

ARMOR HOLDINGS INC  
Form DEF 14A  
May 23, 2005  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A  
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant  
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

ARMOR HOLDINGS, INC.

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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ARMOR HOLDINGS, INC.

13386 INTERNATIONAL PARKWAY  
JACKSONVILLE, FLORIDA 32218

May 23, 2005

To Our Stockholders:

On behalf of the Board of Directors of Armor Holdings, Inc., I cordially invite you to attend the Annual Meeting of Stockholders to be held on Wednesday, June 22, 2005, at 10:00 A.M., New York City time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901.

The accompanying Notice of Meeting and Proxy Statement cover the details of the matters to be presented.

A copy of the 2004 Annual Report was previously mailed to you.

REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING, I URGE THAT YOU PARTICIPATE BY COMPLETING AND RETURNING YOUR PROXY AS SOON AS POSSIBLE. YOUR VOTE IS IMPORTANT AND WILL BE GREATLY APPRECIATED. RETURNING YOUR PROXY CARD WILL ENSURE THAT YOUR VOTE IS COUNTED IF YOU LATER DECIDE NOT TO ATTEND THE ANNUAL MEETING.

Cordially,

ARMOR HOLDINGS, INC.

Warren B. Kanders  
Chief Executive Officer

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ARMOR HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 22, 2005

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of the Stockholders, and any adjournments or postponements thereof, of Armor Holdings, Inc., which will be held on Wednesday, June 22, 2005, at 10:00 A.M., New York City time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901, for the following purposes:

1. To elect seven members to serve on the Board of Directors until the next annual meeting of stockholders and until their successors are duly elected and qualified (Proposal 1);
2. To ratify the appointment of PricewaterhouseCoopers LLP as Armor Holdings, Inc.'s independent auditors for the fiscal year ending December 31, 2005 (Proposal 2);
3. To consider and vote upon a proposal to adopt a new long-term stock incentive plan pursuant to which an aggregate of 2,500,000 shares of Armor Holdings, Inc.'s common stock will be reserved for issuance and available under such plan (Proposal 3);
4. To consider and vote upon a proposal to adopt a new annual incentive plan designed to allow for the award of "performance based compensation" under Section 162(m) of the Internal Revenue Code (Proposal 4); and
5. To transact such other business as may properly be brought before the meeting, including proposals to adjourn or postpone the meeting.

Stockholders of record at the close of business on April 28, 2005 are entitled to notice of and to vote at the meeting.

YOUR VOTE IS IMPORTANT. PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING. RETURNING YOUR PROXY CARD WILL ENSURE THAT YOUR VOTE IS COUNTED IF YOU LATER DECIDE NOT TO ATTEND THE ANNUAL MEETING.

By order of the Board of Directors

Philip A. Baratelli  
Secretary

May 23, 2005

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ARMOR HOLDINGS, INC.  
13386 INTERNATIONAL PARKWAY  
JACKSONVILLE, FLORIDA 32218

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON

JUNE 22, 2005

## INTRODUCTION

### Proxy Solicitation and General Information

This Proxy Statement and the enclosed Proxy Card are being furnished to the holders of common stock, par value \$.01 per share, of Armor Holdings, Inc., a Delaware corporation (which is sometimes referred to in this Proxy Statement as "Armor Holdings," "Company," "we," or "us"), in connection with the solicitation of proxies by our Board of Directors for use at the Annual Meeting of Stockholders to be held on Wednesday, June 22, 2005 at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901, at 10:00 A.M., New York City time, and at any adjournments or postponements thereof. This Proxy Statement and the Proxy Card are first being sent to stockholders on or about May 23, 2005. Our principal executive offices are located at 13386 International Parkway, Jacksonville, Florida 32218.

At the meeting, stockholders will be asked:

1. To elect seven members to serve on the Board of Directors until the next annual meeting of stockholders and until their successors are duly elected and qualified (Proposal 1);
2. To ratify the appointment of PricewaterhouseCoopers LLP as Armor Holdings' independent auditors for the fiscal year ending December 31, 2005 (Proposal 2);
3. To consider and vote upon a proposal to adopt a new long-term stock incentive plan (the "2005 Stock Incentive Plan") pursuant to which an aggregate of 2,500,000 shares of Armor Holdings' common stock will be reserved for issuance and available under such plan (Proposal 3);
4. To consider and vote upon a proposal to adopt a new annual incentive plan (the "2005 Annual Incentive Plan") designed to allow for the award of "performance based compensation" under Section 162(m) of the Internal Revenue Code (Proposal 4); and
5. To transact such other business as may properly be brought before the meeting, including proposals to adjourn or postpone the meeting.

The Board of Directors has fixed the close of business on April 28, 2005 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. Each such stockholder will be entitled to one vote for each share of common stock held on all matters to come before the meeting and may vote in person or by proxy authorized in writing.

Stockholders are requested to complete, sign, date and promptly return the enclosed Proxy Card in the enclosed envelope. Proxies which are not revoked will be voted at the meeting in accordance with instructions contained therein. If the Proxy Card is signed and returned without instructions, the shares will be voted FOR the election of each nominee for director named in this Proxy Statement (Proposal 1), FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Armor Holdings' independent auditors for the fiscal year ending December 31, 2005 (Proposal 2), FOR the approval of the 2005 Stock Incentive Plan (Proposal 3), and FOR the approval of the 2005 Annual Incentive Plan (Proposal

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4). A stockholder who so desires may revoke his proxy at any time before it is voted at the meeting by: (i) delivering written notice to us (attention: Secretary); (ii) duly executing and delivering a proxy bearing a later date; or (iii) casting a ballot at the meeting. Attendance at the meeting will not in and of itself constitute a revocation of a proxy.

The Board of Directors knows of no other matters that are to be brought before the meeting other than as set forth in the Notice of Meeting. If any other matters properly come before the meeting, the persons named in the enclosed Proxy Card or their substitutes will vote in accordance with their best judgment on such matters.

#### Record Date; Shares Outstanding and Entitled to Vote

Only stockholders as of the close of business on April 28, 2005 (the "Record Date") are entitled to notice of and to vote at the meeting. As of the Record Date, there were 34,535,765 shares of our common stock outstanding and entitled to vote, with each share entitled to one vote. See "Security Ownership of Certain Beneficial Owners and Management" for information regarding the beneficial ownership of our common stock by our directors, executive officers and stockholders known to us to own 5% or more of our common stock.

Our common stock is traded on the New York Stock Exchange under the symbol "AH". On May 19, 2005, the last full trading date prior to the printing and mailing of this Proxy Statement, the reported closing price for the common stock on the New York Stock Exchange was \$35.74. Stockholders are urged to obtain the current market quotation for the shares of our common stock.

#### Required Votes

The presence at the Annual Meeting, in person or by duly authorized proxy, of the holders of a majority of the outstanding shares of stock entitled to vote constitutes a quorum for the transaction of business. Each share of Armor Holdings common stock entitles the holder to one vote on each matter presented for stockholder action. The affirmative vote of a plurality of the votes cast in person or by proxy is necessary for the election of directors (Proposal 1). The affirmative vote of a majority of the votes cast in person or by proxy is necessary for the approval of (i) the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005 (Proposal 2); (ii) the approval of the 2005 Stock Incentive Plan (Proposal 3); and (iii) the approval of the 2005 Annual Incentive Plan (Proposal 4).

An independent inspector of elections appointed by our transfer agent or us will tabulate votes at the meeting. Since the affirmative vote of a plurality of votes cast is required for the election of directors (Proposal 1), abstentions and "broker non-votes" will have no effect on the outcome of such election. Since the affirmative vote of a majority of the votes cast is necessary for approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005 (Proposal 2), the approval of the 2005 Stock Incentive Plan (Proposal 3), and the approval of the 2005 Annual Incentive Plan (Proposal 4), an abstention will have the same effect as a negative vote, but "broker non-votes" will have no effect on the outcome of the voting for Proposals 2, 3 and 4.

Brokers holding shares for beneficial owners must vote those shares according to the specific instructions they receive from beneficial owners. If specific instructions are not received, brokers may be precluded from exercising their discretion, depending on the type of proposal involved. Shares as to which brokers have not exercised discretionary authority or received instructions from beneficial owners are considered "broker non-votes," and will be counted for purposes of determining whether there is a quorum.

