification, waiver or termination is asserted. No waiver of a provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly therein provided

7.7 Successors and Assigns. All of the terms and provisions of this Agreement by or for the benefit of the parties shall be binding upon and inure to the benefit of their respective successors, permitted assigns, heirs and personal representatives. The rights and obligations provided by this Agreement shall not be assignable, except by either party (without discharge of its obligations hereunder) to a subsidiary or affiliate or a successor to its business, and, except as expressly provided herein, nothing herein is intended to confer upon any person other than the parties and their successors, any rights or remedies under or by reason of this Agreement.

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7.8 Form and Content of Documents. All instruments or documents to be delivered by any party to this Agreement shall be in form and content reasonably satisfactory to the counsel for the party receiving such instrument or document.

7.9 Execution in Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

7.10 Interpretation and Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The term "including" shall mean including without limitation. The parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

7.11 Notices. All notices, requests, demand, claims and other communications hereunder shall be in writing. Any such written communication shall be deemed to have been duly given (except as may otherwise be specifically provided herein to the contrary), and shall be deemed sufficient to preserve the rights of the sending party, if either (i) mailed by certified or registered mail, with postage prepaid by sender, or shipped by express courier service, with charges prepaid by sender and received for by or on behalf of the intended recipient, in each case to the following address (or to such other address as any part may

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designate for himself or itself by notice to the other parties given pursuant hereto), or else (ii) delivered by hand with evidence of delivery:

If to DMC/SF:	President Dynamic Materials Corporation 5405 Spine Road Boulder, CO 80301 Attention: Yvon Cariou Fax Number (303) 604-1897
With a copy to:	Chief Financial Officer Dynamic Materials Corporation 5405 Spine Road Boulder, CO 80301 Attention: Richard Santa Fax Number (303) 604-1897
If to Aerojet	Aerojet General Corporation P. O. Box 1036 Camden, AR 71711-1036 Attention: Robert Shenton Vice-President, Operations Fax Number: (870) 574-3528
With a copy to:	Aerojet General Corporation P. O. Box 13222 Sacramento, CA 95813-6000 Attention: Brian E. Sweeney Vice-President, Legal and Contracts Fax Number: (916) 351-8610

8. Conditions to Closing; Closing Deliverables; Termination.

8.1 Simultaneous Execution and Closing. The consummation of the sale and purchase of the Business contemplated by this Agreement (the "Closing") will occur simultaneously with the execution of the Agreement. Closing will occur at the offices of _____ at _____ at 10:00 a.m. California time on September _____, _____, or at such other date and time as may be mutually agreeable to the parties hereto (the "Closing Date").

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8.2 Conditions Precedent to Obligation of Aerojet. The obligation of Aerojet to proceed with the Closing is subject to the fulfillment at Closing of the following conditions, any one or more of which may be waived in whole or in part by Aerojet at Aerojet's sole option:

(a) Closing Documents. Aerojet shall have received the other documents referred to in Article 8.3(a)

8.2. Conditions Precedent to Obligation of DMC/SF. The obligation of DMC/SF to proceed with the Closing is subject to the fulfillment at Closing of the following conditions, any one or more of which may be waived in whole or in part by DMC/SF at DMC/SF's sole option:

(a) Closing Documents. DMC/SF shall also have received the other documents referred to in Article 8.3(b). All agreements, certificates and other documents delivered by Aerojet to DMC/SF hereunder shall be in form and substance satisfactory to counsel for DMC/SF, in the exercise of such counsel's reasonable professional judgment.

8.3 Deliveries and Proceedings at Closing.

(a) Deliveries by DMC/SF. DMC/SF shall deliver or cause to be delivered to Aerojet at the Closing:

- a. the Sublease executed by DMC;
- b. the Equipment Lease executed by DMC
- c. the Option Agreement executed by DMC;
- d. the TSA executed by DMC;
- e. the written consent of DMC's banks to release any and all liens on the Acquired Assets;
- f. such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by Aerojet executed by DMC;
- g. a completed Schedule 2.1(a), with a lump sum value for the Assets.

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(b) Deliveries by Aerojet. Aerojet shall deliver or cause to be delivered to DMC/SF at the Closing:

- a. the Sublease executed by Aerojet;
- b. the Equipment Lease executed by Aerojet;
- c. the Option Agreement executed by Aerojet;
- d. the TSA executed by Aerojet;
- e. such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by DMC/SF executed by Aerojet;
- f. a completed Schedule 2.1(a), with a lump sum value for the Assets.

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

DYNAMIC MATERIALS CORPORATION

By: _____
Printed Name: _____
Title: _____

AEROJET GENERAL CORPORATION

By: _____
Printed Name: _____
Title: _____

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Execution Copy

SCHEDULE 2.1 (a) - SPIN FORGE INVENTORY

<u>Description/Program Name</u>	<u>Inventory Value</u>
ATACMS Cases and Domes	\$ 268,520
HAWK - Work-in-process	\$ 473,412
HAWK - Stores and Finished Goods	427,833

		<u>901,245</u>	
Less - Amounts Previously Billed to Aerojet		<u>(147,853)</u>	
Adjusted HAWK Program Total	\$	<u>753,392</u>	753,392
HSAD Generator Cases	\$	127,906	
HSAD Booster Cases		446,686	
HSAD Program Total	\$	<u>574,592</u>	574,592
6992 - Minuteman III Tanks			<u>68,423</u>
Inventory Total			<u>\$ 1,664,927</u>

TRANSITIONAL SERVICES AGREEMENT

This Transitional Services Agreement (“TSA”), made as of the 17th day of September 2004, (“Effective Date”) is by and between DYNAMIC MATERIALS CORPORATION, a Delaware corporation (“Seller”), and Aerojet-General Corporation (“Buyer”).

WITNESSETH

WHEREAS, Seller and Buyer have entered into an Agreement, dated as of September 17, 2004 (the “Agreement”) and certain Ancillary Agreements related to the Business, and the Business uses certain services provided by Seller;

WHEREAS, Article 6.4 of the Agreement provides that Seller and Buyer shall execute and deliver the TSA; and

WHEREAS, Buyer desires to obtain the use of certain services for the purpose of enabling Buyer to manage an orderly transition in its operation of the Business.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

1.1 “Transitional Services” shall include the services set forth in *Schedule 1.1* to be performed by Seller for Buyer.

Capitalized terms not expressly defined in this TSA shall have the meanings ascribed to them in the Agreement.

2. PROVISION OF SERVICES

2.1 Subject to Article 7 hereof, Seller shall provide, or cause to be provided, to Buyer such Transitional Services as are requested by Buyer for a period of up to 180 days after the Closing Date (the “Term”). It is understood by the parties that the quantity of services to be provided under this *Section 2.1* shall be substantially consistent with Seller’s recent historical practice. Notwithstanding the foregoing, Seller shall use reasonable commercial efforts to maintain sufficient resources to perform Transitional Services in accordance with the terms of this TSA.

2.2 The parties shall use reasonable commercial efforts to cooperate with each other in all matters relating to the provision and receipt of Transitional Services. Such cooperation shall include exchanging information, providing electronic access to data systems used in connection with Transitional Services, and obtaining all consents, licenses, sublicenses or approvals necessary or desirable to permit each party to perform its obligations hereunder. The costs of obtaining such consents, licenses, sublicenses or approvals shall be borne by Buyer.

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3. PRICING, BILLING AND PAYMENT

3.1 All Transitional Services shall be provided by Seller and paid for by Buyer at Seller’s cost without profit in accordance with the same allocation formula(s) and allocation base(s) used by Seller immediately prior to the Closing Date.

3.2 Charges for Transitional Services shall be billed monthly by Seller and shall be payable by Buyer on the 30th day of the month following the month in which such services are rendered.

3.3 As needed from time to time during the period during which Transitional Services are provided, and upon termination of the provision of any Transitional Service, Seller will provide Buyer, upon request, with a copy of all records (in any format, electronic or otherwise) related to the provision of Transitional Services under this TSA, including, but not limited to, billing and other Business-related records. Seller may retain archival copies of such records.

4. WARRANTY, LIABILITY AND INDEMNITY

4.1 Seller shall provide Transitional Services to Buyer in a manner substantially consistent with the manner they have heretofore been provided to the Business while it was operated by Seller. Seller makes no other representations or warranties, express or implied, with respect to the Transitional Services to be provided to Buyer hereunder. Except as otherwise provided herein, Seller expressly disclaims any warranties of merchantability, quality, quantity, suitability or fitness for any particular purpose with respect to the services to be provided to Buyer hereunder.

4.2 NOTWITHSTANDING ANYTHING CONTAINED IN THIS TSA TO THE CONTRARY, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS OR LOST REVENUES) OF THE OTHER PARTY, ITS SUCCESSORS, ASSIGNS OR THEIR RESPECTIVE AFFILIATES, AS A RESULT OF OR ARISING FROM THIS TSA, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN TORT, CONTRACT, BREACH OF WARRANTY, INDEMNIFICATION OR OTHERWISE.

4.3 Seller’s maximum liability to Buyer for breach of this TSA or otherwise with respect to Transitional Services is a refund of the price paid by Buyer for the particular service

4.4 Each party agrees to indemnify and hold the other party harmless from any damages, loss, cost or liability (including legal fees and expenses and the cost of enforcing this indemnity) arising out of or resulting from a third-party claim regarding the first party’s performance, purported performance or nonperformance of this TSA.

5. FORCE MAJEURE

5.1 Neither party shall be responsible for failure or delay of any Transitional Service, nor be responsible for failure or delay in receiving such service, if caused by an act of God or

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weather or other cause similar or dissimilar, beyond the control of the defaulting party.

6. PROPRIETARY INFORMATION AND RIGHTS

6.1 Each party acknowledges that the other possesses and will continue to possess, information that has been created, discovered or developed by them and/or in which property rights have been assigned or otherwise conveyed to them, which information has commercial value and is not in the public domain. The proprietary information of each party will be and remain the sole property of such party and its assigns. Each party shall use the same degree of care that it normally uses to protect its own proprietary information to prevent the disclosure to third parties of proprietary or confidential information of the other party, regardless of whether the information is designated as confidential or proprietary. Neither party shall make any use of the other party's confidential or proprietary information except as contemplated or required by the terms of this TSA. Notwithstanding the foregoing, this Article shall not apply to an information that a party can demonstrate: (a) was, at the time of disclosure to it, in the public domain through no fault of such party; (b) was received after disclosure to it from a third party who had a lawful right to disclose such information to it; or (c) was independently developed by the receiving party.

7. TERM AND TERMINATION

- 7.1. The term of this TSA shall commence as of the Effective Date hereof and shall continue for 180 days.
- 7.2. Upon 30 days' written notice, either party may terminate this TSA with respect to any Transitional Service, or at its option, suspend performance of its obligations with respect thereto, in either case in the event of the failure of Buyer to pay any invoice within 45 days of the receipt of such invoice or upon any other material breach by Buyer of this TSA with respect to such service, unless Buyer is disputing the invoice in good faith or Buyer shall have paid the invoice or cured such breach within the 30-day notice period.
- 7.3. Any one or more of the Transitional Services may be terminated (a) upon mutual agreement of Buyer and Seller or (b) at Buyer's option upon 30 days' advance notice to Seller. Buyer will pay Seller the fees and costs of any terminated Transitional Service up until the effective date of termination.
- 7.4. Notwithstanding anything to the contrary contained herein, this TSA may be terminated, in whole or in part, at any time:
- (i) by the mutual consent of Buyer and Seller;
 - (ii) by Buyer in the event of any material breach or default by Seller of any of Seller's obligations under this Agreement and the failure of Seller to cure, or to take substantial steps towards the curing of, such breach or default

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within thirty (30) days after receipt of written notice from Buyer requesting such breach or default to be cured.

7.5. Following any termination of this TSA, each party shall cooperate in good faith with the other to transfer and/or retain all records, prepare and file tax returns and take all other actions necessary to provide Seller and Buyer and their respective successors and assigns with sufficient information in the form requested by Seller or Buyer, or their respective successors and assigns, as the case may be, to make alternative service arrangements substantially consistent with those contemplated by this TSA.

8. NO IMPLIED ASSIGNMENTS OR LICENSES

8.1. Nothing in this TSA is to be construed as an assignment or grant of any right, title or interest in any trademark, copyright, design or trade dress, patent right or other intellectual or industrial property right.

9. RELATIONSHIP OF PARTIES

- 9.1. The parties are independent contractors under this TSA. Except as expressly set forth herein, neither party has the authority to, and each party agrees that it shall not, directly or indirectly contract any obligations of any kind in the name of or chargeable against the other party without such party's prior written consent. No partnership, joint venture, alliance, fiduciary or any relationship other than that of independent contractors is created hereby, expressly or by implication.
- 9.2. All employees and representatives of Seller or its Affiliates providing Services to Buyer under this Agreement shall be deemed for purposes of all compensation and employee benefits to be employees or representatives solely of Seller or its Affiliates and not to be employees or representatives of Buyer or its Affiliates. In performing their respective duties hereunder, all such employees and representatives of Seller or its Affiliates shall be under the direction, control and supervision of Seller or its Affiliates (and not of Buyer or its Affiliates) and Seller or its Affiliates, as the case may be, shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such employees and representatives. Seller shall have sole responsibility for compliance with all laws relating to the employer/employee relationship between Seller and its employees providing the Services, including, but not limited to, federal, state and/or local laws on hours of labor, wages, worker's compensation, unemployment compensation, insurance and social security benefits.

10. ASSIGNMENT AND DELEGATION; COMPLIANCE WITH LAWS

- 10.1. Neither party to this TSA may assign any of its rights or obligations under this TSA without the prior written consent of the other party hereto.
- 10.2. Each party will, with respect to its obligations and performance hereunder, comply with all applicable requirements of federal, state and local laws, rules and regulations, including without limitation import and export control, environmental and occupational

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safety requirements. Buyer shall be responsible for (a) compliance with all laws and governmental regulations affecting its business and (b) any use Buyer may make of the Transitional Services to assist it in complying with such laws and governmental regulations. While Seller shall not have any responsibility for Buyer's compliance with the laws and regulations referred to above, Seller agrees to use reasonable commercial efforts to provide the Services in a manner that complies with applicable laws and regulations.

11. NOTICES

11.1. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) if served by personal delivery upon the party for whom it is intended, on the day so delivered; (b) if mailed by registered or certified mail, return receipt requested, on the third business day following such mailing; or (c) if deposited for delivery by a reputable courier service, on the business day following deposit with such courier to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such person:

To Seller:

President

Dynamic Materials Corporation
5405 Spine Road
Boulder, CO 80301
Attention: Yvon Cariou
Fax Number (303) 604-1897

With a copy to:

Chief Financial Officer
Dynamic Materials Corporation
5405 Spine Road
Boulder, CO 80301
Attention: Richard Santa
Fax Number (303) 604-1897

To Buyer:

Aerojet General Corporation
P. O. Box 1036
Camden, AR 71711-1036
Attention: Robert Shenton
Vice President, Operations
Fax Number: (870) 574-3528

With a copy to:

Aerojet General Corporation
P. O. Box 13222
Sacramento, CA 95813-6000
Attention: Brian E. Sweeney
Vice President, Legal and Contracts
Fax Number: (916) 351-8610

12. ENTIRE AGREEMENT

12.1 This TSA, including the Schedules, together with the Agreement and Ancillary Agreements, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

13. PARTIES IN INTEREST

13.1 This TSA shall inure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. Nothing in this TSA, express or implied, is intended to confer upon any Person other than Seller or Buyer or their respective successors or permitted assigns any rights or remedies under or by reason of this TSA.

14. GOVERNING LAW

14.1 This TSA shall be governed by, and construed in accordance with, the laws of the State of California without regard to conflicts of laws doctrines. Any legal action, suit or proceeding arising out of or relating to this TSA or the transactions contemplated hereby shall be instituted in a Federal or state court sitting in northern California, which shall be the exclusive jurisdiction and venue of said legal proceeding and each Party hereto waives any objection that such Party may now or hereafter have to the laying of venue of any such action, suit or proceeding, and irrevocably submits to the jurisdiction of any such court in any such action suit or proceeding.

15. AMENDMENT; WAIVER

15.1 Any provision of this TSA may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Seller and Buyer, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other further exercise thereof or the exercise of any other right, power or privilege.

16. SURVIVAL

16.1 The provisions of Sections 4, 6, and 7.5 shall survive the termination or expiration of this TSA unless otherwise agreed to in writing by both parties.

SIGNATURES APPEAR ON THE NEXT PAGE

IN WITNESS WHEREOF, the parties hereto have caused this TSA to be executed and delivered by their duly authorized representatives as of the date first above written.

DYNAMIC MATERIALS CORPORATION,

By: _____

Name: _____

Title: _____

AEROJET-GENERAL CORPORATION

By: _____

Name: _____

Title: _____

SCHEDULE 1.1
TRANSITIONAL SERVICES

- Maintain existing local and long-distance telephone service, including maintenance of DMC-owned switch (Definity 11 with two cabinets), desktop equipment and Definity Audix voice mail.
- Maintain existing data lines between Spin Forge's El Segundo, CA site and DMC's data center in Boulder, CO that provide Spin Forge employees with access to e-mail services, the Internet and the Visual Manufacturing ERP System in use at Spin Forge.
- Provide technical user support for e-mail, Internet, Visual Manufacturing and Microsoft Office applications and related database management services.

EQUIPMENT LEASE AGREEMENT

This Equipment Lease Agreement is made this 17 day of September, 2004, by and between Dynamic Materials Corporation, a Delaware corporation, having a principal office at 5405 Spine Road, Boulder CO, 80301 ("LESSOR"), and Aerojet-General Corporation, an Ohio corporation, having its principal office at Highway 50 & Aerojet Road, Rancho Cordova CA, 95742 ("LESSEE"). All terms not defined herein shall have the same meaning as set forth in that certain Agreement dated as of September 17, 2004, between LESSOR and LESSEE (the "Agreement").

WHEREAS, LESSOR and LESSEE are parties to the Agreement relating to the sale of the Spin Forge Assets; and

WHEREAS, LESSOR owns the equipment listed on Schedule A hereto (the "EQUIPMENT"); and

WHEREAS, LESSEE wishes to lease the EQUIPMENT from LESSOR, all of which is located at 1700 East Grand Avenue, El Segundo CA, 90245 (the "PREMISES"); and

WHEREAS, LESSOR wishes to lease the EQUIPMENT to LESSEE upon certain terms and conditions.