#### Proxy Solicitation

Armor Holdings will bear the costs of the solicitation of proxies for the Annual Meeting of Stockholders to be held on June 22, 2005. Armor Holdings has retained the proxy solicitation firm of MacKenzie Partners, Inc. to assist it in the distribution and solicitation of proxies. Armor Holdings will

pay MacKenzie Partners, Inc. a fee of \$7,500, plus reasonable expenses, for these services. Our directors, officers and employees may solicit proxies from stockholders by mail, telephone, telegram, e-mail, personal interview or otherwise. Such directors, officers and employees will not receive additional compensation but may be reimbursed for out-of-pocket expenses in connection with such solicitation. Brokers, nominees, fiduciaries and other custodians have been requested to forward soliciting material to the beneficial owners of our common stock held of record by them and such parties will be reimbursed for their reasonable expenses.

**It is desirable that as large a proportion as possible of the stockholders' interests be represented at the meeting. Therefore, even if you intend to be present at the meeting, please sign and return the enclosed Proxy Card to ensure that your stock will be represented. If you are present at the meeting and desire to do so, you may withdraw your proxy and vote in person by giving written notice to the Secretary of Armor Holdings. Please return your executed Proxy Card promptly.**

#### BENEFICIAL OWNERSHIP OF COMPANY COMMON STOCK BY DIRECTORS, OFFICERS AND PRINCIPAL SHAREHOLDERS

The following table sets forth as of April 27, 2005 the number of shares and percentage of our common stock owned by (i) each person known to us to beneficially own five percent or more of our common stock, (ii) each of our directors and nominees for director, (iii) each of our executive officers set forth in the Summary Compensation Table on page 18, and (iv) our executive officers, directors and nominees for director as a group. Unless otherwise indicated, each of the stockholders shown in the table below has sole voting and investment power with respect to the shares beneficially owned. Unless otherwise indicated, the address of each person named in the table below is c/o Armor Holdings, Inc., 13386 International Parkway, Jacksonville, Florida 32218.

Name	Amount and nature of beneficial ownership (1)	Percentage (16)
Warren B. Kanders and Kanders Florida Holdings, Inc. (2)	3,879,113	10.7%
T. Rowe Price Associates, Inc. (3)	2,813,300	8.1%
FleetBoston Financial Corporation (4)	2,065,005	6.0%
Friess Associates LLC (5)	1,768,900	5.1%
Robert R. Schiller (6)	916,705	2.6%
Stephen Croskrey (7)	249,423	*
Nicholas Sokolow (8)	188,291	*
Burt R. Ehrlich (9)	113,880	*
Thomas W. Strauss (10)	128,591	*
David R. Haas (11)	9,375	*
Glenn J. Heiar (12)	270,692	*
Deborah A. Zoullas (13)	37,169	*
Robert F. Mecredy (14)	227,424	*
All directors, nominees for directors and executive officers as a group (11 persons) (15)	6,222,580	16.5%

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\* Less than 1%.

(1) As used in this table, a beneficial owner of a security includes any person who, directly or indirectly, through contract, arrangement, understanding, relationship or otherwise has or shares (a) the power to vote, or direct the voting of, such security or (b) investment power which includes the power to dispose, or to direct the disposition of, such security. In addition, a person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days of April 27, 2005.

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(2) The amount of securities reported as beneficially owned includes: (i) 2,098,395 shares held by Kanders Florida Holdings, Inc., of which Mr. Kanders is the sole stockholder and sole director and (ii) 117,100 shares of restricted stock sales of which will be restricted until November 11, 2005; upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; upon a change in control of the Company, any lock-up release period that is still in effect in respect of such shares upon the occurrence of such change in control shall terminate. The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 328,800 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 50,000 shares will be restricted from sale until January 1, 2007; 100,000 shares will be restricted from sale until January 1, 2008; 128,800 shares will be restricted from sale until January 1, 2009; and 50,000 shares will be restricted from sale until January 1, 2010; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up periods have not yet expired, they shall each be extended for an additional five year period; (ii) 110,000 shares at an exercise price of \$23.93 per share; (iii) 225,000 shares at an exercise price of \$24.07 per share; (iv) 250,000 shares at an exercise price of \$24.07 per share; sales of common stock issued upon an exercise of any such options will be restricted from sale until December 31, 2006; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; (v) 100,000 shares at an exercise price of \$14.32 per share; (vi) 200,000 shares at an exercise price of \$14.32 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 100,000 shares will be restricted from sale until July 26, 2005, and 100,000 shares will be restricted from sale until July 26, 2006; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; (vii) 8,125 shares at an exercise price of \$14.44 per share; (viii) 83,333 shares at an exercise price of \$28.90 per share; (ix) 166,667 shares at an exercise price of \$28.90 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 83,333 shares will be restricted from sale until January 1, 2006, and 83,334 shares will be restricted from sale until January 1, 2007; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; and (x) 150,000 shares at an exercise price of \$45.93 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 50,000 shares will be restricted from sale until January 3, 2006; 50,000 shares will be restricted from sale until January 3, 2007; and 50,000 shares

will be restricted from sale until January 3, 2008; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period. The amount of securities reported as beneficially owned excludes: (i) 9,228 shares of common stock awarded to the reporting person by the issuer as a restricted stock award, of which 4,614 shares vest on each of February 9, 2006, and February 9, 2007; (ii) 11,170 shares of common stock awarded to the reporting person by the issuer as a restricted stock award, of which 3,723 shares vest on each of January 1, 2006 and 2007, and 3,724 shares vest on January 1, 2008; and (iii) 4,760 shares held for the benefit of Mr. Kanders' children.

- (3) This information has been obtained from Schedule 13G/A filed by T. Rowe Price Associates, Inc. on February 15, 2005. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202.
- (4) This information has been obtained from the Schedule 13G filed by FleetBoston Financial Corporation on February 13, 2004. The address of FleetBoston Financial Corporation is 100 Federal Street, Boston, MA 02110.

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- (5) This information has been obtained from Schedule 13G filed by Friess Associates LLC on February 14, 2005. The address of Friess Associates LLC is 115 E. Snow King, Jackson, WY 83001.
  - (6) The amount of securities reported as beneficially owned includes 95,325 shares of restricted stock sales of which will be restricted until November 11, 2005; upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; upon a change in control of the Company, any lock-up release period that is still in effect in respect of such shares upon the occurrence of such change in control shall terminate. The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 219,200 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 33,333 shares will be restricted from sale until January 1, 2007; 66,666 shares will be restricted from sale until January 1, 2008; 85,867 shares will be restricted from sale until January 1, 2009; and 33,334 shares will be restricted from sale until January 1, 2010; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; (ii) 50,000 shares at an exercise price of \$23.93 per share; (iii) 66,666 shares at an exercise price of \$17.12 per share; (iv) 133,334 shares at an exercise price of \$17.12 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 66,667 shares will be restricted from sale until October 8, 2005, and 66,667 shares will be restricted from sale until October 8, 2006; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; (v) 100,694 shares at an exercise price of \$15.05 per share; (vi) 50,000 shares at an exercise price of \$15.05 per share; sales of common stock issued upon an exercise of any such options will be restricted from sale until December 31, 2005; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; and (vii) 100,000 shares at an exercise price of \$45.93 per share; sales of common



stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 33,333 shares will be restricted from sale until January 3, 2006; 33,333 shares will be restricted from sale until January 3, 2007; and 33,334 shares will be restricted from sale until January 3, 2008; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period. The amount of securities reported as beneficially owned excludes: (i) 11,170 shares of restricted stock 3,723 shares of which will vest on each of January 1, 2006 and 2007, and 3,724 shares of which will vest on January 1, 2008; and (ii) 6,921 shares of restricted stock which vests on February 9, 2007.

- (7) Mr. Croskrey, our former President and CEO, Products Division, terminated his employment with the Company effective March 7, 2005, and the information contained in this table is as of that date. The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase 10,000 share at an exercise price of \$44.76 per share. The amount of securities reported as beneficially owned excludes: (i) 2,851 shares of restricted stock which will vest on December 31, 2006 and (ii) 1,954 shares of restricted stock which will vest on March 7, 2008.
- (8) The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 9,000 shares at an exercise price of \$3.75 per share; (ii) 10,000 shares at an exercise price of \$9.6875 per share, (iii) 10,000 shares at an exercise price of \$13.1875 per share, (iv) 12,500 shares at an exercise price of \$14.44 per share, (v) 12,500 shares at an exercise price of \$24.07 per share, (vi) 15,000 shares at an exercise price of \$14.32 per share, and (vii) 9,375 shares at an exercise price of \$35.40 per share. Also includes 60,000 shares owned by S.T. Investors Fund, LLC,

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a limited liability company of which Mr. Sokolow is a member, 10,000 shares owned by Mr. Sokolow's profit sharing plan and 11,200 shares held for the benefit of Mr. Sokolow's children and of which Mr. Sokolow disclaims beneficial ownership. The amount of securities reported as beneficially owned excludes stock options to purchase 3,125 shares at an exercise price of \$35.40 which vests on June 30, 2005.