NOW, THEREFORE, in consideration of the rental payments to be made hereunder by LESSEE to LESSOR and the mutual terms, covenants, and conditions hereinafter set forth, and subject to the terms and conditions hereof, LESSOR does hereby lease to LESSEE and LESSEE does hereby take and hire from LESSOR, the EQUIPMENT.

Terms and Conditions

1. **LEASE.** LESSOR and LESSEE agree that the terms of this Equipment Lease Agreement shall apply to and be incorporated by reference into Schedule A hereto. This

Equipment Lease Agreement shall be enforceable upon execution by LESSEE and subsequent counter-signature by LESSOR indicating acceptance.

2. **RENTAL PAYMENTS.** Unless otherwise agreed in writing, each regular periodic payment of rent due during the term of this Equipment Lease Agreement shall be due on the first day of the month (the billing date) with the first payment due on the first day of the month following the Closing Date, which shall be prorated, if necessary. Each periodic rental installment shall be at the rate of 1/96 of the net book value of the EQUIPMENT determined as of - [June 30, 2004 (the "NET BOOK VALUE"), as set forth on Schedule A hereto. Payments shall be made by LESSEE at LESSOR's address set forth herein or as otherwise directed by LESSOR. LESSEE shall not abate, set off, or deduct any amount or reduce any payment for any reason without the prior written consent of LESSOR. Payments are delinquent if not in LESSOR's possession by the due date.

3. **COMMENCEMENT AND TERMINATION.** The term of this Equipment License Agreement shall commence on the Closing Date, and shall terminate on January 1, 2007 (the "INITIAL TERM"), unless extended in accordance with Article 4 below (the "EXTENDED TERM" and together with the INITIAL TERM, the "TERM"), or upon notice by LESSOR in the case of LESSEE's material default which has not been cured following 30 days' notice. In the event LESSEE retains part or all of the EQUIPMENT beyond the TERM, then the terms and provisions of this Equipment Lease Agreement shall stay in effect during such hold-over period, subject to LESSOR's right on default to terminate this Equipment Lease Agreement. LESSEE may terminate this Equipment Lease Agreement at the expiration of the TERM by providing LESSOR with a notice of termination 60 days prior to the end of the TERM.

4. **OPTION TO EXTEND TERM.** Provided that no Event of Default (as defined in Article 20) exists under this Equipment Lease Agreement, LESSEE shall have the option to extend the TERM to a full eight (8) years from the Closing Date; provided, however, that LESSEE must exercise this option in writing no later than January 1, 2006. If LESSEE exercises the option to renew this Equipment Lease Agreement, such renewal shall be upon the terms and conditions of this Equipment Lease Agreement, at the rate specified in Article 2 hereof.

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5. **OPTION TO PURCHASE.** Provided that no Event of Default exists under this Equipment Lease Agreement, LESSEE shall have the option to purchase any or all of the Equipment at the expiration of the Initial Term or the Extended Term for a purchase price equal to the NET BOOK VALUE of the EQUIPMENT, reduced by the amount of any payments made by LESSEE under this Equipment Lease Agreement. If LESSEE chooses to exercise its right to assume LESSOR'S property rights on the PREMISES by August 1, 2005 as set forth in the Option Agreement of even date herewith, then LESSEE shall be required to purchase all the EQUIPMENT as described herein no later than January 1, 2007. If LESSEE elects to purchase the EQUIPMENT, LESSEE shall purchase from LESSOR, and LESSOR shall sell to LESSEE the EQUIPMENT on an AS IS, WHERE IS, BASIS except that LESSOR shall warrant title and that the EQUIPMENT is free and clear of all liens and encumbrances arising by or through the LESSOR, except for any liens or encumbrances caused by LESSEE, regardless of whether permitted pursuant to Section 7 hereof, or taxes or other impositions for which LESSEE is obligated to pay under this Equipment Lease Agreement or relating to the purchase of the EQUIPMENT. LESSOR shall provide LESSEE with a bill of sale following the payment in full.

6. **NO WARRANTIES BY LESSOR.** LESSOR makes no warranty, express, implied or statutory, as to any matter whatsoever, including the condition of the EQUIPMENT, its merchantability or its fitness for any particular purpose, and as to LESSOR, LESSEE leases the EQUIPMENT "as is." LESSEE has conducted a customary review of the operational EQUIPMENT and is not aware of any faulty safety devices. Notwithstanding the foregoing, LESSOR warrants that all safety devices relating to the EQUIPMENT have been maintained to at least comply with minimum manufacturer and prevailing occupational safety standards.

7. **ASSIGNMENT.** Without LESSOR's prior written consent, LESSEE shall not assign, transfer, pledge, or otherwise dispose of this Equipment Lease Agreement, any interest therein, or sublease or loan or permit a security interest, lien, charge, encumbrance or other similar interest in the EQUIPMENT or permit it to be used by anyone other than LESSEE or LESSEE's qualified employees. LESSOR may assign this Equipment Lease Agreement and/or permit a security interest, lien, charge, encumbrance, or other similar interest in the

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EQUIPMENT, in whole or in part, to one or more assignees, with notice to LESSEE. LESSOR's assignee(s) and/or the secured party(ies) may reassign this Equipment Lease Agreement, and/or such security interest with notice to LESSEE. Each such assignee and/or such secured party shall have all rights of LESSOR under the LEASE, but no such assignee or secured party shall be bound to perform any obligation of LESSOR. LESSEE acknowledges that any assignment or transfer by LESSOR shall not materially change LESSEE's duties or obligations under this Equipment Lease Agreement nor materially increase the burdens or risks imposed on LESSEE.

8. **OWNERSHIP.** The EQUIPMENT shall at all times remain the personal property of LESSOR. LESSEE will at all times, at its own cost and expense, keep the EQUIPMENT free and clear of all claims, liens, and legal processes of creditors of LESSEE.

9. **LOCATION AND RIGHT OF INSPECTION.** The EQUIPMENT shall be kept at the PREMISES, and shall not be removed therefrom without LESSOR's prior written consent. LESSOR or its representative shall have the right at any time during normal business hours and upon reasonable notice to inspect the EQUIPMENT and for that purpose has access to the location of the EQUIPMENT.

10. **USE AND OPERATION.** LESSEE shall use the EQUIPMENT in a careful manner and shall comply with all laws, ordinances, rules or any other local, state or federal requirements relating to its possession, use and maintenance. LESSEE represents that the EQUIPMENT shall be used in its business or commercial concern and that no item of EQUIPMENT will be used for personal, family, or household purposes.

11. **REPAIRS AND ALTERATIONS.** LESSEE shall at its own expense maintain the EQUIPMENT in good repair, appearance, and functional order. LESSEE agrees to comply with all maintenance schedules and procedures recommended by the manufacturer of the EQUIPMENT and, if available, purchase or otherwise enter into and adhere to dealer maintenance contracts. LESSEE shall not make any alterations, additions, or improvements to the EQUIPMENT without LESSOR's prior written consent. All alterations, additions, or improvements made to the EQUIPMENT shall belong to LESSOR.

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12. **LOSS AND DAMAGE.** LESSEE shall bear the entire risk of loss, theft, damage, or destruction of the EQUIPMENT from any cause whatsoever. No loss, theft, damage, or destruction of the EQUIPMENT shall relieve LESSEE of the obligation to pay rent or to comply with any other obligation under this Equipment Lease Agreement. In the event of damage to any item of EQUIPMENT, LESSEE shall promptly notify LESSOR of such damage and immediately place the same in good repair at LESSEE's expense. If LESSOR determines that any item of EQUIPMENT is lost, stolen, destroyed, or damaged beyond repair, LESSEE shall, at LESSEE's option: (a) replace the same with like equipment in good repair, acceptable to LESSOR; or (b) pay LESSOR a sum equal to (i) all amounts due by LESSEE to LESSOR under the LEASE up to the date of the loss and (ii) the NET BOOK VALUE of the EQUIPMENT, reduced by the amount of any payments made by LESSEE under this EQUIPMENT LEASE AGREEMENT.

13. **INSURANCE.** LESSEE shall provide and maintain primary insurance against loss, theft, damage, or destruction of the EQUIPMENT in an amount specified in Schedule A hereto, with loss payable to LESSOR. At LESSOR's request, LESSEE also shall provide and maintain primary comprehensive general all risk liability insurance. Such insurance shall include, but shall not be limited to, product liability coverage, insuring LESSOR and LESSEE, with a severability of interest endorsement or its equivalent, against any and all loss or liability for all damages, either to persons, property, or otherwise, which might result from or happen in connection with the condition, use, or operation of the EQUIPMENT, with such limits and with an insurer reasonably satisfactory to LESSOR. Each policy shall expressly provide that the insurance as to LESSOR shall not be invalidated by any act, omission, or neglect of LESSEE and cannot be materially altered or canceled without thirty (30) days' written notice to LESSOR. As to each policy, LESSEE shall furnish to LESSOR a certificate of insurance from the insurer evidencing the insurance coverage required by this section. All such insurance shall include the name of LESSOR as an additional insured. All obligations of this section shall extend throughout the TERM and until the EQUIPMENT is returned to LESSOR.

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14. **TAXES.** LESSEE agrees to pay and indemnify and hold LESSOR harmless from and against all sales, use, personal property, leasing and other taxes (together with any penalties, fines or interest thereof) imposed after the Closing Date against LESSOR, LESSEE or the EQUIPMENT by any governmental authority with respect to the EQUIPMENT.

15. **INDEMNITY.** With regard to bodily injury and property damage liability only, LESSEE will indemnify and hold LESSOR harmless from and against any and all claims, costs, expenses, damages, and liabilities, including reasonable attorneys' fees, arising out of the ownership (for strict liability in tort only), possession, leasing, operation, control, use, maintenance, delivery, or other disposition of the EQUIPMENT arising from acts or events during the TERM. However, LESSEE is not responsible to a party indemnified hereunder for any claims, costs expenses, damages, and liabilities occasioned by the gross negligent acts of such indemnified party. LESSEE agrees to carry bodily injury and property damages liability insurance during the term of this Equipment Lease Agreement as provided in Article 13; any amounts received by LESSOR under the insurance will be credited against LESSEE's obligations under this Article. LESSOR will also be indemnified for twelve months after the TERM if the EQUIPMENT is required to be returned to LESSOR to the extent the claim arises out of LESSEE's use of the EQUIPMENT, including, but not limited to, faulty upkeep, improper repairs and unauthorized alterations.

16. **LATE CHARGES AND INTEREST.** If LESSEE fails to pay LESSOR any amount when due or, in the case of an amount due to one other than LESSOR, if LESSOR pays an amount on LESSEE's behalf, then LESSEE shall pay LESSOR a late charge of five percent (5%) of such amount or \$250, whichever is greater, for each calendar month or part thereof for which rent or other sum shall be delinquent or shall have been paid by LESSOR on LESSEE's behalf. The amount of any charges assessed hereunder shall be added to and become part of the next rental payment or shall be separately invoiced, at LESSOR's option. Interest shall accrue on any unpaid or unreimbursed amounts at an annual rate of three percent (3%) greater than the rate announced from time to time by Wells Fargo National Bank Association at its principal office in San Francisco as its "prime rate", from the due date until paid by LESSEE.

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17. **TIME OF THE ESSENCE.** Time is of the essence of this Equipment Lease Agreement. This provision shall not be waived by the acceptance on occasion of late or defective performance.

18. **QUIET ENJOYMENT.** So long as LESSEE shall not be in default hereunder and LESSOR continues to receive all rent and other sums payable by LESSEE hereunder in accordance with the terms hereof, neither LESSOR nor its assignee, shall interfere with LESSEE's right of quiet enjoyment and use of the EQUIPMENT.

19. **LESSEE REPRESENTATIONS.** LESSEE hereby represents, warrants and covenants that with respect to this Equipment Lease Agreement: (a) The execution, delivery and performance hereof by the LESSEE has been duly authorized by all necessary corporate action; (b) The individual executing such was duly authorized to do so; (c) This Equipment Lease Agreement constitutes the legal, valid and binding obligations of the LESSEE enforceable in accordance with its terms.

20. **DEFAULT.** LESSEE shall be in default if (a) LESSEE shall fail to pay rent or any other amount provided for under this Equipment Lease Agreement within five (5) days after the same becomes due and payable; (b) LESSEE fails to observe, keep or perform any other provision of this Equipment Lease Agreement, and such failure shall continue for a period of thirty (30) days without cure; (c) LESSEE shall abandon the EQUIPMENT; (d) except as inconsistent with federal bankruptcy law, any proceeding in bankruptcy, receivership, or insolvency shall be commenced against LESSEE or its property or any guarantor or such guarantor's property, LESSEE or any guarantor files voluntarily for bankruptcy or reorganization, or LESSEE or any guarantor makes an assignment for the benefit of its creditors; (e) LESSEE or any guarantor makes any misrepresentation or false statement as to its credit or financial standing in connection with the execution or the further performance of the LEASE; (f) any attachment or execution be levied on any of LESSEE's property; (g) LESSEE permits any other entity or person to use the EQUIPMENT without the prior written consent of

shall impair the security of the EQUIPMENT or increase LESSOR's credit risk involved in the LEASE. Each of the foregoing events shall constitute an "EVENT OF DEFAULT."

21. **REMEDIES.** In the event of LESSEE's default, LESSOR shall have the right and option, but not the obligation, to exercise any one or more of the following remedies, which remedies or any of them may be exercised by LESSOR without notice to LESSEE and without any election of remedies by LESSOR: (a) LESSOR may declare all sums due and to become due under this Equipment Lease Agreement immediately due and payable; (b) LESSOR may institute litigation to collect any sums due pursuant to the foregoing subsection (a) that are not promptly paid by LESSEE; (c) LESSOR may institute litigation to collect all rents and other amounts due as of the date of such default together with any sums that may accrue up to the date of trial; (d) LESSOR may terminate this Equipment Lease Agreement; or (e) LESSOR may pursue any other remedy now, or hereafter, existing in law or equity. However, damages for any future rentals and/or LESSOR's residual value in the EQUIPMENT shall be limited to the NET BOOK VALUE of the EQUIPMENT, reduced by the amount of any payments made by LESSEE under this EQUIPMENT LEASE AGREEMENT.

22. **MODIFICATION.** Neither this Equipment Lease Agreement nor any other document or Schedule constituting this Equipment Lease Agreement can be modified or amended except by written agreement signed and dated by both LESSOR and LESSEE.

23. **SUCCESSOR INTERESTS.** Subject to any prohibition against assignment contained herein, this Equipment Lease Agreement shall be binding upon and inure to the benefit of the heirs, successors, and assigns of the parties. As used in this Equipment Lease Agreement, the term "LESSOR" shall include any assignee or secured party of LESSOR where appropriate.

24. **NOTICES.** All notices, requests, demand, claims and other communications hereunder shall be in writing. Any such written communication shall be deemed to have been duly given (except as may otherwise be specifically provided herein to the contrary), and shall be deemed sufficient to preserve the rights of the sending party, if either (i) mailed by certified or

registered mail, with postage prepaid by sender, or shipped by express courier service, with charges prepaid by sender and receipted for by or on behalf of the intended recipient, in each case to the following address (or to such other address as any part may designate for himself or itself by notice to the other parties given pursuant hereto), or else (ii) delivered by hand and receipted for by or on behalf of the intended recipient:

- If to DMC/SF:
 - President
 - Dynamic Materials Corporation
 - 5405 Spine Road
 - Boulder, CO 80301
 - Attention: Yvon Cariou
 - Fax Number (303) 604-1897
- With a copy to:
 - Chief Financial Officer
 - Dynamic Materials Corporation
 - 5405 Spine Road
 - Boulder, CO 80301
 - Attention: Richard Santa
 - Fax Number (303) 604-1897
- If to Aerojet
 - Aerojet General Corporation
 - P. O. Box 1036
 - Camden, AR 71711-1036
 - Attention: Robert Shenton
 - Vice President, Operations
 - Fax Number: (870) 574-3528
- With a copy to:
 - Aerojet General Corporation
 - P. O. Box 13222
 - Sacramento, CA 95813-6000
 - Attention: Brian E. Sweeney
 - Vice President, Legal and Contracts
 - Fax Number: (916) 351-8610

Lessee shall remit all payments required under this Equipment Lease Agreement to Lessor's lockbox account at:

Dynamic Materials Corporation
Dept. 1323
Denver , CO 80291-1323

25. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the domestic laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of California.

26. **WAIVER OF JURY TRIAL.** LESSOR AND LESSEE HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

27. **WAIVER.** Failure of LESSOR at any time to require performance of any provision of this Equipment Lease Agreement shall not limit any right of LESSOR to enforce that provision, nor shall any waiver by LESSOR of any breach or any provision be a waiver of any succeeding breach of that provision or a waiver of that

provision itself or any other provision.

28. **NUMBER AND CAPTIONS.** As used herein, the singular shall include the plural, and the plural the singular. All captions used herein are intended solely for convenience of reference and shall in no way limit or explain any of the provisions of this Equipment Lease Agreement.

29. **DUPLICATE ENFORCEABLE AS ORIGINAL.** LESSEE hereby consents to the use of this Equipment Lease Agreement, along with a photocopy hereof, for all purposes including, but not limited to, evidence in litigation or any other judicial proceeding.

30. **SEVERABILITY.** If any provision of this Equipment Lease Agreement is held invalid, such invalidity shall not affect other provisions that can be given effect without the invalid provision.

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31. **ENTIRE AGREEMENT.** This Equipment Lease Agreement, together with the Ancillary Agreements and any exhibits and schedules hereto or thereto, contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, with respect thereto. No amendment, supplement, modification, waiver or termination of this Equipment Lease Agreement shall be implied or binding (including any alleged waiver based on a party's knowledge of any inaccuracy in any representation or any breach of warranty or covenant contained herein) unless in writing and signed by the party against which such amendment, supplement, modification, waiver or termination is asserted. No waiver of a provision of this Equipment Lease Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly therein provided.

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IN WITNESS WHEREOF, the Parties hereto have executed this Equipment Lease Agreement as of the date first above written.