- (9) The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 12,500 shares at an exercise price of \$24.07 per share and (ii) 9,375 shares at an exercise price of \$35.40 per share. Excludes: (i) 5,000 shares owned by Mr. Ehrlich's children; (ii) 6,500 shares in trust for the benefit of his children, of which Mr. Ehrlich's spouse is trustee; and (iii) 400 shares owned by Mr. Ehrlich's spouse's individual retirement account of which Mr. Ehrlich disclaims beneficial ownership. The amount of securities reported as beneficially owned also excludes stock options to purchase 3,125 shares at an exercise price of \$35.40 per share which vest on June 30, 2005.
- (10) The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 46,591 shares at an exercise price of \$7.50 per share (ii) 10,000 shares at an exercise price of \$9.6875 per share, (iii) 10,000 shares at an exercise price of \$13.1875 per share, (iv) 12,500 shares at an exercise price of \$14.44 per share, (v) 12,500 shares at an exercise price of \$24.07 per share, (vi) 12,000 shares at an exercise price of \$14.32 per share, and (vii) 9,375 shares at an exercise price of \$35.40 per share. The amount of securities reported as beneficially owned excludes stock options to purchase 3,125 shares at an exercise price of \$35.40 which vests on June 30, 2005.
- (11) The amount of securities reported as beneficially owned includes presently exercisable stock options to purchase 9,375 shares at an exercise price of \$35.40. The amount of securities reported

as beneficially owned excludes stock options to purchase 3,125 shares at an exercise price of \$35.40 which vests on June 30, 2005.

- (12) The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 75,000 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 6,250 shares will be restricted from sale until January 1, 2008; 12,500 shares will be restricted from sale until January 1, 2009; 18,750 shares will be restricted from sale until January 1, 2010; 18,750 shares will be restricted from sale until January 1, 2011; 12,500 shares will be restricted from sale until January 1, 2012; and 6,250 shares will be restricted from sale until January 1, 2013; in addition, upon Mr. Heiar's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; (ii) 20,000 shares at an exercise price of \$28.46; (iii) 80,000 shares at an exercise price of \$28.46; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 20,000 shares will be restricted from sale until March 11, 2006; 20,000 shares will be restricted from sale until March 11, 2007; 20,000 shares will be restricted from sale until March 11, 2008; and 20,000 shares will be restricted from sale until March 11, 2009; in addition, upon Mr. Heiar's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; (iv) 54,391 shares at an exercise price of \$21.75; and (v) 25,000 shares at an exercise price of \$44.76; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: all of the shares will be restricted from sale for two years from February 10, 2005 (the "Vesting Date"), 75% of the shares will be restricted from sale for three years from the Vesting Date, 50% of the shares will be restricted from sale for four years from the Vesting Date, and 25% of the shares will be restricted from sale for five years from the Vesting Date. The amount of securities reported as beneficially owned excludes: (i) 1,954 shares of restricted stock of which 651 will vest on each of January 1, 2006 and 2007, and 652 shares of which will vest on January 1, 2008; (ii) 25,000 shares of restricted stock which will vest upon a change of control of the Company; (iii) 2,000 shares of restricted stock which vests on December 31, 2005; and (iv) 1,520 shares of restricted stock which vests on December 31, 2006.

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- (13) The amount of securities reported as beneficially owned also includes presently exercisable stock options to purchase: (i) 15,794 shares at an exercise price of \$13.98; (ii) 12,000 shares at an exercise price of \$14.32 per share, and (iii) 9,375 shares at an exercise price of \$35.40 per share. The amount of securities reported as beneficially owned excludes stock options to purchase 3,125 shares at an exercise price of \$35.40 per share which vest on June 30, 2005.
- (14) Includes stock options to purchase: (i) 8,333 shares at an exercise price of \$23.09 which are presently exercisable; (ii) 66,667 shares at an exercise price of \$17.12 which are presently exercisable; sales of common stock issued upon an exercise of any such options are subject to the following lockup restrictions: 33,333 shares will be restricted from sale until October 8, 2005, and 33,334 shares will be restricted from sale until October 8, 2006; in addition, upon Mr. Mecredy's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lockup periods which have not yet expired shall be extended for an additional five year period; (iii) 75,000 shares at an exercise price of \$44.76 which are presently exercisable; sales of common stock issued upon an exercise of any such options will be subject to the following lockup restrictions: all of the shares will be restricted from sale for two years from

February 10, 2005 (the "Vesting Date"), 75% of the shares will be restricted from sale for three years from the Vesting Date, 50% of the shares will be restricted from sale for four years from the Vesting Date, and 25% of the shares will be restricted from sale for five years from the Vesting Date; and (iv) 75,000 shares at an exercise price of \$37.90 which are presently exercisable; sales of common stock issued upon an exercise of any such options will be subject to the following lockup restrictions: 6,250 shares will be restricted from sale until January 1, 2008; 12,500 shares will be restricted from sale until January 1, 2009; 18,750 shares will be restricted from sale until January 1, 2010; 18,750 shares will be restricted from sale until January 1, 2011; 12,500 shares will be restricted from sale until January 1, 2012; and 6,250 shares will be restricted from sale until January 1, 2013; in addition, upon the Mr. Mecredy's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lockup periods which have not yet expired shall be extended for an additional five year period. Excluded are the following unvested grants of restricted stock: (i) 3,351 shares of which 1,117 shares will vest on each of January 1, 2006, January 1, 2007, and January 1, 2008; (ii) 25,000 shares which will vest upon a change of control of the Company; (iii) 2,400 shares which will vest on December 31, 2005; and (iv) 1,900 shares which will vest on December 31, 2006.

(15) See footnotes (2) and (6) through (14).

(16) Percent is based on 34,535,765 shares of common stock outstanding as of April 27, 2005.

We are not aware of any material proceedings to which any of our directors, nominees for director, executive officers, affiliates of the foregoing persons or any security holder, including any owner of record or beneficial owner of more than 5% of any class of our voting securities, is a party adverse to us or has a material interest adverse to us.

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#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below shows the number of options and range of exercise prices we granted to various employees and directors during our fiscal year ended December 31, 2004 under our 1999 Stock Incentive Plan and Amended and Restated 2002 Stock Incentive Plan (the "2002 Stock Incentive Plan").

Plan Name	Number of Grants	Grant Price Ranges
1999 Stock Incentive Plan	28,000	\$ 33.04 - \$33.92
2002 Stock Incentive Plan	951,000	\$ 28.46 - \$41.85

The following table sets forth certain information regarding our equity plans at December 31, 2004.

Plan Category	(A) Number of securities to be issued upon exercise of outstanding	(B) Weighted-average exercise price of outstanding options, warrants	(C) Number of securities remaining available for future issuance under equity compensation
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	options, warrants and rights		and rights	plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	2,898,516	\$	23.08	1,648,012
Equity compensation plans not approved by security holders	260,000	\$	23.93	0
Total	3,158,516			

The table below shows the number of options and range of exercise prices we granted to various employees and directors during our quarter ended March 31, 2005 under our 1999 Stock Incentive Plan and 2002 Stock Incentive Plan.

Plan Name	Number of Grants	Grant Price Ranges
1999 Stock Incentive Plan	130,000	\$ 37.90 - \$44.76
2002 Stock Incentive Plan	1,300,000	\$ 37.90 - \$45.93

The following table sets forth certain information regarding our equity plans at March 31, 2005.

	(A)		(B)		(C)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted- average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	4,220,026	\$	29.76		156,345
Equity compensation plans not approved by security holders	160,000	\$	23.93		0
Total	4,380,026				

Certain of the unvested stock options previously granted to employees were accelerated on March 25, 2005, are presently exercisable and are subject to lock-up restrictions of varying durations. In addition, on March 25, 2005, the Company accelerated the issuance of certain stock options that the Company would have awarded in the future to Mr. Kanders, Mr. Schiller, Mr. Heiar, Mr. Mecredy and Mr. Scott O'Brien. The newly awarded stock options were vested upon issuance, are presently exercisable and are subject to lock-up restrictions of varying durations which coincide with the original vesting schedules. For more information regarding the recently accelerated stock options, please see the sections labeled "Executive Compensation," "Report on Executive Compensation by the Compensation Committee – Committee Actions During Fiscal Year 2005" and "Employment Agreements."

We have two non-qualified equity plans, the 2002 Executive Stock Plan and the 1998 Stock Option Plan, that have not been approved by stockholders. The 2002 Executive Stock Plan provides for the grant of a total of 470,000 stock options and stock awards to our key employees. The Board of Directors, or a committee designated by the Board consisting of two or more independent directors, is authorized to set the price and terms and conditions of the options and awards granted under the 2002 Executive Stock Plan. Options under the 2002 Executive Stock Plan are substantially the same as the 2002 Stock Incentive Plan except that we may only grant non-qualified stock options under the 2002 Executive Stock Plan. The 2002 Executive Stock Plan was adopted on March 13, 2002 and all shares available for grant under the 2002 Executive Stock Plan were granted to our executive officers on March 13, 2002.

The 1998 Stock Option Plan provides for the grant of a total of 725,000 stock options to our key employees. The Board of Directors, or a committee designated by the Board consisting of two or more independent directors, is authorized to set the price and terms and conditions of the options granted under the 1998 Stock Option Plan. Options under the 1998 Stock Option Plan are substantially the same as the Amended and Restated 1996 Stock Option Plan except that we may only grant non-qualified stock options under the 1998 Stock Option Plan. The 1998 Stock Option Plan was adopted on December 7, 1998 and all shares available for grant under the 1998 Stock Option Plan were granted to our executive officers effective January 1, 1999 or, if later, the renewal date of their respective employment agreements.

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## PROPOSAL 1

### ELECTION OF DIRECTORS

Our Certificate of Incorporation, as amended, and Amended and Restated Bylaws provide that we may have between three and fifteen directors, with such number to be fixed by the Board of Directors. Effective at this time and for the purposes of the meeting, the number of directors of Armor Holdings, as fixed by the Board of Directors, is seven.

Our directors are elected annually at the annual meeting of stockholders. Their respective terms of office continue until the next annual meeting of stockholders and until their successors have been elected and qualified in accordance with our Amended and Restated Bylaws. There are no family relationships among any of our directors or executive officers.

Unless otherwise specified, each proxy received will be voted for the election of directors of the seven nominees named below to serve until the next annual meeting of stockholders and until their successors shall have been duly elected and qualified. Each of the nominees has consented to be named a nominee in this Proxy Statement and to serve as a director if elected. Should any nominee become unable or unwilling to accept a nomination or election, the persons named in the enclosed Proxy Card will vote for the election of a nominee designated by the Board of Directors or will vote for such lesser number of directors as may be prescribed by the Board of Directors in accordance with our Amended and Restated Bylaws.

The following persons have been nominated as directors:

**Warren B. Kanders**, 47, has served as the Founder and Chairman of our Board since January 1996 and as our Chief Executive Officer since April 9, 2003. Mr. Kanders has served as a member of the Board of Directors of Clarus Corporation since June 2002 and as the Executive Chairman of Clarus Corporation's Board of Directors since December 2002, as the Executive Chairman of the Board of Net Perceptions, Inc. since April 2004, and as the Chairman of the Board of Directors of Langer, Inc. since November 2004. From October 1992 to May 1996, Mr. Kanders served as Founder and Vice Chairman of the Board of Benson Eyecare Corporation. Mr. Kanders also serves as President of Kanders & Company, Inc., a private investment firm owned and controlled by Mr. Kanders that makes investments in and renders consulting services to public and private entities. Mr. Kanders received a B.A. degree in Economics from Brown University in 1979.

**Burt R. Ehrlich**, 65, has served as one of our directors since January 1996. Mr. Ehrlich has served as a member of the Board of Directors of Clarus Corporation since June 2002 and as a member of the Board of Directors of Langer, Inc. since February 2001. Mr. Ehrlich served as Chairman and Chief Operating Officer of Ehrlich Bober Financial Corp. (the predecessor of Benson Eyecare Corporation) from December 1986 until October 1992, and as a director of Benson Eyecare Corporation from October 1992 until November 1995.

**David R. Haas**, 63, has served as one of our directors since April 2004. Mr. Haas has served as a member of the Board of Directors of Information Holdings, Inc. from July 1998 to December 2004. Since 1995, Mr. Haas has been a private investor and a financial consultant specializing in financial planning and financing in varying industries. From 1990 until 1994, Mr. Haas was Senior Vice President and Controller of Time Warner, Inc., a leading media and entertainment company. Prior to Warner Communications Inc.'s merger with Time Inc. in 1990, Mr. Haas held various senior financial positions with Warner Communications Inc.

**Robert R. Schiller**, 42, has served as our President since January 1, 2004 and Chief Operating Officer since April 2003. Mr. Schiller has also held other positions at Armor Holdings and has served as an Executive Vice President from November 2000 to April 2003, Chief Financial Officer and Secretary from November 2000 to March 2004, as Executive Vice President and Director of Corporate Development from January 1999 to October 2000, and as Vice President of Corporate Development from July 1996 to December 1998. Mr. Schiller graduated with a B.A. in Economics from Emory University in 1985 and received a M.B.A. from Harvard Business School in 1991.

**Nicholas Sokolow**, 55, has served as one of our directors since January 1996. Mr. Sokolow has served as a member of the Board of Directors of Clarus Corporation since June 2002. Mr. Sokolow has also

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served as a member of the Board of Directors of Net Perceptions, Inc. since April 2004. Mr. Sokolow has been a partner in the law firm of Sokolow, Carreras & Associates since 1994. From June 1973 until October 1994, Mr. Sokolow was an associate and partner in the law firm of Coudert Brothers.

**Thomas W. Strauss**, 62, has served as one of our directors since May 1996. Mr. Strauss has served as a member of the Board of Directors of Langer, Inc. from June 2002 to June 2004. Since 1995, Mr. Strauss has been a principal with Ramius Capital Group, a privately held investment management firm. From June 1993 until July 1995, Mr. Strauss was co-chairman of Granite Capital International Group, an investment banking firm. From 1963 to 1991, Mr. Strauss served in various capacities with Salomon Brothers Inc., an investment banking and brokerage firm, including President and Vice-Chairman.

**Deborah A. Zoullas**, 52, has served as one of our directors since July 2002. Ms. Zoullas is a private investor. From December 1998 until December 2000, Ms. Zoullas served as the Executive Vice President of Sotheby's Holdings, Inc. and during 2000 served on its Board of Directors. From 1974 until 1996, Ms. Zoullas worked in various capacities within the Investment Banking Division of Morgan Stanley & Co. Incorporated. Ms. Zoullas is an Advisory Director of Morgan Stanley, a member of the Advisory Board of The Stanford Business School, a Director of the Helena Rubinstein Foundation and a member of the Executive Committee of The Projects Committee of Memorial Sloan Kettering.

The affirmative vote of a plurality of the votes cast in person or by proxy at the annual meeting of stockholders is necessary for the election of directors (assuming a quorum of a majority of the outstanding shares of common stock is present).

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE ABOVE-NAMED DIRECTOR NOMINEES.

## GOVERNANCE OF THE COMPANY

### Corporate Governance

Our Board of Directors has a long-standing commitment to sound and effective corporate governance practices. The Company's management and our Board of Directors has reviewed and continues to monitor our corporate governance practices in light of the Sarbanes-Oxley Act of 2002 and the revised listing requirements of the New York Stock Exchange. Based on that review, the Board of Directors maintains codes of ethics and conduct, corporate governance guidelines, committee charters, complaint procedures for accounting and auditing matters and an Audit Committee pre-approval policy.

### Corporate Governance Guidelines and Documents

The Code of Ethics for Senior Executive and Financial Officers, the Code of Business Conduct and Ethics for Directors, Officers and Employees, the Complaint Procedures for Accounting and Auditing Matters, the Corporate Governance Guidelines, the Audit Committee Pre-Approval Policy, and the Charters of our Audit, Compensation and Nominating/Corporate Governance Committees were adopted by Armor Holdings for the purpose of promoting honest and ethical conduct, promoting full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by Armor Holdings, and promoting compliance with all applicable rules and regulations that apply to Armor Holdings and its officers and directors. The foregoing materials may be accessed at [www.armorholdings.com](http://www.armorholdings.com), our Internet website, at the tab "Investor Relations." In addition, you may request, without charge, a copy of our Code of Ethics for Senior Executive and Financial Officers, the Code of Business Conduct and Ethics for Directors, Officers and Employees, the Complaint Procedures for Accounting and Auditing Matters, the Corporate Governance Guidelines, the Audit Committee Pre-Approval Policy, and the Charters of our Audit, Compensation and Nominating/Corporate Governance Committees by submitting a written request for any of such materials to: Armor Holdings, Inc., c/o the Secretary at 13386 International Parkway, Jacksonville, Florida 32218.