DYNAMIC MATERIALS CORPORATION

By: _____
Printed Name _____
Title: _____

AEROJET GENERAL CORPORATION

By: _____
Printed Name: _____
Title: _____

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Execution Copy

Equipment Lease - Schedule A

Asset #	Description	Starting Book Value	Monthly Lease
499	Spinning Machine, Hufford	597,162.23	6,220.44
Tooling	Hawk Tooling (as itemized below with a zero value for each individual item)	187,545.95	1,953.60
1571	G.E. FANUC CNC SYSTEM	99,822.76	1,039.82
103	Ikegai TU-30 Lathe, 9/N 53117V	92,485.32	963.39
	Hankook Proturm 100X - 3000 CNC Turning Center	90,000.00	937.50
107	CNC LATHE SL40 64338	83,871.03	873.66
1594	Pentak X-Ray Unit W/Processor	57,856.89	602.68
104	Lathe, Turret, American Tool	47,772.97	497.64
102	Ikegai Turret Lathe 22108A	42,995.70	447.87
311	Kearn Horizontal Milling Center K&T mm800	42,995.70	447.87
302	Kearn Horizontal Milling Center K&T mm800	42,995.70	447.87
1592	Hawk Drop Inspection Fixture Overhaul	41,204.55	429.21
484	Arrowsmith Hydraulic Sizer 1200 Ton	40,607.06	422.99
483	Arrowsmith Hydraulic Sizer 600 Ton	28,663.79	298.58
1593	HYDRO SIZER REROFIT	24,916.94	259.55
1572	Ikegai AX40 6 T Control	24,466.03	254.85
113	Lathe, Vertical Turret Bullard	23,886.47	248.82
708	Electron Beam Welding Machine	23,886.47	248.82
Tooling	ATACMs Tooling - (as itemized below with a zero for each individual item)	22,550.04	234.90
112	Lathe, Vertical Turret, Bullard	19,109.18	199.05
102	Inspection Equipment, Tooling	18,553.96	193.27
501	Videomicrometer, X-ray Booth	16,720.54	174.17
1575	Auto Cad Software Catia	16,109.56	167.81
502	X-Ray Film Processor	15,721.64	163.77
505	Mitutoyo Coor Measuring CMM	14,331.90	149.29
485	Arrowsmith Hydrasizer 250 Ton	14,331.90	149.29
101	Ikegai, A x 40 1987 S/N01873V	13,030.65	135.74
106	Lathe, Takisawa NX 610 6 T	11,943.26	124.41
1591	Lathe, Used American CNC	11,943.25	124.41
1382	ATACM 4-18x13 1/4 x 2 3/4 & 2-18x13 1/4x 1 3/4 Tool Rings	11,777.33	122.68

503	Upgrade Rectifier Power Pack For Black Oxide Machine	11,154.18	116.19
142	Software CNC Program Master Cam	9,583.35	99.83
706	Weld Chamber, Tig, Vac Calif Ge	9,554.61	99.53
499	Hufford Upgrade	8,622.67	89.82
504	Mag Machine, Model TAQ1446	8,592.30	89.50
708	Weld Chamber Retrofit	8,230.36	85.73
499	ATACM Tool Rings (1) 18x131/4x2 3/4 & (4) 18x13 1/4 x 1 3/4	7,452.43	77.63
126	Lathe, Engine Tracer, American	7,165.93	74.65
1383	Hawk Tooling TN 10242904-1-25 SR Steady Rest	7,111.12	74.07
499	Hufford Roller Housing Shaft	6,763.05	70.45
602, 602A	Upgrade Electronic Controls on Alkaline Tanks	6,596.87	68.72
499	Roller Housing For Hufford Machine	6,518.55	67.90
147	ATACM Tooling tn1096001-1lf,tn1096010-1-2-wf, Weld Tooling,MTg Gage Body g-1200	6,055.53	63.08

Asset #	Description	Starting Book Value	Monthly Lease
125	Lathe, Engine Tracer, Monarch	5,971.63	62.20
707	Weld Chamber, Tig, Vac	5,971.63	62.20
723	Bed Seam Welder, Jetline	5,971.63	62.20
1572	CNC Control Ikegai	5,937.50	61.85
1597	Bullard Upgrade Digital Read Out	5,274.36	54.94
402	Monoset Grinder	4,777.29	49.76
57	10 T Overhead Crane, P&H North	4,777.29	49.76
58	10 T Overhead Crane, P&H South	4,777.29	49.76
519	Hydrotest Unit, American Lab	4,777.29	49.76
320	Milling Machine, Cincinnati	4,777.29	49.76
121	Cazeneuve, 575HB Rebuild (Controls and Rebuild)	4,279.73	44.58
1596	ASM 180-T LEAK DETECTOR S/N HLT-5 HRS 10553 WITH REMOTE METER	4,032.31	42.00
104	American Lathe	3,863.99	40.25
124	LeBlond Regal Lathe	3,856.67	40.17
161	A-DESIGN	3,820.51	39.80
504	Upgrade For Fluorescent Magnetic Particle Machine	3,735.60	38.91
317,318,319	Knee Mills (3) Boco	3,582.99	37.32
1315	STEDI WATT POWER PANEL PROTECTORS (13)	3,527.21	36.74
487	Mark III SDH Blast Cabinet	3,497.80	36.44
123	Used Okuma Lathe S/N 4105-9686	3,450.49	35.94
104	American Lathe Control Upgrade	3,405.87	35.48
148	Hawk Tooling t-10242849-pm1, t-10242849-pm2, t-10242901-cr	3,086.06	32.15
122	Cazeneuve, 725HB Rebuild	2,777.22	28.93
499	Hufford P/N 2000-12-01 Roller Housing Shaft	2,769.86	28.85
209	Used Radial Drill Press s/N2793	2,761.53	28.77
315	Sharp Vertical Mill	2,627.50	27.37
1591	American Lathe Hard Drive & Software Upgrade for CNC	2,625.68	27.35
1599	RADIOACTIVE DETECTOR	2,502.22	26.06
112	1/2 T JIB Crane, MS	2,413.17	25.14
801	Air Compressor, Inger-Rand	2,388.65	24.88
10	Air Compressor, Quincy	2,388.65	24.88
316	Radial Arm Drill, Cinc. Brick	2,388.65	24.88
724	Welder Jetline	2,388.65	24.88
606	Steam Clean Booth	2,388.65	24.88
726	Model RU 548 Planeshar	2,388.65	24.88
1599	Yale Fork Truck 10000 P	2,388.65	24.88
303	SPINDLE MOTOR ON FADAL MACHINE	2,370.91	24.70
1573	Modine Heater	2,294.05	23.90
1384	BUDGIT VARIABLE SPPED A/R CHAIN HOIST AND SUPPORT	2,157.72	22.48
806	Water Filtration T40 Cooling Tower	2,019.71	21.04
708	CM330 VACUUM GAUGE KIT FOR E-BEAM WELDER	2,012.50	20.96
1602	Clark Fork Truck 8000 p	1,910.93	19.91
946	Keen Rod Oven	1,815.15	18.91

Asset #	Description	Starting Book Value	Monthly Lease
943	Furnace, Heat Treat, AOV	1,735.80	18.08
708	E-BEAM WELDER UPGRADE	1,672.02	17.42
1307	RECONDITION 5-TON HEAT TREAT CRANE	1,671.70	17.41
113	Storage Container, 40 ft. IBM	1,578.80	16.45
314	Mill Manual Bridgeport	1,556.13	16.21
105	38" A-11 Face Plate Hankook Lathe	1,444.46	15.05
121	Lathe, Engine tracer, Cazeneuve	1,433.20	14.93
503	Mag. Particle Insp. Mac Vresco-	1,433.20	14.93
488	Sandbalster, Smith	1,433.20	14.93
70	5 T Overhead Crane	1,433.20	14.93
805	Waste Water Treatment System	1,433.20	14.93
124	Hydro Test Crane	1,414.37	14.73
1318	E-Beam Welder Vapor Shield Assembly	1,397.05	14.55
141	Software CNC Program	1,202.69	12.53
114	Ultrasonic Gauge, KKB	1,198.53	12.48
741	Furnace, Heat Treat, Lindberg	1,194.35	12.44

1604	Tool Setter, Kennemetal	1,194.35	12.44
701	Weld Chamber, Tig, Vac	1,194.35	12.44
1601	Clark Forklift 5000 p	1,194.35	12.44
704	Weld Chamber, Tig, Vac	1,194.30	12.44
213	Multi-Head Drill Press	1,116.19	11.63
1607	Radiographic Densitometer	992.97	10.34
313	Mill Manual Bridgeport	955.43	9.95
122	Lathe, Engineer Tracer, Cazeneuve	955.43	9.95
405	Saw, Bank Metal Cut Wells	955.43	9.95
1600	Toyota Forklift 4000 p	955.43	9.95
1603	Crown Electric Pallet Jack	955.43	9.95
482	Swedging Press	955.43	9.95
410	Mubea HPS 350S Ironworker	716.58	7.46
1605	Tool Grinder, Bieriey	597.14	6.22
119	Graxiano SAG 17 Tracer	597.14	6.22
404	Saw Bank, Doall	573.26	5.97
506 AND 507	Comparator DRI, J&L	477.71	4.98
210	Milling Machine GSP	477.71	4.98
722	Welding Machine, Linde	238.86	2.49
37	Saw, Cut Off Dayton	238.86	2.49
1606	Saw, Cut Off Dayton	238.86	2.49
718	Welding Machine, Hobart	238.86	2.49
715	Welding Machine, P&H	238.86	2.49
716	Welding Machine, NCG Sureweld	238.86	2.49
73	1 T Overhead Crane Dayt	143.31	1.49
1608	Deburr Machine	119.43	1.24
486	Press, Hydraulic Manual Orc	119.43	1.24

Asset #	Description	Starting Book Value	Monthly Lease
711	Welding System, Airco	71.67	0.75
409	Sander Disk, Pedistal Rankin	71.67	0.75
279	1 TON JIB CRANE	0.00	0.00
493	2 TON ELECT HOIST	0.00	0.00
504	2-TON GANTRY	0.00	0.00
	Fadal VMC 4020 (transferred from DMC's PMP Division in 2003)	33,583.33	349.83
	P/N 10242904 Final Motor Case		0.00
T-10242904-1PT	HAWK Parts - Hydro fixture, base/igniter hole plug	0.00	0.00
T-10242904-2PT	HAWK Parts - Hydro fixture, retainer/lift	0.00	0.00
T-10242904-RR	HAWK Parts - Rounding ring for milling I.D. slot 1610	0.00	0.00
T-10242904-MM	HAWK Parts - Mill machine, aft slot and lockwire - 331	0.00	0.00
T-10242904-DM1	HAWK Parts - Drill machine, fwd & aft holes - 216	0.00	0.00
T-10242904-DF1	HAWK Parts - Drill, fwd holes - 216	0.00	0.00
T-10242904-DM2	HAWK Parts - Drill machine, (5) fwd boss holes - 215	0.00	0.00
T-10242904-SR2	HAWK Parts - Steady rest, machine aft - 1609	0.00	0.00
T-10242904-DI	HAWK Parts - Drop-In Inspection Fixture - 1592	0.00	0.00
T-10242904-DF2	HAWK Parts - Drill fixture (4) threads .190 thd. - Machine shop	0.00	0.00
T-10242904-WF1	HAWK Parts - Clip weld fixture - Weld Shop	0.00	0.00
T-10242904-GF	HAWK Parts - Gage (O.A.L.) fwd section - Insp	0.00	0.00
T-10242904-GA	HAWK Parts - Gage (O.A.L.) aft section - Insp	0.00	0.00
T-10242904-SJ2	HAWK Parts - Packaging fixture - Shipping Dept.	0.00	0.00
T-10242904-HF	HAWK Parts - Fwd skirt holes, inspection fixture. - Insp.	0.00	0.00
T-10242904-2LP	HAWK Parts - Locating pins. - Insp.	0.00	0.00
T-10242904-2IF	HAWK Parts - Inspection fixture for 10/32 hole location - Insp.	0.00	0.00
T-10242904-3IF	HAWK Parts - Final inspection gages - Insp.	0.00	0.00
	P/N 10242849 Shell Exit Cone		0.00
T-10242849-PM1	HAWK Parts - Press die, male, 1st hit. - Machine Shop	0.00	0.00
T-10242849-PF1	HAWK Parts - Press die, female, 1st hit. - Machine Shop	0.00	0.00
T-10242849-PM2	HAWK Parts - Press die, male, 2nd hit - On the machine	0.00	0.00
T-10242849-PF2	HAWK Parts - Press die, female, 2nd hit - On the machine	0.00	0.00
T-10242849-PG	HAWK Parts - Go-No-Go plug gages - Insp.	0.00	0.00
T-10242849-MF	HAWK Parts - Mill fixture (4 slots)	0.00	0.00
	P/N 9082275 Aft Closure		0.00
T-9082275-1PT	HAWK Parts - Hydro fixture, base	0.00	0.00
T-9082275-2PT	HAWK Parts - Hydro fixture, base retainer	0.00	0.00
T-9082275-3PT	HAWK Parts - Hydro fixture, plug	0.00	0.00
T-9082275-4PT	HAWK Parts - Hydro fixture, plug retainer	0.00	0.00
T-9082275-1IF	HAWK Parts - Go-No-Go ring gage - Insp.	0.00	0.00
T-9082275-2IF	HAWK Parts - Indicator insepection gage - 1611	0.00	0.00
T-9082275-1MF	HAWK Parts - Mill Fixture R.2	0.00	0.00
T-9082275-1DJ	HAWK Parts - Drill Fixture - Tool Crib	0.00	0.00
	P/N 10242842 Center Ring (Intermediate)		0.00
T-10242842-DF	HAWK Parts - Drill fixture, 1.5 diameter bore - At Machine 209	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
T-10242842-MF1	HAWK Parts - Mill fixture, .50 diameter at 30 degrees	0.00	0.00
T-10242842-MF2	HAWK Parts - Mill fixture, 1.25 wide slot at 30 degrees	0.00	0.00
T-10242842-MF3	HAWK Parts - Mill fixture, finish lip on 1.25 slot	0.00	0.00

T-10242842-WF	HAWK Parts - Weld fixture to weld lugs - Weld Shop	0.00	0.00
	P/N 10242901 Center Ring (Final)		0.00
T-10242901-MF	HAWK Parts - Mill fixture, wing pocket holes & cover open - MS	0.00	0.00
	P/N 9082104 Lockwire		0.00
T-9082104-MF1	HAWK Parts - Mill fixture - Tool Crib	0.00	0.00
	P/N 9082262 Lug (Center Ring)		0.00
T-9082262-1MF	HAWK Parts - Lug mill fixture - Tool Crib	0.00	0.00
	P/N 10242834 Stiffener Welded Assembly		0.00
T-10242834-TF	HAWK Parts - Tack weld fixture - Weld Shop	0.00	0.00
T-10242834-WF	HAWK Parts - Weld fixture - Weld Shop	0.00	0.00
T-10242834-DF1	HAWK Parts - Drill fixture, .261 dia. Holes & .190 thd - Shop	0.00	0.00
T-10242834-MM	HAWK Parts - Mill machine with universal joint (for milling slot on stiffener) - Shop	0.00	0.00
T-10242834-DF2	HAWK Parts - Drill fixture, rivet holes - Shop	0.00	0.00
T-10242834-CF	HAWK Parts - Chop fixture for cutting ring. - Shop	0.00	0.00
T-10242834-IF	HAWK Parts - Drop-in inspection fixture - Insp.	0.00	0.00
T-10242834-MF1	HAWK Parts - Mill fixture to mill 30 degree pad - Shop	0.00	0.00
T-10242834-MF2	HAWK Parts - Mill fixture, pad O.D. & lead-in - Shop	0.00	0.00
	P/N 10688786 Brace-Launch Weld Sub-Assy		0.00
T-10688786-WF	HAWK Parts - Weld fixture - Weld Shop	0.00	0.00
	P/N 10688788 Brace-Side Welded Sub-Assy		0.00
T-10688788-WF	HAWK Parts - Weld fixture - Weld Shop	0.00	0.00
	P/N 102428787-1 (mfg#) Pad/Brace Welded Sub-Assy		0.00
T-102428787-WF	HAWK Parts - Weld fixture - Weld Shop	0.00	0.00
	P/N 10242902/10242899 Aft/Fwd Tube		0.00
Straddle Mill	HAWK Parts - To mill sheets. - Shop	0.00	0.00
Hydraulic Press/Sizer	HAWK Parts - To size tubes - Hufford area	0.00	0.00
	P/N 10242900 Fwd Dome		0.00
T-10242900-TF1	HAWK Parts - Turning fixture, I.D.	0.00	0.00
T-10242900-TF2	HAWK Parts - Turning fixture, O.D.	0.00	0.00
T-10242900-UT1	HAWK Parts - Ultrasonic fixture, standard	0.00	0.00
T-10242900-UT2	HAWK Parts - Ultrasonic immersion gage.	0.00	0.00
	P/N 1032110 (mfg#), Fwd Sub-Assy		0.00
T-1032110-RR (3 sets)	HAWK Parts - Weld rounding rings	0.00	0.00
T-1032110-1-2WF	HAWK Parts - G-2 weld fixture	0.00	0.00
95	Thread plug gage set - 1/4-28 UNF-3B - Pennoyer-Dodge	0.00	0.00
600-351R	Master set ring - 3.3998 - Unknown	0.00	0.00
80399-1A	Thread ring gage - GO PD8.3091 - American Gage	0.00	0.00
80851-1A	Thread ring gage - GO PD8.3091 - American Gage	0.00	0.00
80399-2B	Thread ring gage - NOTGO PD8.3223 - American Gage	0.00	0.00
SP-8G	GO5.9188/NOGO5.911 Thread Plug - 6.000-8UN-3A - Pennoyer-Dodge	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
SP-8NG	GO5.9188/NOGO5.911 Thread Plug - 6.000-8UN-3A - Pennoyer-Dodge	0.00	0.00
10242834-1G	Gage Std - Gage Std - Unknown	0.00	0.00
9046798-198	Gage Std - Chamber Fixture - Unknown	0.00	0.00
800-288	Ultrasonic Thickness gage - CL204 - Krautkramer Branson	0.00	0.00
10242836-1-1SG	Stiffener Gage - GO.880 NOGO.921 - Stiffener	0.00	0.00
14HS	Micrometer - 436 - Starrett	0.00	0.00
D-42	Thread Plug Gage Set - 9/16-18UNF-3B - Pratt & Whitney	0.00	0.00
13292406-6W	Tunnel Case Insp. - Unknown - Unknown	0.00	0.00
100-870-2	Digital Height Gage - 192-607 - Mitutoyo	0.00	0.00
265465-N	Dial indicator - MW181 - Brown & Sharpe	0.00	0.00
100-453-R5	Micrometer - 103-219A - Mitutoyo	0.00	0.00
46	Point Micrometer - 112-225 - Mitutoyo	0.00	0.00
100-532-2	Micrometer - 122-125 - Mitutoyo	0.00	0.00
12DA	Micrometer - 123-125A - Mitutoyo	0.00	0.00
2416-1	Dial Indicator 2416F - 10 - Mitutoyo	0.00	0.00
INSP-1	Dial indicator - 2416F-10 - Mitutoyo	0.00	0.00
500-17	Height Gage - 509-313 - Mitutoyo	0.00	0.00
100-210	Deep Throat Mic - 0-1" - Scherr Tumico	0.00	0.00
500-56	Deep Throat Mic - 0-1" - Scherr Tumico	0.00	0.00
100-692	Pin Mic - 1-1 7/8" - Scherr Tumico	0.00	0.00
155	Micrometer - 222 - Starrett	0.00	0.00
100-411-3	OD Micrometer - 226 - Starrett	0.00	0.00
100-334-1	Micrometer - 436-7" - Starrett	0.00	0.00
626	Thread plug set - 9/16-18UNF-3B - Ideal Thread Gage	0.00	0.00
26	0-1" Ball Mic - 115-253 - Mitutoyo	0.00	0.00
141	Dial caliper - 505-644-50 - Mitutoyo	0.00	0.00
100-338-1	Height Gage - Unknown - Mitutoyo	0.00	0.00
200-265-11	Thread Plug Gage Set - 10-32 UNF-3B - Ponam	0.00	0.00
100-231-1	O.D. Micrometer 23-24" - M-3-1850 - Scherr Tumico	0.00	0.00
511-170	Dial Bore Gage .0001" - 84-111-6 - Starrett	0.00	0.00
13292406-6-B	Tunnel Tab Gage - Tunnel Tab Gage - Unknown	0.00	0.00
HK-5	Ring Master - 2 - Ponam	0.00	0.00
800-091	Ultrasonic Thickness Gage - CL204 - Krautkramer Branson	0.00	0.00
9259621	PI Tape - 12"-24" - PI Tape	0.00	0.00
3250228	PI Tape - 12"-36" - PI Tape	0.00	0.00
6200134	PI Tape - 12"-36" - PI Tape	0.00	0.00
21	I.D. Micrometer Set - 6"-36" - Scherr-Tumico	0.00	0.00
600-662-F6	.005"/2-1/8 3-1/8 Dial Bore - DI-20226-B - Standard	0.00	0.00

CH2	Micrometer - 0-1" - Made in China	0.00	0.00
600-615-4	Muller Gage - B21 - Federal	0.00	0.00
600-684	Dial Depth Gage - B150-1 - Mueller Gages	0.00	0.00
6LC	0-3" Depth Mic - 603 - Brown & Sharpe	0.00	0.00
400-328B	Protractor - 52-448-612 - Fowler	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
100-240-2	OD Micrometer Set - 104-201-6 PC Set - Mitutoyo	0.00	0.00
100-238-3	OD Micrometer Set - 104-201-6 PC Set - Mitutoyo	0.00	0.00
100-241-2	OD Micrometer Set - 104-201-6 PC Set - Mitutoyo	0.00	0.00
CH1	Dial Test Indicator - 513-118 - Mitutoyo	0.00	0.00
600-697	Indicator 0.0005" - 513-412 - Mitutoyo	0.00	0.00
101	Indicator 0.0005" - 513-412 - Mitutoyo	0.00	0.00
100-661-4	OD Micrometer - 13-14" - Scherr Tumico	0.00	0.00
100-528-1	Depth Micrometer - 445 - Starrett	0.00	0.00
600-41-F7	.0005" Test Indicator - .0005" - Tesatatt	0.00	0.00
147	0-1" O.D. Mic - 0-1" - Amtos	0.00	0.00
504	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
204	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
CH6	0-6" Dial Caliper - 599-579-5 - Brown & Sharpe	0.00	0.00
INSP-2	Digital Micrometer - 0-1" - Fowler	0.00	0.00
100-800-1	1-2" Point Mic - 52-226-102 - Fowler	0.00	0.00
3HM	Outside Mic - 0-1" - HDJ	0.00	0.00
CH5	0-2" Drop Indicator - 0-2" - HDJ	0.00	0.00
4HM	Micrometer - 1-2" - HDJ	0.00	0.00
7LC	OD Micrometer - 103-260 - Mitutoyo	0.00	0.00
146-2	0-1" Ball Mic - 115-253 - Mitutoyo	0.00	0.00
100-118	Deep Throat Micrometer - 118-129 - Mitutoyo	0.00	0.00
100-118-129	Deep Throat Micrometer - 118-129 - Mitutoyo	0.00	0.00
100-118-129-1	Deep Throat Micrometer - 118-129 - Mitutoyo	0.00	0.00
153	Micrometer 4"-5" - 202-214 - Mitutoyo	0.00	0.00
1095001-1-4	Dial Indicator - 2411-08 - Mitutoyo	0.00	0.00
13LC	Caliper - 500-193 - Mitutoyo	0.00	0.00
1BM	Dial Caliper - 505-637-50 - Mitutoyo	0.00	0.00
SF-72	6-7" O.D. Mic - BM09-788-6-7" - Scherr Tumico	0.00	0.00
100-641-1	1-2" Blade Mic - 1-2" - SPI	0.00	0.00
1096731-GAGE-2	Dial Indicator - 24-333-7 - SPI	0.00	0.00
CH4	Starrett 1212 - 1212 - Starrett	0.00	0.00
100-1	Vernier Caliper - 123 - Starrett	0.00	0.00
100-453-3	Micrometer - 2-3" - Starrett	0.00	0.00
15LC	Indicator - 25-2041 - Starrett	0.00	0.00
100-453-4	Micrometer - 3-4" - Starrett	0.00	0.00
CH3	Micrometer 0.1" O.D. Mic - 1F113 - Starrett	0.00	0.00
100-453-6	5-6" O.D. Mic - 5-6" - Starrett	0.00	0.00
100-458-8	OD Micrometer - 7-8" - Starrett	0.00	0.00
436	10-11" Micrometer - T436XRL-1 - Starrett	0.00	0.00
503	12" Dial Calipe - 5-150-23 - Amtos	0.00	0.00
CH7	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
1DA	Test Indicator .0005" - 214GA - Compac	0.00	0.00
2DA	Digital Caliper - 500-197 - Mitutoyo	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
822	Thread Plug GO.5128 NOT GO.5175 - M14X1.5-4H5H - Pennoyer-Dodge	0.00	0.00
13FM	Dial Indicator - 999-390-MIT	0.00	0.00
100-1744	Height Gage - 0-40" - Fowler	0.00	0.00
100-193-114	Digital Ht. Gage-24" - 192-114 - Mitutoyo	0.00	0.00
111	Digital Ht. Gage-24" - 192-114 - Mitutoyo	0.00	0.00
211	Ultrasonic Thickness gage - DM4 - Krautkramer Branson	0.00	0.00
800-633-2	Temp Gage - 30-120DEGF - Tel Tru	0.00	0.00
100-203	Micrometer W/6RODS - 18-24" - Unknown	0.00	0.00
SF-626	Deep Throat Micrometer - 118-129 - Mitutoyo	0.00	0.00
151	Micrometer 2"-3" - 202-210 - Mitutoyo	0.00	0.00
152	Micrometer 3"-4" - 202-212 - Mitutoyo	0.00	0.00
500-13	Caliper - 505-676 - Mitutoyo	0.00	0.00
500-14	Caliper - 505-677 - Mitutoyo	0.00	0.00
500-11	Test indicator - 513-446 - Mitutoyo	0.00	0.00
100-453-12	Micrometer - 436 - Starrett	0.00	0.00
100-997	Ring Gage - 7.9975 - Pennoyer-Dodge	0.00	0.00
1000-676	Ring Gage - 0.3745 - WGC	0.00	0.00
13292401-FN5	Plug Gage - Unknown - Ponam	0.00	0.00
13292406-6-A	Tunnel Tab Gage - Tunnel Tab Gage - Unknown	0.00	0.00
40-2	88PCS Gage Block Set Grade A+ - 53-672-028 - Fowler	0.00	0.00
1000-523	Ring Gage - 0.4999 - Brown & Sharpe	0.00	0.00
1096721-1-3SS	Set Std Gage Block - 15.6565 - Federal	0.00	0.00
1096721-1-2SS	Set Std Gage Block - 15.9954 - Federal	0.00	0.00
1096721-1-4SS	Set Std Gage Blocok - 16 - Federal	0.00	0.00
1096721-1-5SS	Set Std Gage Block - 18.1339 - Federal	0.00	0.00
40-290	8PCS Primary Std Gage Block Set - 8PCS Gage Block Set - P & W	0.00	0.00

8080225	PI Tape - 2"-24" - PI Tape	0.00	0.00
100-139	Inside Micrometer Set - 4-52" - Mitutoyo	0.00	0.00
19	I.D. Micrometer Set - 6"-36" - Scherr-Tumico	0.00	0.00
100-616-2	2-12" Inside Micrometer - 124 - Starrett	0.00	0.00
100-2	Thread Plug Set - 1/4-28UNF-2B - Ideal Thread Gage	0.00	0.00
200-114-8	Thread Plug Gage - 1/4-28UNF-3B - Penroyer-Dodge	0.00	0.00
200-134	Thread Plug Gage Set - 3/4-16 UNF-3B - Penroyer-Dodge	0.00	0.00
200-265-10	Thread Plug Gage Set - 10-32 UNF-2B - Ponam	0.00	0.00
200-133-1	Thread Plug Gage, GO.7094/NOTGO.7143 - 3/4-18UNF-3B - Pratt & Whitney	0.00	0.00
10-287-2	Torque Wrench - TQ-6-FU - Snap On	0.00	0.00
200-123-9	Thread Plug Set - .375-24UNF-3B - Unknown	0.00	0.00
500-7	Thread Plug - GO.4050/NOGO.4120 - Unknown	0.00	0.00
NAN	Thread Ring - M213X3.0-6H - Penroyer-Dodge	0.00	0.00
400-453	Length Standards - 11PC Set - Starrett	0.00	0.00
2000-14-01	Unitest Set Gage - 8-9" - TESA	0.00	0.00
8HS	Dial Indicator - .001" - Aerospace Sup	0.00	0.00
100-304	Depth Micrometer w/12RODS - 0-12" - Mitutoyo	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
100-806	Point Micrometer - 112-237 - Mitutoyo	0.00	0.00
100-532-3	Micrometer - 122-126 - Mitutoyo	0.00	0.00
1JO	Dial Caliper - 505 611 - Mitutoyo	0.00	0.00
103	OD Micrometer - 6-12" - Scherr Tumico	0.00	0.00
10FM	Depth Micrometer - 445 - Starrett	0.00	0.00
207	.400"/.0001" Dial Indicator - 656-617 - Starrett	0.00	0.00
100-202	Micrometer W/6RODS - 18-24" - Unknown	0.00	0.00
9HM	Dial Indicator - 2.000" - Amtos	0.00	0.00
400-2	Micrometer Bore Gage - 0.425-0.500 - Brown & Sharpe	0.00	0.00
49	Outside Micrometer - 103-127 - Mitutoyo	0.00	0.00
206	Dial Indicator - 2922-08 - Mitutoyo	0.00	0.00
102	Thread Gage - M22X1.5-6H-LH - Penroyer-Dodge	0.00	0.00
NAN	Go/NOGO Thread Setting Plug Gage - MJ14X1.5-4H-5H - Penroyer-Dodge	0.00	0.00
516-3	Dial Indicator - .0001"-2.000" - Unknown	0.00	0.00
FN5	Plug Gage - .6697, .7973, 1.1360 - Ponam	0.00	0.00
FN8	Plug Gage - 1.1457 - Ponam	0.00	0.00
FN6	Plug Gage - Plug Gage - Unknown	0.00	0.00
FN7	Plug Gage - Plug Gage - Unknown	0.00	0.00
40-112	End Std Rod - 12" - Starrett	0.00	0.00
40-113	End Std Rod - 13" - Starrett	0.00	0.00
40-114	End Std Rod - 14" - Starrett	0.00	0.00
40-115	End Std Rod - 15" - Starrett	0.00	0.00
40-116	End Std Rod - 16" - Starrett	0.00	0.00
40-117	End Std Rod - 17" - Starrett	0.00	0.00
40-118	End Std Rod - 18" - Starrett	0.00	0.00
40-119	End Std Rod - 19" - Starrett	0.00	0.00
40-120	End Std Rod - 20" - Starrett	0.00	0.00
40-121	End Std Rod - 21" - Starrett	0.00	0.00
40-122	End Std Rod - 22" - Starrett	0.00	0.00
40-123	End Std Rod - 23" - Starrett	0.00	0.00
500-6	Drop Indicator - JB50A - Baker	0.00	0.00
600-2	Dial Indicator 0.250" - 81-141 - Starrett	0.00	0.00
19JS	Dial Indicator - 0.1" - Aerospace	0.00	0.00
INSP-6	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
INSP-5	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
129	Deep Throat Micrometer .001" - C81S - Federal	0.00	0.00
6-JL-A	Micrometer - 103-262 - Mitutoyo	0.00	0.00
6AO	Dial Indicator - 2416 - Mitutoyo	0.00	0.00
500-151	Dial indicator - 2416F-10 - Mitutoyo	0.00	0.00
5-JL-A	Caliper - 505-645-50 - Mitutoyo	0.00	0.00
267-3	Height Gage - 254 - Starrett	0.00	0.00
10-JL-A	Dial Indicator - 999-390 - Unknown	0.00	0.00
245	Metric Thread Gage GO1.1816 NOGO1.1623 - M30X1.5-6H - GTD	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
99394-1	Metric Thread Plug, GO.5128/NOTGO.5175 - MJ1 4X1.5-4H5H - Penroyer-Dodge	0.00	0.00
124	8-32" Solid-Rod Inside Micrometer - 124-C - Starrett	0.00	0.00
100-338-2	Inside Micrometer Set - 4-36" - Mitutoyo	0.00	0.00
139-1	Inside Micrometer Set - 4-52" - Mitutoyo	0.00	0.00
140-2	Inside Micrometer Set - 4-52" - Mitutoyo	0.00	0.00
13038096-1PG-1	Plain Plug Gage Set, Go NOGO - 1.7520/1.7550 - Penroyer-Dodge	0.00	0.00
13038096-1PG-2	Plain Plug Gage Set, Go NOGO - 1.7520/1.7550 - Penroyer-Dodge	0.00	0.00
10242904-2PG-3	Plain Plug Gage Set, - 1.9100/1.9140 - Penroyer-Dodge	0.00	0.00
162-G	Thread Plug Gage "GO" - 6"-8" UN - Penroyer-Dodge	0.00	0.00
13292401-FN8	Plug Gage - GO 1.1457 NOGO1.1654 - Ponam	0.00	0.00
162-NG	Thread Plug Gage "NO-GO" - 6.0000-8N-3B -S.C.C.	0.00	0.00
100-230-2	O.D. Micrometer 13-14" - M2-431 - Scherr Tumico	0.00	0.00