### Board of Directors

Our Board of Directors is currently comprised of the following six members: Warren B. Kanders, Burt R. Ehrlich, David R. Haas, Nicholas Sokolow, Thomas W. Strauss, and Deborah A. Zoullas. During

fiscal 2004, the Board of Directors held fourteen meetings. The Board of Directors has standing Audit, Compensation and Nominating/Corporate Governance Committees. During fiscal 2004, all of the directors then in office attended at least 75% of the total number of meetings of the Board of Directors and the Committees of the Board of Directors on which they served. All members of our Board of Directors then in office attended last year's annual stockholders meeting which was held on June 22, 2004.

In connection with the New York Stock Exchange listing requirement that non-management directors meet at regularly scheduled executive sessions without management, the Board reappointed Nicholas Sokolow as the Presiding Director for such meetings until Armor Holdings' 2006 annual meeting of stockholders. The primary responsibilities of the Presiding Director include presiding over periodic executive sessions of the non-management members of the Board and performing other duties that the Board may from time to time delegate to assist in the fulfillment of its responsibilities. The non-management members of the Board held three executive sessions during fiscal 2004.

#### Director Independence

In accordance with the listing requirements of the New York Stock Exchange, the Board of Directors has evaluated each of its directors' independence from Armor Holdings based on the definition of "independence" established by the New York Stock Exchange. In its review of each director's independence from Armor Holdings, the Board of Directors reviewed whether any transactions or relationships exist currently or, during the past year existed, between each director and Armor Holdings and its subsidiaries, affiliates, equity investors or independent auditors. The Board of Directors also examined whether there were any transactions or relationships between each director and members of the senior management of Armor Holdings or their affiliates. Based on the Board's review and the New York Stock Exchange's definition of "independence", the Board has determined that the Board is comprised of a majority of independent directors. The Board has also determined that each of the members of our Audit Committee is "independent" for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

#### Stockholder Communications with Directors

Stockholders may send communications to the Board of Directors or any committee thereof by writing to the Board or any such committee at Armor Holdings, Inc., c/o the Secretary at 13386 International Parkway, Jacksonville, Florida 32218. The Secretary will distribute all stockholder communications to the intended recipients and/or distribute to the entire Board, as appropriate.

In addition, stockholders may also contact the Presiding Director or any other non-management director by writing to the Presiding Director at Armor Holdings, Inc., c/o the Secretary at 13386 International Parkway, Jacksonville, Florida 32218. The Presiding Director will review and distribute all stockholder communications to the intended recipients and/or distribute to the entire Board, as appropriate.

#### Complaint Procedures

Complaints and concerns about accounting, internal accounting controls or auditing or related matters pertaining to the Company may be submitted by writing to the Chairman of the Audit Committee as follows: Armor Holdings, Inc., c/o Chairman of the Audit Committee, 13386 International Parkway, Jacksonville, Florida 32218. Complaints may be submitted on a confidential and anonymous basis by sending them in a sealed envelope marked "Confidential."

#### Audit Committee



The Audit Committee is responsible for the oversight and evaluation of (i) the qualifications, independence and performance of our independent auditors; (ii) the performance of our internal audit function; and (iii) the quality and integrity of our financial statements and the effectiveness of our internal control over financial reporting. In addition, the committee recommends to the Board of Directors the appointment of independent auditors and analyzes the reports and recommendations of such auditors.

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The committee also prepares the Audit Committee report required by the rules of Securities and Exchange Commission (the "Commission"), and the report is included in this proxy statement on page 14. During fiscal 2004, the Audit Committee consisted of Mr. Haas (Chairman), Mr. Strauss and Ms. Zoullas, all of whom were determined by the Board to be independent of Armor Holdings based on the New York Stock Exchange's definition of "independence". The Board of Directors has identified Mr. Haas as the audit committee financial expert and determined that Mr. Haas is independent of Armor Holdings based on the New York Stock Exchange's definition of "independence". The Audit Committee met eleven times during fiscal 2004. The Board of Directors has adopted a written Charter for the Audit Committee, a copy of which was attached to our Proxy Statement for the Annual Meeting of Stockholders held on June 22, 2004 and is also available on our Internet website, [www.armorholdings.com](http://www.armorholdings.com), at the tab "Investor Relations".

#### Compensation Committee

The purpose of the Compensation Committee is to recommend to the Board of Directors the compensation and benefits of our executive officers and other key managerial personnel. During fiscal 2004, the Compensation Committee consisted of Messrs. Sokolow (Chairman) and Ehrlich, each of whom were determined by the Board to be independent of Armor Holdings. The Compensation Committee met twenty times during fiscal 2004, and also held numerous informal discussions during fiscal 2004. A copy of the Charter for the Compensation Committee is available on our Internet website, [www.armorholdings.com](http://www.armorholdings.com), at the tab "Investor Relations".

#### Nominating/Corporate Governance Committee

The purpose of the Nominating/Corporate Governance Committee is to identify, evaluate and nominate candidates for election to the Board of Directors as well as review Armor Holdings' corporate governance guidelines and other related documents for compliance with applicable laws and regulations such as the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange's listing requirements. The Nominating/Corporate Governance Committee will consider nominees recommended by stockholders. The names of such nominees should be forwarded to Armor Holdings, Inc., c/o the Secretary at 13386 International Parkway, Jacksonville, Florida 32218, who will submit them to the committee for its consideration. During fiscal 2004, the Nominating/Corporate Governance Committee consisted of Mr. Sokolow (Chairman), Mr. Ehrlich and Ms. Zoullas.

The functions of the Nominating/Corporate Governance Committee were considered at and acted upon by the entire Board of Directors during its meetings in fiscal 2004. As Messrs. Sokolow and Ehrlich and Ms. Zoullas were determined by the Board to be independent from Armor Holdings, the Nominating/Corporate Governance Committee will only be comprised of independent directors. A copy of the Nominating/Corporate Governance Committee's Charter is available on our Internet website, [www.armorholdings.com](http://www.armorholdings.com), at the tab "Investor Relations".

Candidates for the Board of Directors should possess fundamental qualities of intelligence, honesty, perceptiveness, good judgment, maturity, high ethics and standards, integrity, fairness and responsibility; have a genuine interest in

Armor Holdings; have no conflict of interest or legal impediment which would interfere with the duty of loyalty owed to Armor Holdings and its stockholders; and have the ability and willingness to spend the time required to function effectively as a director of Armor Holdings. The Nominating/Corporate Governance Committee may engage third-party search firms from time to time to assist it in identifying and evaluating nominees for director. The Nominating/Corporate Governance Committee evaluates nominees recommended by stockholders, by other individuals and by the search firms in the same manner, as follows. The Nominating/Corporate Governance Committee reviews biographical information furnished by or about the potential nominees to determine whether they have the experience and qualities discussed above. When a Board vacancy occurs or is anticipated, the Nominating/Corporate Governance Committee determines which of the qualified candidates to interview, based on the current needs of the Board and Armor Holdings, and members of the Nominating/Corporate Governance Committee meet with these individuals. If, after such meetings, the Nominating/Corporate Governance Committee determines to recommend any candidate to the Board for consideration, that individual is invited to meet with the entire Board. The Board then determines whether to select the individual as a director-nominee.

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#### Compensation of Directors

On July 26, 2004, our directors, other than Mr. Kanders who was compensated pursuant to his employment agreement, received stock options to purchase up to 12,500 shares of our common stock at an exercise price of \$35.40 per share, of which options to purchase 3,125 shares of common stock were to vest at the end of each fiscal quarter thereafter. On March 25, 2005, the Board of Directors approved an accelerated grant of 37,500 options to each of the non-management directors. However, due to limited availability under the 2002 Stock Incentive Plan, such options were not issued at such time. If the 2005 Stock Incentive Plan is approved by its stockholders, Armor Holdings will grant such options to the non-management directors as approved by the Board of Directors. In addition to the foregoing, the non-management directors of Armor Holdings will receive cash in the amount of \$16,000 which is payable quarterly during the course of the year. Non-attendance by a member of the Board at any Board meeting will result in a reduction of \$2,000 in compensation for each missed meeting. In addition, the Chairs of the Nominating/Corporate Governance Committee and the Audit Committee will each be paid \$25,000 to serve as the Chair of such committee. Members of a Board Committee will each be paid \$5,000, except for the Chairs of the Nominating/Corporate Governance Committee and the Audit Committee who will each be paid the Chair compensation set forth in the immediately preceding sentence. For the year commencing from and after the Annual Meeting of Stockholders, the Chairs of the Nominating/Corporate Governance Committee and the Audit Committee will each be paid \$50,000 to serve as the Chair of such Committee, which will be payable quarterly during the course of the year. The members of the Board are reimbursed by us for their travel and other expenses incurred by them in connection with company business. If Mr. Schiller is elected to the Board of Directors, he will be compensated pursuant to his employment agreement and will not be entitled to receive the compensation that is paid to our non-management directors.