600-430-1	Groove & Bore Gage - 0.375-6 inch - Interapid	0.00	0.00
132	Thread Plug Set - 1/4-28UNF-2B - Ideal Thread Gage	0.00	0.00
90	Thread Plug Set - 9/16-18UNF-3B - Ideal Thread Gage	0.00	0.00
140	Vernier Caliper - 0-40" - Made In China	0.00	0.00
NAN	Gage - 0-15.9954 - Mueller Gage / Federal	0.00	0.00
600-29-2	Groove Gage - .0005" - Mueller Lab	0.00	0.00
94	Thread Plug Gage Set - 1/4-28 UNF-3B - Pennoyer-Dodge	0.00	0.00
200-123-6	Thread Plug Gage Set - 3/8-24UNF-3B - Pennoyer-Dodge	0.00	0.00
200-136-1	Plug Gage Set - 7/8-14 UNF-3B - Pennoyer-Dodge	0.00	0.00
1096721-ST1	Plain Plug Gage Set - GO 0.571/NOGO 0.590 - Pennoyer-Dodge	0.00	0.00
13292401-FN7	Plug Gage - GO.8022 NOGO.8140 - Ponam	0.00	0.00
13292401-FN6	Plug Gage - NOGO.6760 - Ponam	0.00	0.00
200-128-1	Thread Plug Gage Set - 9/16-18UNF-3B - Pratt & Whitney	0.00	0.00
100-684	Vernier Caliper - 123 - Starrett	0.00	0.00
112	Vernier Caliper - 123 - Starrett	0.00	0.00
400-1	Bore Gage - 1.600"-2.000 - TESA	0.00	0.00
NAN	Uni-Test - 8"-9" - TESA	0.00	0.00
200-123-10	Thread Plug Gage Set - 3/8-24UNF-3B - Unknown	0.00	0.00
100-500	OD Micrometer 11PC Set - 104 -137 - Made in Japan	0.00	0.00
100-8102	Depth Gauge - 0-6" - Mitutoyo	0.00	0.00
100-240-1	OD Micrometer Set - 104-201 - Mitutoyo	0.00	0.00
NAN	Protractor - Protractor - Mitutoyo	0.00	0.00
100-331	OD Micrometer - 7-8" - Starrett	0.00	0.00
100-240-3	Surface Plate - 12"-18" - Unknown	0.00	0.00
2424-1	Indicator - .001"-2.000" - Amtos	0.00	0.00
400-327-B	Protractor - 52-448-612 - Fowler	0.00	0.00
8HM	Caliper - 0-8" - Kanon	0.00	0.00
15JS	Depth Micrometer Set - 0-4" - Made in China	0.00	0.00
100-132	Depth Gauge - 0-6" - Mitutoyo	0.00	0.00
100-109	Micrometer - 103-190A - Mitutoyo	0.00	0.00
100-190	Micrometer - 103-190A - Mitutoyo	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
100-661-3	Micrometer - 103-190A - Mitutoyo	0.00	0.00
100-103	Micrometer - 103-220A - Mitutoyo	0.00	0.00
2416-2	Dial Indicator - 2416F-10 - Mitutoyo	0.00	0.00
14JU	Dial Caliper - 505-637-51 - Mitutoyo	0.00	0.00
105	Dial Caliper - 505-644-50 - Mitutoyo	0.00	0.00
1096721-3D	Dial Caliper - 505-644-50 - Mitutoyo	0.00	0.00
5ML	Dial Caliper - 505-644-50 - Mitutoyo	0.00	0.00
23JS	Caliper - 505-645-50 - Mitutoyo	0.00	0.00
24JO	Micrometer - 0-1" - NSK	0.00	0.00
25JO	OD Micrometer - 1-2" - NSK	0.00	0.00
26JO	Micrometer - 2-3" - NSK	0.00	0.00
100-661-2	OD Micrometer - 13-14" - Scherr Tumico	0.00	0.00
100-457	OD Micrometer - 12-13" - Scherr Tumico	0.00	0.00
100-337-1	Vernier Caliper - 0-12" - Starrett	0.00	0.00
100-453-10	OD Micrometer - 436-10 - Starrett	0.00	0.00
100-453-9	OD Micrometer - 436-9" - Starrett	0.00	0.00
11JS	OD Micrometer - 5-6" - Unknown	0.00	0.00
516-4JU	Dial Indicator - 0-1.0" - Aerospace	0.00	0.00
3ML	Indicator - .001"-2.000" - Amtos	0.00	0.00
4ML	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
600-334-1	Dial Indicator .001" 0-1" - 51-520-5 - Amtos	0.00	0.00
500-5	Drop Indicator - JB50A - Baker	0.00	0.00
500-3	Drop Indicator - JB50A - Baker	0.00	0.00
SF-62	Blade Micrometer - 2-3" - Brown & Sharpe	0.00	0.00
3JU	Dial Indicator - 7030-3 - Brown & Sharpe	0.00	0.00
10242834-IG-STD	Dial Indicator - .001-1.000" - Gordon Kerley Co.	0.00	0.00
3JS	Dial Indicator - 0-0.25" - Made in China	0.00	0.00
6JS	Micrometer - 0-1" - Made in China	0.00	0.00
7JS	Micrometer - 1-2" - Made in China	0.00	0.00
5HM	Micrometer - 2-3" - Made in China	0.00	0.00
6HM	Micrometer - 3-4" - Made in China	0.00	0.00
146-1	Micrometer - 0-1" - Mitutoyo	0.00	0.00
100-144	Point Micrometer - 112-225 - Mitutoyo	0.00	0.00
21JS	Micrometer - 142-177 - Mitutoyo	0.00	0.00
100-431	Groove Micrometer - 146-106 - Mitutoyo	0.00	0.00
6-1AO	Dial Indicator - 2416 - Mitutoyo	0.00	0.00
2JO	Micrometer - 0-1" - NSK	0.00	0.00
100-690	Micrometer - 1-2" - Scherr Tumico	0.00	0.00
12AO	Dial Indicator - 24-336-0 - SPI	0.00	0.00
4JU	Micrometer - 0-1" - TESA	0.00	0.00
27JS	Micrometer - 0-1" - Unknown	0.00	0.00
SF-63	Blade Micrometer - 2-3" - Brown & Sharpe	0.00	0.00
2ML	Test Indicator - .001-030" - MHC	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
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47	Micrometer - 0-1" - Mitutoyo	0.00	0.00
99	Micrometer - 0-1" - Mitutoyo	0.00	0.00
100-351	Micrometer - 0-1" - Mitutoyo	0.00	0.00
6ML	OD Micrometer - 103-260 - Mitutoyo	0.00	0.00
100-804	Point Micrometer - 112-237 - Mitutoyo	0.00	0.00
100-805	Point Micrometer - 112-238 - Mitutoyo	0.00	0.00
556	Micrometer - 115-153 - Mitutoyo	0.00	0.00
20	Micrometer - 1-2" - Scherr Tumico	0.00	0.00
100-430	Micrometer - 260 - Starrett	0.00	0.00
160	Thermometer - 815F - PTC Instruments	0.00	0.00
600-815	Dial Indicator - 25-341/5 - Starrett	0.00	0.00
SP-1	Thread Plug GO1.0709 NOGO1.0664 - 1 1/8-12 UNF-3A - Pennoyer-Dodge	0.00	0.00
100-240-4	12-18" O.D. Micrometer - 12-18" - Scherr Tumico	0.00	0.00
40-125	End Measuring Rod - 25 Inch - Starrett	0.00	0.00
40-126	End Measuring Rod - 26 Inch - Starrett	0.00	0.00
40-127	End Measuring Rod - 27 Inch - Starrett	0.00	0.00
40-128	End Measuring Rod - 28 Inch - Starrett	0.00	0.00
40-129	End Measuring Rod - 29 Inch - Starrett	0.00	0.00
40-130	End Measuring Rod - 30 Inch - Starrett	0.00	0.00
40-131	End Measuring Rod - 31 Inch - Starrett	0.00	0.00
40-132	End Measuring Rod - 32 Inch - Starrett	0.00	0.00
40-133	End Measuring Rod - 33 Inch - Starrett	0.00	0.00
40-134	End Measuring Rod - 34 Inch - Starrett	0.00	0.00
40-135	End Measuring Rod - 35 Inch - Starrett	0.00	0.00
40-136	End Measuring Rod - 36 Inch - Starrett	0.00	0.00
40-137	End Measuring Rod - 37 Inch - Starrett	0.00	0.00
NAN	Plain Plug Gage Set - 1.9100/1.9140 - Pennoyer-Dodge	0.00	0.00
27	Thread Plug GO 5.9188 - 6"-8UN - Pennoyer-Dodge	0.00	0.00
28	Thread Plug NOTGO 5.9287 - 6"-8UN-3B - Pennoyer-Dodge	0.00	0.00
13292403-FN13	Plug Gage - .57087"/.59055 - Ponam	0.00	0.00
13292403-FN14	Plug Gage - 1.00394"/1.04330 - Ponam	0.00	0.00
NAN	Dial Bore Gage .0001" - 84-111-6 - Starrett	0.00	0.00
2424-4	Dial Indicator - 0-2.0" - Amtos	0.00	0.00
265465-C	Indicator - B3Q - Federal	0.00	0.00
265465-K	Indicator - B3Q - Federal	0.00	0.00
265465-L	Indicator - B3Q - Federal	0.00	0.00
265465-M	Indicator - B3Q - Federal	0.00	0.00
NAN	Thread Plug Set - 1/4-28UNF-2B - Ideal	0.00	0.00
192068	Micrometer - 0-1" - Mitutoyo	0.00	0.00
265465-P	Dial Indicator - 1411 - Mitutoyo	0.00	0.00
NAN	0-1" Outside Micrometer - 202-204 - Mitutoyo	0.00	0.00
100-626	6" Digital Caliper - 500-351 - Mitutoyo	0.00	0.00
600-696	Indicator 0.0005" - 513-412 - Mitutoyo	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
200-132-1	Thread Plug GO.5889 NOGO.5949 - 5/8-18UNF-2B - Pennoyer-Dodge	0.00	0.00
NAN	Thread Plug Set - 9/16-18UNF-3B - Pennoyer-Dodge	0.00	0.00
100-453-7	Micrometer - 6IN-7IN - Starrett	0.00	0.00
265465-E	Dial Indicator 0.250" - 81-141 - Starrett	0.00	0.00
265465-F	Dial Indicator 0.250" - 81-141 - Starrett	0.00	0.00
265465-G	Dial Indicator 0.250" - 81-141 - Starrett	0.00	0.00
NAN	Ring Master - 1.4 - Brown & Sharpe	0.00	0.00
NAN	Ring Gage - 5.6350" - Pennoyer-Dodge	0.00	0.00
100-711	Ring Gage - 7.711 - Pennoyer-Dodge	0.00	0.00
NAN	Plug Gage Set - 7/8-14 UNF-3B - Pennoyer-Dodge	0.00	0.00
40-124	End Measuring Rod - 24 INCH - Starrett	0.00	0.00
SP-2	Thread Plug GO.5116/NOGO.5080 - MJ14X1.5 4G6G - Pennoyer-Dodge	0.00	0.00
1000-674	Ringmaster - 1.437" - Ringmaster	0.00	0.00
1000-675	Ringmaster - 1.9062" - Ringmaster	0.00	0.00
1ML	24" Height Gage - 192-632 - Mitutoyo	0.00	0.00
142	Inside Micrometer Set - 4-52" - Mitutoyo	0.00	0.00
100-201-2	Height Gage - 254 - Starrett	0.00	0.00
G267-U5	Height Gage - 254 - Starrett	0.00	0.00
G267-U6	Height Gage - 254 - Starrett	0.00	0.00
100-50	Micrometer, 2-3" - DIGITRIX - Fowler	0.00	0.00
10HS	Dial Indicator - 0-1" - Aerospace	0.00	0.00
SF-091	Drop Indicator - 51-570-0 - Amtos	0.00	0.00
2HS	1-2" O.D. Mic - 1-2" - Craftsman	0.00	0.00
20HS	Point Micrometer - 112-237 - Mitutoyo	0.00	0.00
7HS	Depth Micrometer - 445 - Starrett	0.00	0.00
17BM	Indicator - 7031-3 - Brown & Sharpe	0.00	0.00
14BM	Dial Indicator .001" - D81S - Federal	0.00	0.00
15BM	.0005" Test Indicator - V80 - Lufkin	0.00	0.00
16BM	Micrometer Head - 0-1 - Mitutoyo	0.00	0.00
11BM	2-3" Micrometer - 101-119 - Mitutoyo	0.00	0.00
12BM	Indicator - 25-441 - Starrett	0.00	0.00
3BM	OD Micrometer - 436-2" - Starrett	0.00	0.00
8BM	Depth Micrometer Set - 440 - Starrett	0.00	0.00
5BM	.001"-1.000" Micrometer - 300-005 - YUASA	0.00	0.00
11FM	Dial Indicator - .001" - Made in China	0.00	0.00
4BM	Indicator - 25 441 - Starrett	0.00	0.00

100-531-2	Micrometer - 436 - Starrett	0.00	0.00
15FM	Dial Caliper - 505-644-50 - Mitutoyo	0.00	0.00
500-2	Drop Indicator - JB50A - Baker	0.00	0.00
500-4	Drop Indicator - JB50A - Baker	0.00	0.00
12FM	Dial Indicator - 7030-5 - Brown & Sharpe	0.00	0.00
280-NG	Thread Ring NO GO 5.9112 - 6.0000-8N-3A - Master Gage Co.	0.00	0.00
900-210	0-10000 PSI Pressure Gage - CM-99083 - HEISE	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
13292401-FN9	Thread Gage - M22X1.5-6H-LH - Pennoyer-Dodge	0.00	0.00
100-282	Viener Caliper - 570 - Brown & Sharpe	0.00	0.00
258	Height Transfer Standard - 258 - Starrett	0.00	0.00
139	Dial Caliper - 505-644-50 - Mitutoyo	0.00	0.00
500-55	16" Length Std - 16" - Webber	0.00	0.00
10242904-1PG	Plain Plug Gage Set - 1.9100/1.9140 - Pennoyer-Dodge	0.00	0.00
10242904-1PG-1	Plain Plug Gage Set - 1.9100/1.9140 - Pennoyer-Dodge	0.00	0.00
10242904-2PG-2	Plain Plug Gage Set - 1.9100/1.9140 - Pennoyer-Dodge	0.00	0.00
76140136	Thermometer - 50S - Fluke	0.00	0.00
800-19	Depth Micrometer DMC2.5-6"K - 229-128 - Mitutoyo	0.00	0.00
800-21	Dial Ind - 3416 - Mitutoyo	0.00	0.00
800-22	Dial Ind - 3416 - Mitutoyo	0.00	0.00
800-23	Dial Ind - 3416 - Mitutoyo	0.00	0.00
800-20	Dial Ind - 3416 - Mitutoyo	0.00	0.00
3-1AO	Micrometer - 1"-2" - HDT International	0.00	0.00
4-1AO	O.D. Micrometer .0001" - 2"-3" - HDT International	0.00	0.00
15AO	Micrometer - 3"-4" - HDT International	0.00	0.00
7-1AO	Indicator - 2424-10 - Mitutoyo	0.00	0.00
13AO	O.D. Micrometer 0-25"/0.01MM - OM-011 - Mitutoyo	0.00	0.00
1-1AO	Dial Caliper - 505-637-50 - Mitutoyo	0.00	0.00
9AO	Dial Caliper - .001" 0-1" - Sears/Craftsman	0.00	0.00
11PM	Indicator - 25-441 - Starrett	0.00	0.00
500-16	572-011 DIG Display Readout - SD-D1E - Mitutoyo	0.00	0.00
89504-2	Metric Thread Plug, GO.5128/NOTGO.5175 - MJ1 4X1.5 4H-5H - Pennoyer-Dodge	0.00	0.00
500-12	Micrometer - 122-125 - Mitutoyo	0.00	0.00
500-9	Micrometer - 193-211 - Mitutoyo	0.00	0.00
500-10	1-2" Micrometer - 193-212 - Mitutoyo	0.00	0.00
500-8	2-3" Micrometer - 193-213 - Mitutoyo	0.00	0.00
500-15	Dial Drop Indicator - 543-272 - Mitutoyo	0.00	0.00
516 1	Indicator - .001"-2.000" - Amtos	0.00	0.00
1MH	Dial Caliper - 505-611 - Mitutoyo	0.00	0.00
1096731-GAGE-1	Dial Indicator - 24-333-7 - SPI	0.00	0.00
1AO	Micrometer - 0-1" - Mitutoyo	0.00	0.00
2AO	Micrometer - 0-1" - Mitutoyo	0.00	0.00
1HM	Dial Indicator - 2416F-10 - Mitutoyo	0.00	0.00
10AO	Dial Caliper - 505-611 - Mitutoyo	0.00	0.00
10-1AO	Micrometer - 31-511-9 - SPI	0.00	0.00
14PM	Dial Test Indicator - 513-118 - Mitutoyo	0.00	0.00
8PM	Depth Micrometer - 0-3" - Starrett	0.00	0.00
1JA	OD Micrometer - 103-260 - Mitutoyo	0.00	0.00
2JA	Dial Caliper - 505-626 - Mitutoyo	0.00	0.00
14SH	Dial Caliper - 505-637-50 - Mitutoyo	0.00	0.00
96	Thread Plug Gage Set - 1/4-28 UNF-3B - Pennoyer-Dodge	0.00	0.00

Asset #	Description	Starting Book Value	Monthly Lease
200-765-16	Thread Plug Gage Set - 10-32 UNF-2B - Pennoyer-Dodge	0.00	0.00
2MA	Caliper - 0-1" - SPI	0.00	0.00
4MA	Micrometer - 31-511-9 - SPI	0.00	0.00
7PM	Caliper - 120 - Starrett	0.00	0.00
13PM	Micrometer - 436-1" - Starrett	0.00	0.00
13SH	Micrometer - 436-1" - Starrett	0.00	0.00
4SH	OD Micrometer - 436-2" - Starrett	0.00	0.00
5SH	OD Micrometer - 436-3" - Starrett	0.00	0.00
1SH	Dial Indicator - A1-921 - Teclock	0.00	0.00
2HM	Indicator - 513-202 - Mitutoyo	0.00	0.00
14AO	Dial Indicator - .001" - Aerospace Sup	0.00	0.00
119	CMM Computer System	0.00	0.00
125	CMPQ Computer w/Printer	0.00	0.00
127	computer w/Calibration Software	0.00	0.00
128	CPQ Computer	0.00	0.00
129	Engineering Network System	0.00	0.00
123	Compaq Computer	0.00	0.00
139	Dell Computer	0.00	0.00
	Compaq EVO Work Station - Windows 2000 - Microsoft Office 2000	0.00	0.00
	Compaq EVO Work Station - Windows 2000 - Microsoft Office 2000, Visio	0.00	0.00
	Compaq EVO Work Station - Windows 2000 - Microsoft Office 2000, AutoCAD	0.00	0.00
	LT, Catia V5, MasterCAM V9	0.00	0.00

Compaq EVO Work Station - Windows 2000 - Microsoft Office 2000, Gage Track	0.00	0.00
Compaq EVO Work Station - Windows 2000 - Microsoft Office 2000, AutocCAD 2005, Visio	0.00	0.00
Compaq Work Station - Windows 2000 - Microsoft Office 2000, Visio	0.00	0.00
Compaq Work Station - Windows 2000 - Microsoft Office 2000	0.00	0.00
ASI Work Station - Wiondows 2000 - Microsoft Office 2000	0.00	0.00
ASI Work Station - Wiondows 2000 - Microsoft Office 2000	0.00	0.00
ASI Work Station - Wiondows 2000 - Microsoft Office 2000	0.00	0.00
ASI Work Station - Wiondows 2000 - Microsoft Office 2000, AutoCAD LT, MasterCAM V9	0.00	0.00
Dell Work Station - Windows 2000 - Microsoft Office 2000	0.00	0.00
Toshiba LapTop - Windows 2000 - Microsoft Office 2000, Visio	0.00	0.00
IMB ThinkPAD Lap Top, Windows XP - Microsoft Office 2000, Visio	0.00	0.00
Hewlet Packard Work Station - Windows XP - Microsoft Office 2000	0.00	0.00
ATACMS - Mandrel (1)	0.00	0.00
ATACMS Lathe Tooling - T/N 1096001-1-1LF Lathe Fixture (1)	0.00	0.00
ATACMS - New Tool Ring with .750" radius per Dwg. No. T/N 6894-1-1TR Rev A Proc. P6774-3 SFR N/C (4)	0.00	0.00
ATACMS - New Tool Ring with .240 step per Dwg. No. 1095421-1-1TR Rev B Proc. P6774-3 SFR N/C (2)	0.00	0.00
ATACMS - PC 18.5 in OD x 13 in ID x 3 in LG Dycast #1 H-11 Annealed, Forged Ring Latrobe (4)	0.00	0.00
ATACMS - PC 18 in OD x 13 in ID x 1-3/4 in LG Dycast #1 H-11 Annealed, Forged Ring Latrobe (6)	0.00	0.00
TOTAL	2,104,423.38	21,921.08

SUBLEASE

This SUBLEASE ("Sublease") is dated for reference purposes, as of September 17, 2004, and is executed on the dates set forth opposite the signatures below, by and between Dynamic Materials Corporation, a Delaware corporation ("Sublessor"), and Aerojet-General Corporation, an Ohio corporation ("Sublessee").

RECITALS

A. Spin Forge, LLC, a California limited liability company, owns the land and the manufacturing, storage, and administrative buildings, and other improvements, located at 1700 East Grand Avenue, El Segundo CA, 90245 (the "Premises"). The land containing such buildings and improvements is legally described in Exhibit A to the Master Lease (as defined below).

B. Sublessor currently leases the Premises from Spin Forge, LLC, ("Master Lessor") pursuant to a certain Operating Lease dated as of March 18, 1998, ("Original Lease") as amended by an Agreement and Amendment to Operating Lease dated as of February 1, 2000, ("Amendment") (collectively, the "Master Lease"), which Master Lease is attached hereto as **Exhibit "A"** and made a part hereof for all purposes.

C. Sublessee wishes to sublet the entire Premises, as described above, from Sublessor; and Sublessor wishes to sublet the entire Premises (the "Sublet Premises") to Sublessee upon certain terms and conditions.

NOW, THEREFORE, in reference to the foregoing recitals (collectively, the "Recitals"), Sublessor and Sublessee, in consideration for the various obligations set forth in this Sublease and the Master Lease, hereby agree as follows:

ARTICLE 1**BASIC TERMS**

1.1 Demise. For the Term set forth below, and in accordance with the terms and conditions of this Sublease, Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, the Sublet Premises and every part thereof, subject to all the terms and conditions of the Master Lease.

1.2 Term.

(a) The term of this Sublease (the "Term") shall commence on September 17, 2004 (the "Commencement Date") and terminate on January 1, 2007 (the "Expiration Date"), unless sooner terminated under the terms of the Lease or this Sublease. Sublessor and Sublessee agree to confirm the actual Commencement Date in writing; however, the failure to confirm such shall have no effect on the Commencement Date or Expiration Date.

(b) This Sublease shall terminate upon the termination for any reason or cause of the Master Lease, except that default of the Sublessor as lessee under the Master Lease, or surrender of the Premises by the Sublessor as lessee under the Master Lease to the Master Lessor shall constitute a default or breach by Sublessor under this Sublease. Sublessor, as lessee under the Master Lease, may terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Premises, including buildings on the Premises, and the exercise of such right by Sublessor pursuant to Articles 13 and 14 of the Master Lease, shall not constitute a default or breach by the Sublessor under this Sublease.

(c) Possession of the Sublet Premises ("Possession") shall be delivered to Sublessee on the Commencement Date. If for any reason Sublessor does not deliver Possession to Sublessee on the Commencement Date, Sublessor shall not be subject to any liability for such failure, the Termination Date shall not be extended by the delay, and the validity of this Sublease shall not be impaired, except that Rent (described below) shall abate until delivery of Possession.

(d) If Sublessor permits Sublessee to take Possession prior to the Commencement Date, such early Possession shall not advance the Termination Date and shall be subject to the provisions of this Sublease, including without limitation, the payment of Rent according to the terms and conditions set forth below.

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(e) This Sublease shall terminate upon the exercise by Sublessee, pursuant to that certain Option Agreement, dated as of an even date herewith, between Sublessor and Sublessee (the "Option Agreement"), of its option to assume the option to purchase the Premises and Sublessor shall assign its rights and liabilities under the Master Lease to Sublessee, subject to the written consent of Master Lessor as required under Article 15 of the Master Lease.

1.3 Rent.

(a) Sublessee shall pay Sublessor during the Term of this Sublease, without offset, deduction, prior notice or demand, the Base Rent in the amount of Thirty Thousand Two Hundred and Forty-Four dollars (\$30,244.00) per month ("Base Rent"), or a pro rated amount thereof for any fraction of a month; provided however, that Sublessee may defer the first two months' Base Rent for up to 45 days each without penalty or interest, and such deferred rent shall not constitute a default under Article 4 hereof.

(b) In addition to the Base Rent provided by subparagraph (a) of this Section 2, Sublessee shall pay all additional rent and other charges imposed under the Master Lease with respect to the Sublet Premises and Sublessee's use thereof and operations therein, including but not limited to all Operating Costs imposed under the Master Lease, (collectively, "Operating Costs") which shall include (i) Taxes as defined in the Master Lease and pursuant to the terms and conditions of Article 5 of the Master Lease, (ii) Utilities as defined in the Master Lease and pursuant to the terms and conditions of Article 6 of the Master Lease, (iii) maintenance and repair costs as described in subparagraph A of Article 7 of the Master Lease; and (iv) insurance costs pursuant to the terms and conditions of Article 12 of the Master Lease. Operating Costs shall not include the cost of any financing or ground lease on the Premises (other than Base Rent), capital improvements to the Premises (unless approved by Sublessee in its sole discretion), management costs, or overhead. Sublessor shall request an additional payment for increased Operating Costs from Sublessee, together with evidence of the increased costs and payment of such increased costs, as Sublessee may reasonably require. Sublessee shall make payment to Sublessor within thirty (30) days of receipt of such request.

(c) The Base Rent shall be paid to Sublessor at the address set forth in Section 5.2 of this Sublease, or at such other place as Sublessor may designate, in advance, three (3)

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Business Days prior to the first day of each and every month throughout the Term of this Sublease.

(d) In addition to the Base Rent provided by subparagraph (a) of this Section 2, Sublessee shall pay for the right to use all Sublessor's office and non-factory furniture and equipment that is currently available for use on the Sublet Premises, as set forth on **Schedule 1.3(d)** hereto. Sublessee acknowledges and agrees that it has inspected such non-factory furniture and equipment and Sublessee agrees to accept same in its present condition, "as is, where is" and "with all faults." Upon the expiration or earlier termination of this Sublease, Sublessee shall deliver such non-factory furniture and equipment to Sublessor in good condition and repair, normal wear and tear excepted; provided, however, that if Sublessee exercises its option to assume the option to purchase the Premises pursuant to the Option Agreement, Sublessee shall pay Sublessor the net book value of the furniture and equipment listed on **Schedule 1.3(d)** hereto, determined as of the date of the exercise of such option. Factory equipment shall be subject to the terms and conditions of a lease agreement (the "Master Equipment Lease") that is separate and apart from this Sublease.

1.4 **Taxes.** Sublessee shall pay any and all taxes (occupancy or otherwise) relating to Sublessee's occupancy, property taxes and assessments on the furniture, fixtures, equipment, and other property situated on, or installed in the Sublet Premises in accordance with Article 5 of the Master Lease. Sublessor shall supply to Sublessee copies of all statements, invoices, or bills for such taxes, and all notices of assessment, valuation, or other similar notices or documents, promptly upon receipt thereof by Sublessor, and Sublessee shall have the right, and Sublessor shall use reasonable efforts to cooperate with Sublessee, to initiate any action to contest the amount, applicability, or any other aspect of such taxes in accordance with the provisions in Article 5 (b) of the Master Lease.

1.5 **Use.** Sublessee shall use the Sublet Premises for any and all purposes directly or indirectly related to the conduct of a manufacturing business and all related administrative and general business purposes and for any other legal purpose, in accordance with Article 4 of the Master Lease.

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1.6 **Condition of Sublet Premises.**

(a) Except with respect to the Environmental Warranties set forth in Article 3 of this Sublease, Sublessee represents that it has inspected and examined the Sublet Premises and agrees to accept them in their present, "as is" condition and acknowledges that Sublessor has no obligation to make any improvements in connection therewith. Any work required by Sublessee to prepare the Sublet Premises for its occupancy, other than costs incurred pursuant to Article 3 of this Sublease, shall be paid for by Sublessee and shall be subject to all of the conditions set forth in this Sublease and/or the Master Lease.

(b) Sublessee shall not make any alterations, additions or improvements to the Sublet Premises without first obtaining the written consent of Sublessor and, if required by the Master Lease, of Master Lessor. Any approved alterations, additions or improvements to the Sublet Premises shall be made by Sublessee at Sublessee's sole cost and expense, and at no cost or expense to Sublessor, and otherwise upon all applicable terms and conditions of the Master Lease and this Sublease; provided, however, that without the written consent of Sublessor or Master Lessor, Sublessee may make improvements, alterations, or additions that cost below \$10,000 as long as such improvements, alterations, or additions do not diminish or interfere with the value of the Premises.

1.7 **Surrender of Sublet Premises.** On the date upon which the term hereof shall expire or come to an end, whether on the Expiration Date, by lapse of time, or otherwise, Sublessee, at Sublessee's sole cost and expense, shall quit and surrender the Sublet Premises to Sublessor in the same good order and condition, ordinary wear and tear excepted, as Sublessor is required to deliver them to Master Lessor pursuant to the Master Lease.

1.8 **Holdover.** If, after the Expiration Date or earlier termination or expiration of this Sublease, Sublessee shall remain in possession of the Sublet Premises, then Sublessee shall indemnify and hold Sublessor harmless from and against any and all actions, claims, demands, liabilities, loss, expenses, and damages incurred by Sublessor under the Master Lease or otherwise arising from or related to Sublessee's failure to surrender possession of the Sublet Premises and Sublessee shall also pay to Sublessor each month a sum equal to one hundred twenty five percent (125%) of the Base Rent payable hereunder. Nothing herein contained shall

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be deemed to permit Sublessee to retain possession of the Sublet Premises after the Expiration Date or sooner termination of this Sublease and no acceptance by Sublessor of payments from Sublessee after the Expiration Date or sooner termination of the Term shall be deemed to be other than on account of the amount to be paid by Sublessee in accordance with the provisions of this Section, which provisions shall survive the Expiration Date or sooner termination of this Sublease.

1.9 **Assignment.** Notwithstanding anything to the contrary in the Master Lease, Sublessee shall not directly or indirectly (by sale or transfer of a controlling interest in Sublessee's capital stock or otherwise), voluntarily or by operation of law, sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any portion of Sublessee's interest in or rights with respect to the Sublet Premises or Sublessee's subleasehold estate hereunder, or permit all or any portion of the Sublet Premises to be occupied by anyone other than Sublessee, sublet all or any portion of the Sublet Premises or in any manner transfer all or any portion of Sublessee's interest in or rights with respect to Sublessee's subleasehold estate hereunder, without first complying with the provisions of Article 15 of the Master Lease and without the prior, written consent of Sublessor and Master Lessor, which consent shall not be withheld unreasonably. Notwithstanding the foregoing, Sublessor agrees that Sublessee may assign its rights to, and delegate its duties and obligations under, this Sublease to an affiliate of Sublessee, without the prior written consent of Sublessor. For purposes of this Sublease, the term "affiliate" shall mean any partnership, corporation, trust or other entity or association, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with Sublessee. The term "control," as used in the immediately preceding sentence, means, with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

1.10 **Defined Terms.** All initially capitalized words contained herein for which definitions are not specified shall have the meaning ascribed to such defined term within the Master Lease.

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ARTICLE 2

THE MASTER LEASE

2.1 **Incorporation by Reference.** This Sublease is subject and subordinate to the Master Lease. Subject to the modifications set forth in this Sublease, the terms and conditions of the Master Lease are incorporated herein by reference as if fully set forth herein, and shall, as between Sublessor and Sublessee (as if they were "Lessor and "Lessee," respectively, under the Master Lease) constitute the terms of this Sublease except to the extent that they are inapplicable to, inconsistent with, or modified by the terms of this Sublease. The following provision of the Master Lease is expressly excluded from this Sublease: Article 1(C). In the event of any inconsistencies between the terms and provisions of the Master Lease and the terms and provisions of this Sublease, the terms and provisions of this Sublease shall govern. Sublessee acknowledges that it has reviewed the Master Lease and is familiar with the terms and conditions thereof.

(a) For purposes of interpreting provisions of the Master Lease as incorporated into this Sublease, as used therein the term "Lessee" shall be deemed to refer to Sublessee, the term "Lessor" shall be deemed to refer to Sublessor, the term Premises shall be deemed to refer to the Sublet Premises.

(b) Sublessee shall have and perform for the benefit of Sublessor all such obligations as are set forth in the Master Lease. Unless otherwise set forth herein, Sublessee agrees to pay and perform, and hold Sublessor free and harmless from and against, all of Sublessor's obligations and liabilities under the Master Lease.

(c) Upon any breach by Sublessee of any of said terms and conditions of the Master Lease as incorporated herein or upon any failure of Sublessee to pay Base Rent or Operating Costs or to comply with any of the provisions of this Sublease, Sublessor and/or Master Lessor may exercise any and all rights and powers and shall have whatever remedies as are available to the Master Lessor under the Master Lease in addition to those available under this Sublease or by law.

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(d) Sublessor shall have no liability to Sublessee for failure of the Master Lessor to perform any of its obligations under the Master Lease and Sublessor shall not be obligated to perform for the benefit of Sublessee any of the obligations of Master Lessor under the Master Lease.

(e) Whenever a provision of the Master Lease requires the consent or approval of the Master Lessor, it shall be construed to require the consent or approval of both said Master Lessor and Sublessor.

(f) In all provisions of the Master Lease requiring Lessee to submit, exhibit to, supply or provide Lessor with evidence, certificates, or any other matter or thing, Sublessee shall be required to submit, exhibit to, supply or provide, as the case may be, the same to both Lessor and Sublessor. In any such instance, Sublessor shall determine if such evidence, certificate or other matter or thing shall be satisfactory.

(g) Sublessor may not waive or amend any provision of the Master Lease that will prevent or adversely affect the use by Sublessee of the Sublet Premises in accordance with the terms of this Sublease without consent of Sublessee.

(h) Sublessee hereby agrees that it will not, by its act or omission to act, cause a default under the Master Lease. Further, notwithstanding any provision in this Sublease or the Master Lease to the contrary, Sublessee shall have no right, power or authority, without the prior written approval of Sublessor, to amend, revise, terminate or waive any provision of the Master Lease, exercise any renewal, extension, expansion, termination or similar rights or options under the Master Lease, or otherwise materially adversely affect Sublessor's interests, rights or remedies under the Master Lease.

(i) Whenever any period for notice from "Lessee" to "Lessor" is specified under the Master Lease, or any period within which "Lessee" is required to do anything under the Master Lease, the period applicable to Sublessee's obligation to give such notice to Sublessor or to perform under this Sublease shall be three days shorter than the corresponding period applicable to "Lessee" under the Master Lease (so that Sublessor shall always have at least three days within which to give its own notice or performance to Master Lessor), and wherever any

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period for notice from "Lessor" to "Lessee" is specified under the Master Lease, Sublessor shall similarly have a period of at least three days within which to give notice to Sublessee under this Sublease.

(j) Sublessor and Sublessee have agreed to allocate responsibility for performance of certain of Sublessor's obligations under the Master Lease, as follows:

(1) Article 11, Indemnity. Unless such liabilities are the result of the gross negligence or willful misconduct of Sublessee, or Sublessee's agents, employees, customers, contractors, licensees or invitees, Sublessor shall continue to perform and retain liability for the obligations of Sublessor under Article 11 of the Master Lease. In addition to, and not in limitation of, the indemnification obligations set forth in the Master Lease, Sublessee shall indemnify, defend and hold Sublessor harmless, and upon request defend Sublessor, from and against all losses, liabilities, damages, claims, costs and expenses, including reasonable attorneys' fees incurred in defending against the same, arising out of Sublessee's breach or default under this Sublease.

(2) Article 16, Access to Premises. Sublessee acknowledges that Master Lessor has the right to enter Premises at any time or times, upon reasonable prior notice to Sublessor, and that "reasonable" is not defined in the Master Lease. Sublessee also acknowledges that Master Lessor may enter the Premises with a master key if Sublessor is not present to let Master Lessor enter the Premises. Notwithstanding the foregoing, Sublessee acknowledges that Sublessor, its agents, and its employees may from time to time enter the Sublet Premises during regular business hours during the Term of this Sublease.

(3) Article 12, Insurance –Waiver of Claims –Waiver of Subrogation.

(i) Insurance. Sublessee shall maintain throughout the Term of this Sublease, at Sublessee's expense, all of the insurance required in Article 12 of the Master Lease for covered claims, provided, however, that all rights and benefits specified for Landlord pursuant to said Article 12 shall apply to any inure to the benefit of Landlord and Sublessor. Sublessee shall cause Sublessor and Landlord to be named as additional insureds in said policy or policies. Upon the execution of this Sublease, Sublessee shall deliver to Sublessor a certificate of insurance evidencing said insurance coverage. Sublessee shall procure renewals or replacements

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of such insurance from time to time before the expiration thereof and shall deliver to Sublessor certificates of insurance indicating such coverage before the expiration of any existing policy

(ii) Waiver of Subrogation. Any insurance carried by Sublessee with respect to the Sublet Premises or property therein or thereon shall include a clause or endorsement denying to the insurer rights of subrogation against Sublessor to the extent rights have been waived by Sublessee prior to occurrence of injury or loss. Sublessee, notwithstanding any provisions of this Sublease to the contrary, hereby waives any rights of recovery against Sublessor for injury or loss due to assets covered by such insurance.

2.2 Performance by Master Lessor. In the event Master Lessor shall fail to perform any of the terms, covenants, and conditions contained in the Master Lease on its part to be performed, Sublessor shall reasonably cooperate with Sublessee, at no cost to Sublessee, in seeking to obtain the performance of Master Lessor under the Master Lease. Notwithstanding the foregoing, however, Sublessor shall not be obligated to perform for the benefit of Sublessee any of the obligations of Master Lessor under the Master Lease. In the event Sublessee makes a request that it is entitled to make under this Sublease, which request requires the approval of Master Lessor, Sublessor shall make all reasonable efforts to obtain such approval. In addition, Sublessee shall have the right in its own name to require and obtain performance by Master Lessor pursuant to the terms of the Master Lease and take any action against the Master Lessor. For that purpose and only to such extent, all rights of Sublessor as lessee under the Master Lease are hereby conferred upon and assigned to Sublessee, and Sublessee shall be subrogated to such rights to the extent the same shall apply only to the Sublet Premises. In any event, Sublessee shall not be allowed any abatement or diminution of Rent under this Sublease because of Landlord's failure to perform any of its obligations under the Master

Lease. Notwithstanding the foregoing, if Sublessor, as Tenant, receives an abatement or diminution of Rent from Master Lessor that relates to the Sublet Premises, Sublessee shall be entitled to the same abatement or diminution of Rent as applied to the Sublet Premises.