#### Involvement in Certain Legal Proceedings

No director, executive officer, or person nominated to become a director or executive officer has, within the last five years: (i) had a bankruptcy petition filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for, any property or any business of such person or entity with respect to which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) been convicted in a criminal proceeding or is currently subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) been subject to any order, judgment or decree, not subsequently reversed,

suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities or practice; (iv) been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been subsequently reversed, suspended or vacated.

#### REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Board of Directors has appointed an Audit Committee consisting of three directors. Each of the members of the Audit Committee is independent from Armor Holdings and is financially literate as that qualification is interpreted by the Board of Directors, The New York Stock Exchange and the Commission. The Board of Directors has adopted a written charter with respect to the Audit Committee's roles and responsibilities.

Management is responsible for the preparation, integrity and fair presentation of information in the consolidated financial statements of Armor Holdings, the financial reporting process and internal control over financial reporting. The external auditor is responsible for performing an independent audit of Armor Holdings' consolidated financial statements and internal control over financial reporting in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee has had various discussions with management and the independent auditors. Management represented to us that Armor Holdings' consolidated financial statements were prepared in

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accordance with generally accepted accounting principles applied on a consistent basis, and we have reviewed and discussed the quarterly and annual earnings press releases and consolidated financial statements with management and the independent auditors. The Audit Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees), as amended, and Rule 2-07 (Communication With Audit Committees) of Regulation S-X.

The Audit Committee has received the written disclosures from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with the independent auditors their independence from Armor Holdings and its management. The Audit Committee also considered whether the independent auditors' provision of audit and non-audit services to Armor Holdings is compatible with maintaining the independent auditors' independence.

The Audit Committee discussed with Armor Holdings' internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee discussed with the internal and independent auditors, with and without management present, the results of their examinations, the evaluations of Armor Holdings' internal controls, and the overall quality and integrity of Armor Holdings' financial reporting.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in Armor Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2004 for filing with the Commission.

AUDIT COMMITTEE

David R. Haas (Chairman)  
 Thomas W. Strauss  
 Deborah A. Zoullas

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Aggregate fees for professional services rendered for Armor Holdings by PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2004 and 2003 were:

	2004	2003
Audit Fees	\$ 1,949,801	\$ 2,011,781
Audit Related Fees	492,296	268,697
Tax Fees	343,090	690,014
All Other Fees	10,000	—
Total	\$ 2,795,187	\$ 2,970,492

Audit Fees

The Audit Fees for the fiscal years ended December 31, 2004 and 2003, respectively, were for professional services rendered for the audit of our consolidated financial statements for the fiscal years ended December 31, 2004 and 2003, as applicable, and for the review of our consolidated financial statements included in our quarterly reports on Form 10-Q for fiscal 2004 and 2003, as applicable. In addition, Audit Fees for both fiscal years 2004 and 2003 also includes fees for services rendered to us by PricewaterhouseCoopers LLP for statutory and subsidiary audits, issuance of comfort letters, consents and assistance with review of documents filed with the Commission aggregating \$652,016 and \$762,300 in fiscal years 2004 and 2003, respectively. Additionally, Audit Fees for 2003 include \$319,542 for income tax provision procedures.

Audit Related Fees

The Audit Related Fees as of the fiscal years ended December 31, 2004 and 2003, respectively, were for assurance and related services related to employee benefit plan audits and due diligence related to mergers and acquisitions.

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Tax Fees

Tax Fees as of the fiscal years ended December 31, 2004 and 2003, respectively, were for services related to tax compliance, including the preparation of tax returns and claims for refund, tax planning and advice, including assistance with and representation in tax audits and appeals, advice related to mergers and acquisitions, tax services for employee benefit plans, and requests for rulings or technical advice from tax authorities.

All Other Fees

All Other Fees for the fiscal year ended December 31, 2004 were for equity compensation plan consultations and our subscription to an Internet-based accounting research tool. There were no fees incurred for All Other Fees for the fiscal year ended December 31, 2003.

## Auditor Independence

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers LLP and determined that the provision of such services had no effect on PricewaterhouseCoopers LLP's independence from Armor Holdings.

## AUDIT COMMITTEE PRE-APPROVAL POLICY AND PROCEDURES

The Audit Committee must review and pre-approve all audit and non-audit services provided by PricewaterhouseCoopers LLP, our independent auditor, and has adopted a Pre-approval Policy. The Audit Committee has pre-approved certain services up to a cost of \$250,000. The Audit Committee will periodically review and revise the list of pre-approved services. In conducting reviews of audit and non-audit services, the Audit Committee will determine whether the provision of such services would impair the auditor's independence. The Audit Committee will only pre-approve services which it believes will not impair our auditors' independence. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. Any proposed services exceeding pre-approved fee ranges or limits must be specifically pre-approved by the Audit Committee.

Each pre-approval request shall be accompanied by detailed back-up documentation regarding the specific services to be provided. The pre-approval request shall identify whether the proposed services was initially recommended by the auditor. Each pre-approval request for any non-audit service must be accompanied by a statement of the auditor (which may be in writing or given orally to the Audit Committee) as to whether, in the auditor's view, the request or application is consistent with the Commission's rules on auditor independence.

Since the adoption of the Pre-approval Policy by the Audit Committee on March 11, 2004, the Audit Committee has not waived the pre-approval requirement for any services rendered by PricewaterhouseCoopers LLP to Armor Holdings. The full text of the Audit Committee's Pre-Approval Policy may be accessed at [www.armorholdings.com](http://www.armorholdings.com), our Internet website, at the tab "Investor Relations."

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## EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each of our executive officers as of April 1, 2005. Our executive officers are appointed by and serve at the discretion of the Board of Directors of Armor Holdings.

Name	Age	Position
Warren B. Kanders	47	Chairman of the Board of Directors and Chief Executive Officer
Robert R. Schiller	42	President and Chief Operating Officer
Glenn J. Heiar	45	Chief Financial Officer
Robert F. Mecredy	58	President – Aerospace & Defense Group
Cott T. O'Brien	51	President – Armor Holdings Products Division

See the table of nominees for election as directors for biographical data with respect to Messrs. Kanders and Schiller.

**Glenn J. Heiar**, 45, has served as our Chief Financial Officer since March 2004, Chief Accounting Officer since March 2003 and Chief Financial Officer of our Mobile Security Division since February 2002. From 1996 until 2001, Mr. Heiar was a Vice President and the Chief Financial Officer of Pirelli Cables and Systems, North America. From 1987 to 1996, Mr. Heiar worked for Alcatel Alsthom as a Financial Vice President and in various other financial positions. Mr. Heiar graduated with a B.B.A. in Accounting from the University of Wisconsin in 1982 and received a M.B.A. from the University of North Carolina in 1992. Mr. Heiar is a certified public accountant and a certified management accountant.

**Robert F. Mecredy**, 58, has served as President of our Aerospace & Defense Group since December 2003 and Corporate Vice President for Government Affairs since October 2001. From 1991 to 2001, Mr. Mecredy worked at Firearms Training Systems, Incorporated, holding positions ranging from Director of U.S. Military Marketing and Sales through Chief Executive Officer, President and Director. From 1988 to 1990, Mr. Mecredy served as the Director of Army and Marine Corps programs for Raytheon's Washington, D.C. Office. Mr. Mecredy actively served in the U.S. Army from 1966 through 1986 (when he was honorably discharged) where he held positions of increasing responsibility, including, among other positions, Deputy Director of the Army Staff and White House Liaison. Mr. Mecredy graduated Summa Cum Laude from Park University with a B.S. in Economics in 1974 and received a M.B.A. from Webster University in 1980.