ARTICLE 3

ENVIRONMENTAL WARRANTIES

3.1 Environmental Warranties.

(a) For purposes of this Article 3.1, "Hazardous Substance" means anychemical, waste, pollutant, contaminant or toxic, reactive or corrosive material or substance, or any other chemical, material, or substance included in the definition of "pollutant," "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous materials," "toxic substances" or "toxic pollutants" or words of similar import, the release of which is prohibited, limited or regulated by any governmental authority under any Environmental Law. Further, "Environmental Laws" means any U.S. federal, state, county or local law, statute, or ordinance that regulates or relates to the existence of, or provides a remedy for, release of Hazardous Substances, the protection of the environment, natural resources or the environment, the management of Hazardous Substances, or other activities involving Hazardous Substances. Environmental Laws include all of the following federal laws and amendments thereto, their implementing regulations and all state and local laws, regulations and ordinances that regulate the same subject matter: (a) the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 USC 9601 et seq.; (b) the Solid Waste Disposal Act, 42 USC 6901 et seq., including the Resource Conservation and Recovery Act (RCRA), and Laws governing underground storage tanks; (c) the Toxic Substances Control Act (TSCA), 15 USC 2601 et seq., including those provisions governing use and disposal of Polychlorinated Biphenyls (PCBs); (d) the Hazardous Materials Transportation Act (HMTA), 49 USC 5101 et seq.; (e) the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), 7 USC 136 et seq.; (f) the Clean Air Act, 42 USC 7401 et seq.; (g) the Federal Water Pollution Control Act, 33 USC 1251 et seq.; (h) the Emergency Planning and Community Right-to-Know Act (EPCRA), 42 USC 11001 et seq.; and (i) the Safe Drinking Water Act, 42 USC 300f et seq.

(b) If prior to or during the Term, Sublessor or Sublessee discover any Hazardous Materials in or on the Premises, the presence of which were not caused by Sublessee, Sublessor shall, at its expense, promptly take all action required by all applicable laws, ordinances, codes, and/or other regulations, to remove and/or encapsulate such Hazardous Materials and, if

necessary, replace the same with substances and materials that are not Hazardous Materials and repair any damage caused by such removal, encapsulation, or replacement. If the presence of Hazardous Materials renders the whole or any portion of the Premises untenable for the conduct of Sublessee's business, then the Rent due hereunder shall abate in whole during the period commencing on the first day such untenability and ending on the earlier of:

(1) the date on which all Hazardous Materials have been removed, encapsulated, and/or replaced and all resulting damage to the Sublet Premises have been repaired; or

(2) the date upon which Sublessee again begins using the Sublet Premises. In the event any such untenability lasts for longer than ninety (90) days, Sublessee shall have the right, but not the obligation, to terminate this Sublease without any further liability or obligation hereunder.

(c) Without limiting the generality of the foregoing, Sublessor shall indemnify and hold Sublessee and Sublessee's agents, employees, managers, and members ("Sublessee's Related Parties") harmless from and against any and all claims, suits, actions, liabilities, costs, fees, damages, and/or causes of action, including, without limitation, reasonable attorneys fees (collectively, "Claims and Losses") arising out of Sublessor's failure to comply with any state, local, or federal law relating to Hazardous Materials.

ARTICLE 4

DEFAULT

4.1. Default. Sublessee shall be in default under this Sublease if any one or more of the following occur:

(a) Sublessee fails to fulfill any of the terms, obligations, covenants, and conditions of this Sublease;

(b) Sublessee fails to perform any of the terms, obligations, covenants, and conditions of the Master Lease with respect to the Sublet Premises;

(c) Sublessee is adjudged bankrupt or insolvent or makes an assignment for the benefit of creditors; or

(d) A receiver or trustee of the Sublessee's property is appointed and not discharged within sixty (60) days.

In the event that Sublessee defaults, Sublessor shall have any and all rights and remedies available to it at law and equity, including all of the rights and remedies of Master Lessor described in the Master Lease, which are hereby incorporated herein and made a part hereof with the same force and effect as if herein specifically set forth in full, and that wherever in the Master Lease rights and remedies are given to Master Lessor, the same shall be deemed to refer to Sublessor.

ARTICLE 5

MISCELLANEOUS PROVISIONS

5.1 Sublease Consent. This Sublease shall become effective only if the written consent hereto of Master Lessor is obtained. If such written consent is not obtained, then this Sublease shall be void and of no force or effect, and thereupon neither party shall have any further obligation to the other. Both parties shall promptly furnish to the Master Lessor any information reasonably required to be furnished by the Master Lessor and to execute any consent form reasonably required by the Master Lessor.

5.2 Notice and Demands. Anything contained in any provision of this Sublease to the contrary notwithstanding, Sublessee agrees, with respect to the Sublet Premises, to comply with and remedy any default in this Sublease or the Master Lease that is Sublessee's obligation to cure, within the period allowed to Sublessor under the Master Lease, even if such time period is shorter than the period otherwise allowed therein due to the fact that notice of default from Sublessor to Sublessee is given after the corresponding notice of default from Master Lessor to Sublessor. Sublessor agrees to forward to Sublessee, promptly upon receipt thereof by Sublessor (and in any event

within two (2) business days of receipt), a copy of each notice of default received by Sublessor in its capacity as Master Lessee under the Master Lease. Sublessee agrees to forward to Sublessor, promptly upon receipt thereof, copies of any notices received by Sublessee from Master Lessor or from any governmental authorities. All notices, demands and requests shall be in writing and shall be sent either by hand delivery or by a nationally

recognized overnight courier service (e.g., Federal Express), in either case return receipt requested, to the address of the appropriate party. Notices, demands and requests so sent shall be deemed given when the same are received.

Any notice, approval, request, consent, bill, statement, or other communication required or permitted to be given, rendered, or made by either party hereto, shall be sent to the attention of:

If to Sublessor:	President Dynamic Materials Corporation 5405 Spine Road Boulder, CO 80301 Attention: Yvon Cariou Fax Number: (303) 604-1897
With a copy to:	Chief Financial Officer Dynamic Materials Corporation 5405 Spine Road Boulder, CO 80301 Attention: Richard Santa Fax Number: (303) 604-1897
If to Sublessee	Aerojet General Corporation P. O. Box 1036 Camden, AR 71711-1036 Attention: Robert Shenton Vice-President, Operations Fax Number: (870) 574-3528
With a copy to:	Aerojet General Corporation P. O. Box 13222 Sacramento, CA 95813-6000 Attention: Brian E. Sweeney Vice-President, Legal and Contracts Fax Number: (916) 351-8610 Highway 50 and Aerojet Road Rancho Cordova, CA 95742
If by express delivery:	

Sublessee shall remit all payments required under this Sublease to Sublessor's lockbox account at:

Dynamic Materials Corporation
Dept. 1323
Denver , CO 80291-1323

Each party shall have the right to designate by notice in writing any other address to which such party's notice is to be sent.

5.3 **Subordination.** This Sublease is subject and subordinate to all of the provisions of the Master Lease and to all encumbrances and other matters to which the Master Lease is subject (including the lien of any mortgage covering the Premises). Sublessee shall execute promptly any instrument that Master Lessor may request to confirm that this Sublease is subordinate in lien to any mortgage pursuant to the foregoing provisions of this paragraph. In the event of a foreclosure of a mortgage covering the Building, then notwithstanding such foreclosure, Sublessee shall not disaffirm this Sublease or any of its obligations hereunder and at the request of the mortgagee or the purchaser at the foreclosure sale, Sublessee shall attorn to such mortgagee or purchaser and if required, execute a new Sublease for the Sublet Premises on all the same terms and conditions of this Sublease, except that the term of such new sublease shall be for the balance of the term of this Sublease.

5.4 **Severability.** If any term or provision of this Sublease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Sublease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby; and each term and provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by law.

5.5 **Broker Indemnity.** Each party represents to the other that no broker participated in the negotiations leading to the Sublessee's rental of the Sublet Premises from the Sublessor. Each party hereunder agrees to indemnify and hold the other party harmless from and against any claim or demand of any broker or agent who claims that he or she participated with that party in this transaction, and such indemnity shall survive the Expiration Date or earlier termination of this Sublease.

5.6 **Quiet Enjoyment.** Sublessor hereby covenants that it has good and lawful authority to make this Sublease and fully warrants the right, title, and interest conveyed hereby, and will defend the same against the claims of all persons whomsoever.

5.7 **Successors and Assigns.** Without limiting any restriction on assignment contained elsewhere in this Sublease, this Sublease and all of its provisions shall be binding upon, and inure to the benefit of, the successors and assigns of Sublessor and Sublessee.

5.8 **Governing Law.** The validity, construction, interpretation, and performance of the covenants and conditions contained herein shall be governed by and construed in accordance with the domestic laws of California, excluding, however, such laws as pertain to conflicts of law.

5.9 **Section Headings.** The section headings used in this Sublease are inserted for convenience of reference only; they shall not be construed to limit or extend

or otherwise affect in any way the meaning of any part of this Sublease.

5.10 Authority. Sublessee represents and agrees that it has good right and lawful authority to execute this Sublease and that the same does not require joinder or approval of any other person, firm, or corporation.

5.11 Sublease Not Binding Unless Executed. The submission of this document for examination and negotiation does not constitute an offer to sublease, reservation of, or option for the Sublet Premises. This document shall become effective and binding only upon the execution and delivery hereof by both Sublessor and Sublessee and the approval of Master Lessor.

5.12 Time of the Essence. Time is of the essence of each and every provision of this Sublease.

5.13 Attorneys' Fees. If any legal action or arbitration or other proceeding be commenced, whether by Sublessor, Sublessee, or a third party, concerning this Sublease, the

Premises or Sublet Premises, the Master Lease, or any alleged default or breach of duty related thereto, as between Sublessor and Sublessee, the prevailing party shall recover from the losing party, reasonable attorneys' fees and cost and expenses, not limited to taxable costs, incurred by the prevailing party, in addition to all other remedies to which the prevailing party may be entitled, including costs and attorneys' fees incurred in any appeal.

5.14 Mechanics' and Materialmens' Liens. Sublessee shall not permit any mechanics' or materialmens' liens to be filed against the Sublet Premises. In the event any such lien is filed, Sublessee shall cause it to be discharged within fifteen (15) days and, upon Sublessee's failure to do so, Sublessor shall have the right to discharge such lien and to be reimbursed by Sublessee for the cost thereof, which reimbursement shall be required by Sublessee upon Sublessor's demand. Further, Sublessee shall hold and save Sublessor harmless and indemnify Sublessor of and from any and all loss, cost, damage, injury, or expense, including attorneys' fees, arising out of or in any way related to such liens.

5.15 Entire Agreement. This Sublease contains the entire agreement between the parties, and no rights are created in favor of either party other than as specified or expressly contemplated in this Sublease, and the Master Lease, to the extent such is incorporated herein. In addition, no agreement shall be effective to change or modify this Sublease in whole or in part unless such is in writing and duly signed by the party against whom enforcement of such change or modification is sought.

5.16 Waiver. Waiver by either party of any breach of any provision of this Sublease shall not constitute a waiver of such provision or of any subsequent breach of the same or of any other provision contained in this Sublease.

5.17 Recitals. The Recitals set forth at the beginning of this Sublease are incorporated into and made a part of this Sublease. Sublessor and Sublessee each represent and warrant to the other that it knows of no fact or circumstance indicating that any of said Recitals is false, incomplete, or misleading as written.

5.18 Duplicate Counterparts. This Sublease may be executed in any number of duplicate counterparts, all of which shall be deemed on instrument (including copies sent to a party by facsimile transmission), and each of which shall be deemed an original of this Sublease for all purposes, notwithstanding that less than all signatures may appear on any single counterpart.

IN WITNESS WHEREOF, the parties have hereto executed this Sublease on the date above written.

SUBLESSOR:

DYNAMIC MATERIALS CORPORATION,

a Delaware corporation

By: _____

Printed Name _____

Title: _____

SUBLESSEE:

AEROJET GENERAL CORPORATION,

an Ohio corporation

By: _____

Printed Name: _____

Title: _____

**EXHIBIT A
MASTER LEASE**

(Operating Lease and Agreement and Amendment to Operating Lease)

(See attached)

EXHIBIT B

CONSENT TO SUBLEASE

SPIN FORGE, LLC, a California limited liability company ("Master Lessor") is the Lessor under that certain Operating Lease of real property and improvements, dated as of March 18, 1998, as amended by that certain Agreement and Amendment to Operating Lease ("Amendment"), dated as of February 1, 2000, (collectively, the "Master Lease"), with DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("Master Lessee"), covering those certain premises commonly known as 1700 East Grand Avenue, El Segundo, California, 90245 (the "Premises").

Master Lessor hereby consents to the sublease of the Premises by Master Lessee to AEROJET-GENERAL CORPORATION, an Ohio corporation ("Sublessee"), pursuant to that certain Sublease, dated as of September 17, 2004, for reference purposes only, a copy of which is attached hereto and incorporated herein by this reference (the "Sublease"). All capitalized terms used in the Lease and the Sublease, but not expressly defined herein, shall have the meanings ascribed to them in the Lease and Sublease.

In granting this Consent to Sublease, Master Lessor acknowledges and agrees as follows:

1. Sublessee shall be entitled to quiet use, possession and enjoyment of the Premises in accordance with terms of the Master Lease. In addition, so long as Sublessee is not in default in the performance of any of the terms, covenants or conditions of the Sublease, Master Lessor will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Master Lessee under the Master Lease.

2. Master Lessor hereby certifies to Sublessee that as of the date of Master Lessor's signature below, to the best of Master Lessor's knowledge, Sublessee is not in default or breach of any of the provisions of the Master Lease, and the Master Lease has not been amended or modified, except by the Amendment described above.

IN WITNESS WHEREOF, Master Lessor has executed this Consent to Sublease as set forth below.

MASTER LESSOR:

SPIN FORGE, LLC,

a California limited liability company

Dated: September 17, 2004

By: _____

Its: _____

Execution Copy

**Assets Included in Facility Lease
Schedule 1.3 (d)**

Class	Acquisition Date	Asset #	Description	Starting Net Book Value	Monthly Lease Payment
B	12/1/1998	602,602A	Re-coat Two Containment Tanks	\$ 22,542.92	\$ 234.82
B	7/1/1999	149	Janitrol Air Conditioner	6,901.75	71.89
B	12/1/1998	136	Main Building Air Conditioning	6,871.01	71.57
B	8/1/1999	151	Tool Crib	1,998.68	20.82
B	12/1/1999	105	Improvements For Leased Machinery	1,526.71	15.90
B	4/24/1999	154	Tool Crib	1,147.21	11.95
B	12/14/1998	153	200,000 BTU Heater	381.40	3.97
BI	7/17/2000	159	STEDI WAIT POWER PANEL DE'FENDER MODEL S1480-3/4D	704.74	7.34
F	3/18/1998	2	Furniture & Fixtures	21,094.63	219.74
LI	7/31/2001	1321	PARITION WALL	3,222.22	33.56
LI	6/21/2001	1319	GATE OPERATOR AND HARDWARE	2,880.00	30.00
LI	1/31/2001	1287	REMODEL LOBBY	2,676.78	27.88
LI	2/28/2001	1293	AWNING E. SIDE WALL	2,255.57	23.50
LI	10/23/2001	1356	ROLLING STEEL DOOR	1,043.23	10.87
M	3/19/2004	1573	Overhaul 10 Ton North Crane	18,493.99	192.65
M	3/18/1998	69	20 T Overhead Crane	7,165.93	74.65
M	12/1/2002	1386	Crane 1/2 Ton	5,711.09	59.49
M	3/18/1998	116	500# Bridge Crane & Hoist South End of Track	3,735.16	38.91
M	3/18/1998	71	1/2 T Overhead Crane	119.43	1.24
M	3/18/1998	72	1/2 T Overhead Crane	119.43	1.24
M	3/18/1998	74	1/4 T Overhead Crane	118.87	1.24
M	3/18/1998	59	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	60	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	61	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	62	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	63	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	64	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	65	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	66	1/2 T Overhead Crane	59.69	0.62
M	3/18/1998	67	1 T Overhead Crane	59.69	0.62
M	3/18/1998	68	1/2 T Overhead Crane	59.69	0.62
				<u>\$ 111,307.65</u>	<u>\$ 1,159.45</u>

AMENDMENT NUMBER 5 TO OPTION AGREEMENT

THIS AMENDMENT NUMBER 5 TO OPTION AGREEMENT (the "**Fifth Amendment**"), dated as of September 17, 2004, is entered into by and between Dynamic Materials Corporation, a Delaware corporation ("**DMC**"), and Spin Forge, LLC, a California limited liability company ("**Owner**"), with regard to the following:

- A. Owner owns certain real property and improvements located in El Segundo, California (the "**Property**").
- B. DMC and Owner entered into that certain Option Agreement dated March 18, 1998 (the "**Option Agreement**"), which provides DMC with an option (the "**Option**") to purchase the Property.
- C. DMC and Owner amended the Option Agreement on four separate occasions, by Amendment Number 1 to Option Agreement dated June 2001, Amendment Number 2 to Option Agreement dated May 20, 2002, Amendment Number 3 to Option Agreement dated March 14, 2003, and Amendment Number 4 to Option Agreement dated April 22, 2004 (the Option Agreement as so amended is referred to herein as the "**Amended Option Agreement**"). Among other things, the amendments changed the date on which the Option becomes exercisable.
- D. The parties are executing this Fifth Amendment in order to again change the date on which Option becomes exercisable and to make certain other changes.

Accordingly, the parties agree as follows:

- 1. **AMENDMENT OF AGREEMENT.** The Amended Option Agreement is amended as follows in this Section 1.
 - 1.1 Section 1. C. of the Amended Option Agreement is hereby deleted and restated in its entirety as follows:
 - C. **Time of Exercise.** The Option may be exercised by DMC beginning after November 1, 2006, and until the expiration of the Term.
 - 1.2 Section 2 of the Amended Option Agreement is hereby deleted and restated in its entirety as follows:
 - 2. **Purchase Price.** The purchase price for the Property upon exercise of the Option (the "**Purchase Price**") shall be \$2,880,000; provided, however, that if the Option is exercised after January 31, 2007, the Purchase Price shall equal (1) the fair market value of the Property at the time the Option is exercised (as determined according to the same procedure set forth in Article 1, Section C of the Operating Lease for the determination of "Extended Term Base Rent"), or (2) \$2,880,000, whichever is greater; and provided.

further, that if the Option is exercised on or before January 31, 2007, but the purchase of the Property is not closed on or before January 31, 2007 due to the default of the Owner, the Purchase Price shall be \$2,880,000, provided that the purchase of the Property is closed within a reasonable time after Owner has cured such default.