**Scott T. O'Brien**, 51, has served as President of our Products Division since March 2005 and President and Chief Operating Officer of Safari Land Ltd., Inc., one of our subsidiaries in our Products Division, since April 1999 when we acquired Safari Land Ltd., Inc. Since first joining Safari Land Ltd., Inc. in 1974, Mr. O'Brien held progressively more responsible positions before being appointed President and Chief Operating Officer in 1993. Mr. O'Brien served as Vice President of Operations from 1988 until 1993; Vice President of Manufacturing from 1985 until 1988; and Vice President of the Body Armor Division from 1978 until 1985. Mr. O'Brien graduated with a B.A. in Business Administration from California State University, Fullerton, in 1976.

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## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following summary compensation table sets forth information concerning the annual and long-term compensation earned for the periods presented below by our chief executive officer and our four most highly compensated executive officers other than our Chief Executive Officer who were serving as executive officers at the end of fiscal 2004 and whose annual salary and bonus during fiscal 2004 exceeded \$100,000 (collectively, the "Named Executive Officers").

Name and Principal Position	Fiscal Year	Annual Salary (\$)	Compensation Bonus (\$)	Long-Term Compensation Awards		
				Restricted Stock Awards(1)	Securities Underlying Options	All Other Compensation (\$)
Warren B. Kandors	2004	525,000	1,000,000	499,969(2)	250,000	68,149(3)
Chairman of the Board and CEO	2003	382,000	400,000	4,552,005(4)	300,000	143,000(5)

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	2002	—	—	1,661,123(6)	585,000(7)	525,000(5)
Robert R. Schiller	2004	500,000	1,000,000	499,969(8)	—	35,000(9)
President and Chief Operating Officer	2003	432,638	400,000	3,314,017(10)	200,000	—
	2002	320,000	—	2,471,554(11)	50,000	—
Glenn J. Heiar	2004	300,000	262,500	87,461(12)	100,000	13,525(13)
Chief Financial Officer	2003	220,000	100,000	93,278(14)	—	—
	2002	198,423	—	—	100,000	—
Robert F. Mecredy	2004	300,000	450,000	149,991(15)	—	15,000(16)
President of Aerospace & Defense Group	2003	200,000	190,000	114,225(17)	100,000	—
	2002	200,000	—	—	25,000	—
Stephen E. Croskrey	2004	300,000	262,500	87,461(19)	—	—
Former President and CEO of Armor Holdings Products Division (18)	2003	300,000	225,000	82,536(20)	—	—
	2002	300,000	—	31,419(21)	200,000	—

- (1)As of December 31, 2004, each Named Executive Officer owned the following number of shares of restricted common stock (which number includes the restricted stock awarded to such Named Executive Officer as bonus compensation on February 10, 2005 but was included as compensation in fiscal 2004): Mr. Kanders, 220,398, Mr. Schiller, 168,091, Mr. Heiar, 30,474, Mr. Mecredy, 32,651, and Mr. Croskrey, 4,805. The value of the restricted common stock owned by each Named Executive Officer as of December 31, 2004 was as follows: Mr. Kanders, \$10,363,114, Mr. Schiller, \$7,903,639, Mr. Heiar, \$1,432,887, Mr. Mecredy, \$1,535,250, and Mr. Croskrey, \$225,931, and were calculated using the closing price of our common stock on December 31, 2004 which was \$47.02. No dividends, to the extent declared and paid on our unrestricted common stock, will be paid on our unvested restricted common stock.
- (2)Represents the value of a stock bonus granted on February 10, 2005 (2004 bonus compensation which has been included as compensation in fiscal 2004) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2005 stock bonus was calculated using the closing price on February 10, 2005 which was \$44.76, as quoted on the New York Stock Exchange. 11,170 shares of restricted common stock were granted to Mr. Kanders on February 10, 2005 of which 3,723 shares vest on January 1, 2006 and 2007 and 3,724 shares vest on January 1, 2008.
- (3)Represents the amount paid to Mr. Kanders as a supplemental expense reimbursement for expenses incurred by Mr. Kanders during fiscal 2003 and 2004 but excludes any office expense reimbursements paid in fiscal 2004. For more information regarding office expense reimbursements paid to Mr.

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Kanders, please see "Employment Agreements – Warren B. Kanders" and "Certain Relationships and Related Transactions," respectively. In addition to the information disclosed in the table: (i) on January 3, 2005, Mr. Kanders was granted presently exercisable stock options to purchase 150,000 shares at an exercise price of \$45.93 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 50,000 shares will be restricted from sale until January 3, 2006; 50,000 shares will be restricted from sale until January 3, 2007; and 50,000 shares will be restricted from sale until January 3, 2008; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; and (ii) on March 25, 2005, Mr. Kanders was granted presently exercisable stock options to purchase 328,800 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any

such options will be subject to the following lock-up restrictions: 50,000 shares will be restricted from sale until January 1, 2007; 100,000 shares will be restricted from sale until January 1, 2008; 128,800 shares will be restricted from sale until January 1, 2009; and 50,000 shares will be restricted from sale until January 1, 2010; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up periods have not yet expired, they shall each be extended for an additional five year period. For more information, please see the Report on Executive Compensation by the Compensation Committee and the Employment Agreements section below.

- (4) Represents the value of stock bonuses granted on July 26, 2003 and February 10, 2004 (2003 bonus compensation which has been included as compensation in fiscal 2003) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2004 stock bonus was calculated using the closing price on February 10, 2004 which was \$28.90, as quoted on the New York Stock Exchange. 200,000 shares of restricted common stock were granted to Mr. Kanders on July 26, 2003; such shares vested on November 11, 2003 and have been deferred until the earlier of November 11, 2008 and two years of continuous employment by Mr. Kanders with Armor Holdings; the delivery of such restricted stock has been accelerated by Armor Holdings and were delivered on or about April 26, 2005 less a certain number of shares necessary to pay applicable withholding taxes payable upon receipt of such shares. The accelerated and delivered restricted shares are subject to a lock-up period through November 11, 2005; upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; upon a change in control of the Company, the lock-up period that is still in effect in respect of such shares upon the occurrence of such change in control shall terminate. We calculated the value of the July 26, 2003 stock bonus using the closing price of our common stock, as quoted on the New York Stock Exchange, on November 11, 2003, the date on which such stock bonus vested. The closing price of our common stock on the New York Stock Exchange on November 11, 2003 was \$20.76. 13,841 shares of restricted common stock were granted to Mr. Kanders on February 10, 2004 of which 4,613 shares vest on February 9, 2005 and 4,614 shares vest on each of February 9, 2006 and February 9, 2007.
- (5) Represents the compensation paid to Kanders & Co., Inc. ("Kanders & Co."), a corporation controlled by Mr. Kanders, for investment banking services provided to Armor Holdings.
- (6) Represents the value of stock bonuses granted on August 12, 2002 pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on August 12, 2002 of \$15.04 as quoted on the New York Stock Exchange. 100,000 shares of restricted common stock were granted to Mr. Kanders on August 12, 2002 which vest on December 31, 2016, subject to acceleration under certain circumstances, including, among other things, the vesting of 75% of such shares upon us achieving \$100 million of earnings before interest, taxes, depreciation and amortization ("EBITDA") during any rolling four-quarter period and the vesting of the remaining 25% of such shares upon us achieving \$125 million of EBITDA during any

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rolling four-quarter period. Such shares vested in fiscal 2004. 10,447 shares of restricted common stock were granted to Kanders & Co. on August 12, 2002 and such shares vested on December 31, 2004.

- (7) The securities underlying options granted to Mr. Kanders during 2002 include 35,000 shares of common stock underlying an option granted to Kanders & Co.
- (8) Represents the value of a stock bonus granted on February 10, 2005 (2004 bonus compensation which has been included as compensation in fiscal 2004) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2005 stock bonus was calculated using the closing



price on February 10, 2005 which was \$44.76, as quoted on the New York Stock Exchange. 11,170 shares of restricted common stock were granted to Mr. Schiller on February 10, 2005 of which 3,723 shares vest on January 1, 2006 and 2007 and 3,724 shares vest on January 1, 2008.

(9) Represents the amount paid to Mr. Schiller as a supplemental expense reimbursement for expenses incurred by Mr. Schiller during fiscal 2004. In addition to the information disclosed in the table: (i) on January 3, 2005, Mr. Schiller was granted presently exercisable stock options to purchase 100,000 shares at an exercise price of \$45.93 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 33,333 shares will be restricted from sale until January 3, 2006; 33,333 shares will be restricted from sale until January 3, 2007; and 33,334 shares will be restricted from sale until January 3, 2008; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; and (ii) on March 25, 2005, Mr. Schiller was granted presently exercisable stock options to purchase 219,200 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 33,333 shares will be restricted from sale until January 1, 2007; 66,666 shares will be restricted from sale until January 1, 2008; 85,867 shares will be restricted from sale until January 1, 2009; and 33,334 shares will be restricted from sale until January 1, 2010; in addition, upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period. For more information, please see the Report on Executive Compensation by the Compensation Committee and the Employment Agreement section below.