- 2. **EFFECTIVE DATE.** This Fifth Amendment shall be effective as of the first date written above.
- 3. **FULL FORCE AND EFFECT.** Except as amended by this Fifth Amendment, the Amended Option Agreement shall remain in full force and effect.
- 4. **GENERAL PROVISIONS.**

4.1 **Amendment and Modification.** This Fifth Amendment may not be amended, modified or supplemented except pursuant to an instrument in writing signed by both of the parties hereto.

4.2 **Attorneys' Fees.** If either party to this Fifth Amendment commences an action (including arbitration) against the other party to interpret or enforce any of the terms of this Fifth Amendment, or because of the other party's breach of any provision set forth in this Fifth Amendment, the losing party shall pay the prevailing party's reasonable attorneys' fees, costs and expenses, court costs and other costs of action incurred in connection with the prosecution or defense of such action, whether or not the action is prosecuted to a final judgment. In addition to the foregoing award of attorneys' fees, the prevailing party shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceeding to enforce any judgment in connection with this Fifth Amendment. This paragraph is separate and several and shall survive the merger of this paragraph into any judgment.

4.3 **Binding Effect.** All the terms and provisions of this Fifth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4.4 **Governing Law.** The validity and effect of this Fifth Amendment shall be determined in accordance with the laws of the State of California (without regard to conflicts or choice of laws principles).

4.5 **Counterparts.** This Fifth Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but together which shall constitute one document.

IN WITNESS WHEREOF, both parties have caused this Fifth Amendment to be duly executed as of the date first written above.

DMC

Dynamic Materials Corporation,
a Delaware corporation

By: _____

Its: _____

OWNER

Spin Forge, LLC,
a California limited liability company

By: _____

Its: _____

OPTION AGREEMENT

This OPTION AGREEMENT (the "Agreement"), dated September 17, 2004 for reference purposes only, is by and between **DYNAMIC MATERIALS CORPORATION**, a Delaware corporation ("DMC"), and **AEROJET-GENERAL CORPORATION**, an Ohio corporation ("Aerojet"). The "Effective Date" of this Agreement shall be the first date upon which both Seller and Buyer have executed this Agreement.

RECITALS

A. DMC is in the business of metal machining in the manufacture of certain rocket motor case and pressure tanks (the "Business") and conducts the Business on real property located in Los Angeles County, California, with a street address of 1700 East Grand Avenue, El Segundo, California 90245, utilizing the buildings, structures, improvements and fixtures on same real property (collectively, the "Property"), subject to an Operating Lease dated March 18, 1998, as amended by that certain Agreement and Amendment to Operating Lease dated February 1, 2000 (as amended, the "Master Lease"), with Spin Forge LLC, a California limited liability company ("Spin Forge"), as lessor.

B. Spin Forge has granted to DMC an exclusive option to purchase the Property pursuant to that certain Option Agreement dated March 18, 1998, as amended by that certain Amendment Number 1 to Option Agreement dated June 28, 2001, as further amended by that certain Amendment Number 2 to Option Agreement, dated May 20, 2002, as further amended by that certain Amendment Number 3 to Option Agreement dated March 14, 2003, as further amended by that certain Amendment Number 4 to Option Agreement dated April 22, 2004, as further amended by that certain Amendment Number 5 to Option Agreement dated September 17, 2004 (as amended, the "Option Agreement"). A copy of the Option Agreement is attached hereto as Exhibit A, and incorporated herein by this reference.

C. Pursuant to that certain Agreement dated September 17, 2004 (the "Master Agreement"), DMC has agreed to, among other things, sell and transfer to Aerojet certain of its rights and assets to enable Aerojet to operate the Business on the Property.

D. In accordance with the Master Agreement, DMC and Aerojet have entered into a sublease of the Master Lease, dated September 17, 2004, pursuant to which Aerojet shall sublease the Property from DMC (the "Sublease").

E. Also in accordance with the Master Agreement, Aerojet desires to acquire from DMC, and DMC desires to grant to Aerojet, an option to purchase from DMC all of DMC's right, title and interest in and to the Option Agreement (collectively, the "Property Option Rights").

1

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing recitals which are specifically incorporated into the body of this Agreement, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, DMC and Aerojet agree as follows:

1. **Option Terms.**

(a) **Grant of Option.** Subject to the terms and conditions of this Agreement and for good and valuable consideration, as more particularly described in the Master Agreement, DMC hereby grants to Aerojet an exclusive option to purchase the Property Option Rights on the terms and conditions set forth in this Agreement (the "Option").

(b) **Term.** The Option shall commence on the Effective Date and terminate on August 1, 2005 (the "Option Term").

(c) **Exercise.** In the event Aerojet elects to exercise the Option, it shall do so by notifying DMC in writing within the Option Term in accordance with the notice provisions in Section 8 below.

(d) **Memorandum of Option.** Concurrently with the execution and delivery of this Agreement by DMC, DMC shall deliver to Escrow Holder a Memorandum of Option substantially in the form attached hereto as Exhibit B, and incorporated herein by this reference, duly executed and acknowledged by each of DMC and Spin Forge together with instructions to Escrow Holder to record the Memorandum of Option in the Official Records of Los Angeles County, California. In the event Aerojet does not exercise the Option within the Option Term or in the event this Agreement is terminated under paragraph 3 below or for any other reason, Aerojet shall deliver to DMC and Spin Forge upon demand a quitclaim deed in a form suitable for recordation covering the Property so as to eliminate any cloud on Spin Forge's title to the Property.

2. **Purchase Terms**

(a) **Purchase Consideration.** In the event Aerojet exercises the Option, DMC shall sell to Aerojet, and Aerojet shall purchase from DMC, the Property Option Rights for consideration (the "Purchase Consideration") equal to the value of the Property Option Rights as reasonably agreed to by the parties. Each of DMC and Aerojet covenant and agree to negotiate in good faith to reach agreement upon the type and amount of the Purchase Consideration as soon as practicable following the Effective Date, but in no event later than **December 15, 2004**.

(b) **Closing.** The closing of Aerojet's purchase of the Property Option Rights in accordance with this Agreement (the "Closing") shall occur within five (5) business days of Aerojet providing notice to DMC of its election to exercise the Option pursuant to Section 1(c) above. The Closing shall occur through the Escrow with the Escrow Holder (as such terms are defined in the Option Agreement). At the Closing, the following shall occur: (i) the parties shall execute and deliver: (A) a written assignment and assumption agreement regarding the Option Agreement, substantially in the form attached hereto as Exhibit C and incorporated herein by this

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reference, and (B) such escrow instructions as are reasonable and necessary to carry out the provisions of this Agreement; (ii) Aerojet shall deliver to DMC the Purchase Consideration; and (iii) a Memorandum of Assignment of Option, substantially in the form attached hereto as Exhibit D and incorporated herein by this reference, duly executed and acknowledged by DMC, Spin Forge, and Aerojet, shall be recorded in the Official Records of Los Angeles County, California.

3. **Termination of Agreement.** If Aerojet does not exercise the Option on or before August 1, 2005 in accordance with Section 1(c) above, or in the event the parties are unable to agree upon the type and amount of the Purchase Consideration by November 30, 2004, as provided in Section 2(a) above, this Agreement shall automatically terminate, and except otherwise provided herein, the parties shall have no further rights or obligations under this Agreement.

4. **Acknowledgement Regarding Sublease and Other Ancillary Agreements** The parties acknowledge and agree that nothing herein shall affect the parties' respective rights and obligations under the Sublease, or under the Equipment Lease or the License Agreement (as such terms are defined in the Master Agreement).

5. **Allocation of Costs.** Each of DMC and Aerojet shall pay one-half of all escrow and any other closing fees incurred in connection with the Closing. DMC and Aerojet shall each pay all attorneys' fees and costs incurred by such party in connection with the negotiation, execution, delivery and performance of this Agreement by such party.

6. **Representations and Warranties.**

(a) **By DMC.** DMC represents and warrants to Aerojet as follows, except with respect to environmental matters, which are governed exclusively by the Master Agreement:

(i) DMC has the power and authority to enter into this Agreement, and to grant the Option as provided herein.

(ii) This Agreement has been duly executed and delivered by an authorized representative of DMC and constitutes the legal, valid and binding obligations of DMC in accordance with its terms.

(iii) To the best of DMC's knowledge, there is no suit, action, arbitration, legal, administrative or other proceeding or inquiry, pending or threatened against or relating to DMC which would affect DMC's ability to perform its obligations under this Agreement.

(iv) All of the representations and warranties of DMC set forth in the Master Agreement, are true and correct in all material respects as of the date hereof as though such representations and warranties were made on and as of the date hereof, except as contemplated or permitted by the Master Agreement and except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date.

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(v) The copy of the Option Agreement attached hereto as Exhibit A, is a true, correct and complete copy of the Option Agreement; such Option Agreement is in full force and effect and has not been otherwise amended, modified, or supplemented, and constitutes the entire agreement between the optionor and optionee under the Option Agreement.

(vi) There exists no breach, uncured default, or event or condition that, with the giving of notice or the passage of time or both, would constitute a breach or default under the Option Agreement; and there are no existing claims, defenses or payments to become due under the Option Agreement except for those contained in the Option Agreement.

(vii) DMC has not previously assigned, pledged, hypothecated, conveyed or otherwise transferred any of its right, title or interest in and to the Option Agreement to any other party.

(b) **By Aerojet.** Aerojet represents and warrants to DMC as follows:

(i) Aerojet has full power and authority to enter into this Agreement, and to grant the Option as provided herein.

(ii) This Agreement has been duly executed and delivered by an authorized representative of Aerojet and constitutes the legal, valid and binding obligations of Aerojet in accordance with its terms.

(iii) To the best of Aerojet's knowledge, there is no suit, action, arbitration, legal, administrative or other proceeding or inquiry, pending or threatened against or relating to Aerojet which would affect Aerojet's ability to perform its obligations under this Agreement.

(iv) All of the representations and warranties of Aerojet set forth in the Master Agreement, are true and correct in all material respects as of the date hereof as though such representations and warranties were made on and as of the date hereof, except as contemplated or permitted by the Master Agreement and except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date.

(c) **Survival.** Each of the parties acknowledge and agree that all of the representations and warranties made by such party in this Section 6 shall survive the exercise by Aerojet of the Option and the Closing, except to the extent any such representations and warranties are limited under the Master Agreement.

7. **DMC's Pre-Closing Covenants.** DMC covenants and agrees that, between the Effective Date and the Closing or earlier termination of this Agreement:

(a) DMC shall timely perform all of its obligations under the Option Agreement in accordance with the terms and conditions of the Option Agreement and shall not take any action which would be materially inconsistent with the provisions of the Option Agreement.

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(b) No provision of the Option Agreement, shall be amended or modified without the prior written consent of Aerojet, such consent not to be unreasonably withheld, delayed or conditioned.

DMC shall not, without the prior written consent of Aerojet (which consent shall not be unreasonably withheld, delayed or conditioned): (i) agree to any cure or other settlement of inaccurate representations and warranties made by Spin Forge under the Option Agreement; (ii) grant any consent or agree to any change in Spin Forge's covenants under Sections 4 and 5 of the Option Agreement, or waive any obligation of Spin Forge under the Option Agreement; (iii) waive any conditions precedent to the obligations of Spin Forge under the Option Agreement; or (iv) consent to any assignment by Spin Forge of its rights and/or obligations under the Option Agreement.

(c) Promptly upon receipt by DMC of any notice or other communication from Spin Forge under the Option Agreement, DMC shall provide a true, correct and complete copy of such notice or other communication to Aerojet.

(d) Concurrent with the closing of the purchase of the Property pursuant to the Option Agreement, Aerojet and DMC shall terminate the Master Lease and the Sublease.

8. **Notices.** Any notice, demand, approval, consent, or other communication required or desired to be given under this Agreement in writing shall be given in the manner set forth below, addressed to the party to be served at the addresses set forth beneath such party's signature on this Agreement, or at such other address for which that party may have given notice under the provisions of this Section. Any notice, demand, approval, consent, or other communication given by (a) mail shall be deemed to have been given when deposited in the United States mail, first class and postage prepaid; (b) overnight common carrier courier service shall be deemed to be given on the business day immediately following the date it was deposited with such common carrier; (c) delivery in person or by messenger shall be deemed to have been given upon delivery in person or by messenger; or (d) electronic facsimile shall be deemed to have been given on the earlier of (i) the date and at the time as the sending party (or such party's agent) shall have received from the receiving party (or such party's agent) oral confirmation of the receipt of such transmission or (ii) one hour after the completion of

transmission of the entire communication.

9. **Legal Costs.** If any party to this Agreement shall take any action to enforce this Agreement or bring any action or commence any arbitration for any relief against any other party, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' and experts' fees and costs incurred in taking such action, bringing such suit and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorneys' and experts' fees and costs due hereunder and shall be determined by a court of competent jurisdiction and not by a jury. For the purposes of this Section, attorneys' and experts' fees and costs shall include, without limitation, fees incurred in the following: (a) postjudgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third party examinations; (d) discovery; (e) bankruptcy litigation; and (f) appeals.

10. **Brokers.** Aerojet and DMC each warrant and represent to the other that it has not retained, nor is it obligated to, any person for brokerage, finder's or similar services in connection with the transactions contemplated by this Agreement, and that no commission, finder's fee or other brokerage or agent's compensation can be properly claimed by any person or entity based upon the acts of such party with regard to the transactions which are the subject matter of this Agreement. Each party shall indemnify, defend and hold harmless the other party against from and against all claims, demands, liabilities, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees, costs of expert witnesses, court costs and other litigation expenses) arising from or related to such party's breach of the foregoing representation and warranty.

11. **Time of the Essence.** Time is of the essence of this Agreement. In the event that any date specified in this Agreement falls on Saturday, Sunday or a public holiday on which public agencies and major banks are not open for business (each a "Non-Business Day"), such date shall be deemed to be the succeeding business day. For purposes of this Agreement, the term "business day" shall mean any day other than a Non-Business Day.

12. **Binding on Successors.** This Agreement shall be binding not only upon the parties but also, subject to the limitations set forth in Section 13, upon their heirs, personal representatives, assigns, and other successors in interest.

13. **Assignment.** Aerojet may not assign its interests under this Agreement to any other party without the prior written consent of DMC. Notwithstanding the foregoing, DMC agrees that Aerojet may assign its rights to, and delegate its duties and obligations under, this Agreement to an affiliate of Aerojet, at or prior to the Closing without the prior written consent of DMC. For purposes of this Agreement, the term "affiliate" shall mean any partnership, corporation, trust or other entity or association, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with Aerojet. The term "control," as used in the immediately preceding sentence, means, with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

14. **Entire Agreement; Modification; Waiver.** This Agreement constitutes the entire agreement between Aerojet and DMC pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

15. **Further Assurances.** DMC and Aerojet agree to take such additional actions and to execute such additional documents, including escrow instructions, as may be reasonable and necessary to carry out the provisions of this Agreement.

16. **Severability.** Each provision of this Agreement is severable from any and all other provisions of this Agreement. Should any provision(s) of this Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.

17. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California.

18. **Drafting.** The parties to this Agreement agree that this Agreement is the product of joint draftsmanship and negotiation and that should any of the terms be determined by a court, or in any type of quasi-judicial or other proceeding, to be vague, ambiguous and/or unintelligible, that the same sentences, phrases, clauses or other wordage or language of any kind shall not be construed against the drafting party in accordance with California Civil Code Section 1654, and that each such party to this Agreement waives the effect of such statute.

19. **Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original (including copies sent to a party by facsimile transmission) as against the party signing such counterpart, but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

DMC:

DYNAMIC MATERIALS CORPORATION,
a Delaware corporation

By: _____

Name: _____
Title: _____

Dated: September 17, 2004
Address:
Dynamic Materials Corporation
5405 Spine Road
Boulder, CO 80301
Attn: President
Tel: (303) 604-3999
Fax: (303) 604-1897

With a copy to:
Dynamic Materials Corporation
5405 Spine Road

AEROJET:

AEROJET-GENERAL CORPORATION, an
Ohio corporation

By: _____

Name: _____
Title: _____

Dated: September 17, 2004
Address:
Aerojet-General Corporation
P.O. Box 1036
Camden, AR 71711-1036
Attn: Robert Shenton,
Vice President, Operations
Tel: (870) 574-3198
Fax: (870) 574-3528
For delivery by courier use:
Highland Industrial Park
Camden, AR 71701

Boulder, CO 80301
Attn: Chief Financial Officer

With a copy to:

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Tel: (303) 604-3999
Fax: (303) 604-1897

Aerojet-General Corporation
P.O. Box 13222, Dept. 0106
Sacramento, California 95813-6000
Attn: Brian E. Sweeney, Esq.
Vice President, Legal and Contracts
Tel: (916) 351-8588
Fax: (916) 351-8610
For delivery by courier use:
Highway 50 and Aerojet Road
Rancho Cordova, CA 95742

Exhibits:

- A - Copy of Option Agreement
- B - Form of Memorandum of Option
- C - Form of Assignment and Assumption of Option Agreement
- D - Form of Memorandum of Assignment of Option

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ACKNOWLEDGMENT AND CONSENT OF OWNER

The undersigned hereby approves and consents to: (a) the foregoing grant by DMC to Aerojet of the Option as set forth in the foregoing Agreement; (b) the form of the assignment and assumption agreement attached to the Agreement as Exhibit C; and (c) the recordation in the Official Records of Los Angeles County, California, of the Memorandum of Option and the Memorandum of Assignment of Option on the terms and conditions set forth in the Agreement, and in the forms attached to the Agreement as Exhibits B and D, respectively.

SPIN FORGE, LLC, a California limited
liability company

Dated: September 17, 2004

By: _____
Name: _____
Title: _____

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For Immediate Release

Contact: Richard A. Santa
Vice President and Chief Financial Officer
Dynamic Materials Corporation
303-604-3938

DMC COMPLETES DIVESTITURE OF SPIN FORGE

(Boulder, CO – September 20, 2004) Dynamic Materials Corporation, (Nasdaq: BOOM), “DMC”, today announced that it has completed the divestiture of its Spin Forge Division, which manufactures certain rocket motors and pressure tanks.

Based in Boulder, Colorado, Dynamic Materials Corporation is a leading metalworking company, and its products include explosion bonded clad metal plates and other metal fabrications for the petrochemical, chemical processing, power generation, commercial aircraft, defense and a variety of other industries.

*For more information on Dynamic Materials Corporation
visit the Company's web site at <http://www.dynamicmaterials.com>*