(10) Represents the value of stock bonuses granted on November 4, 2003 and February 10, 2004 (2003 bonus compensation which has been included as compensation in fiscal 2003) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2004 stock bonus was calculated using the closing price on February 10, 2004 which was \$28.90, as quoted on the New York Stock Exchange. 150,000 shares of restricted common stock were granted to Mr. Schiller on November 4, 2003; such shares vested on November 11, 2003 and have been deferred until the earlier of November 11, 2008, and two years of continuous employment by Mr. Schiller with Armor Holdings the delivery of such restricted stock has been accelerated by Armor Holdings and were delivered on or about April 26, 2005 less a certain number of shares necessary to pay applicable withholding taxes payable upon receipt of such shares. The accelerated and delivered restricted shares are subject to a lock-up period through November 11, 2005; upon Mr. Schiller's voluntary termination of employment with the Company or his termination by the Company for cause, if the foregoing lock-up period has not yet expired, it shall be extended for an additional five year period; upon a change in control of the Company, the lock-up period that is still in effect in respect of such shares upon the occurrence of such change in control shall terminate. We calculated the value of the November 4, 2003 stock bonus using the closing price of our common stock, as quoted on the New York Stock Exchange, on November 11, 2003, the date on which such stock bonus vested. The closing price of our common stock on the New York Stock Exchange on November 11, 2003 was \$20.76. 6,921 shares of restricted common stock were granted to Mr. Schiller on February 10, 2004 and such shares vest on February 9, 2007.

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(11) Represents the value of stock bonuses granted on March 13, 2002 and August 12, 2002 pursuant to the 2002 Executive Stock Plan and the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on March 13, 2002 and August 12, 2002 which was \$23.93 and \$15.04, respectively, as quoted on the New York Stock Exchange. 100,000 shares of

restricted common stock were granted to Mr. Schiller pursuant to the 2002 Executive Stock Plan on March 13, 2002 which vest on December 31, 2016, subject to acceleration under certain circumstances, including, among other things, the vesting of 75% of such shares upon us achieving \$100 million of EBITDA during any rolling four-quarter period and the vesting of the remaining 25% of such shares upon us achieving \$125 million of EBITDA during any rolling four-quarter period. Such shares vested in fiscal 2004. 5,223 shares of restricted common stock were granted to Mr. Schiller pursuant to the 2002 Stock Incentive Plan on August 12, 2002 and such shares vested on December 31, 2004.

- (12) Represents the value of a stock bonus granted on February 10, 2005 (2004 bonus compensation which has been included as compensation in fiscal 2004) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2005 stock bonus was calculated using the closing price on February 10, 2005 which was \$44.76, as quoted on the New York Stock Exchange. 1,954 shares of restricted common stock were granted to Mr. Heiar on February 10, 2005 of which 651 shares vest on each of January 1, 2006 and 2007, and 652 shares vest on January 1, 2008.
- (13) Represents the amount paid to Mr. Heiar as a supplemental expense reimbursement for expenses incurred by Mr. Heiar during fiscal 2004. In addition to the information disclosed in the table, Mr. Heiar was granted: (i) 25,000 shares of restricted stock on February 10, 2005, which will vest upon a change of control of the Company; (ii) presently exercisable stock options to purchase 25,000 shares on February 10, 2005, at an exercise price of \$44.76; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: all of the shares will be restricted from sale for two years from February 10, 2005 (the "Vesting Date"), 75% of the shares will be restricted from sale for three years from the Vesting Date, 50% of the shares will be restricted from sale for four years from the Vesting Date, and 25% of the shares will be restricted from sale for five years from the Vesting Date; and (iii) presently exercisable stock options to purchase 75,000 shares on March 25, 2005, at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 6,250 shares will be restricted from sale until January 1, 2008; 12,500 shares will be restricted from sale until January 1, 2009; 18,750 shares will be restricted from sale until January 1, 2010; 18,750 shares will be restricted from sale until January 1, 2011; 12,500 shares will be restricted from sale until January 1, 2012; and 6,250 shares will be restricted from sale until January 1, 2013; in addition, upon Mr. Heiar's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period. For more information, please see the Report on Executive Compensation by the Compensation Committee and the Employment Agreement section below.
- (14) Represents the value of stock bonuses granted on March 21, 2003 and March 15, 2004 (2003 bonus compensation which has been included as compensation in fiscal 2003) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on March 21, 2003 and March 12, 2004 which was \$9.87 and \$28.95, respectively, as quoted on the New York Stock Exchange. 5,000 shares of restricted common stock were granted to Mr. Heiar on March 21, 2003 of which 1,500 shares have vested, 1,500 shares vest on December 31, 2004 and 2,000 shares vest on December 31, 2005. 1,520 shares of restricted common stock were granted to Mr. Heiar on March 15, 2004 which shares vest on December 31, 2006.
- (15) Represents the value of a stock bonus granted on February 10, 2005 (2004 bonus compensation which has been included as compensation in fiscal 2004) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2005 stock bonus was calculated using the closing price on February 10, 2005 which was \$44.76, as quoted on the New York Stock Exchange.

3,351 shares of restricted common stock were granted to Mr. Mecredy on February 10, 2005 of which 1,117 shares vest on each of January 1, 2006, 2007 and 2008.

- (16) Represents the amount paid to Mr. Mecredy as a supplemental expense reimbursement for expenses incurred by Mr. Mecredy during fiscal 2004. In addition to the information disclosed in the table, Mr. Mecredy was granted: (i) 25,000 shares of restricted stock on February 10, 2005, which will vest upon a change of control of the Company; (ii) presently exercisable stock options to purchase 75,000 shares on February 10, 2005, at an exercise price of \$44.76; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: all of the shares will be restricted from sale for two years from February 10, 2005 (the "Vesting Date"), 75% of the shares will be restricted from sale for three years from the Vesting Date, 50% of the shares will be restricted from sale for four years from the Vesting Date, and 25% of the shares will be restricted from sale for five years from the Vesting Date; and (iii) presently exercisable stock options to purchase 75,000 shares on March 25, 2005, at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lock-up restrictions: 6,250 shares will be restricted from sale until January 1, 2008; 12,500 shares will be restricted from sale until January 1, 2009; 18,750 shares will be restricted from sale until January 1, 2010; 18,750 shares will be restricted from sale until January 1, 2011; 12,500 shares will be restricted from sale until January 1, 2012; and 6,250 shares will be restricted from sale until January 1, 2013; in addition, upon Mr. Mecredy's voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period. For more information, please see the Report on Executive Compensation by the Compensation Committee and the Employment Agreement section below.
- (17) Represents the value of stock bonuses granted on March 21, 2003 and March 15, 2004 (2003 bonus compensation which has been included as compensation in fiscal 2003) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on March 21, 2003 and March 12, 2004 which was \$9.87 and \$28.95, respectively, as quoted on the New York Stock Exchange. 6,000 shares of restricted common stock were granted to Mr. Mecredy on March 21, 2003 of which 1,800 shares have vested, 1,800 shares vest on December 31, 2004 and 2,400 shares vest on December 31, 2005. 1,900 shares of restricted common stock were granted to Mr. Mecredy on March 15, 2004 which shares vest on December 31, 2006.
- (18) Mr. Croskrey, our former President and CEO, Products Division, terminated his employment with the Company effective March 7, 2005, and the information contained in this table is as of that date. For more information see the Employment Agreement section below.
- (19) Represents the value of a stock bonus granted on February 10, 2005 (2004 bonus compensation which has been included as compensation in fiscal 2004) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to the February 10, 2005 stock bonus was calculated using the closing price on February 10, 2005 which was \$44.76, as quoted on the New York Stock Exchange. 1,954 shares of restricted common stock were granted to Mr. Croskrey on February 10, 2005 which vest on March 8, 2008. In addition, on February 10, 2005, Mr. Croskrey was granted stock options to purchase 10,000 shares at an exercise price of \$44.76 which were accelerated on March 7, 2005 and are presently exercisable; sales of common stock issued upon an exercise of any such options will be subject to a lock-up restriction through March 7, 2008, and the shares will be held by Armor Holdings as collateral to secure Mr. Croskrey's obligations under the Resignation and Severance Agreement and General Release he executed with Armor Holdings.
- (20) Represents the value of stock bonuses granted on March 15, 2004 (2003 bonus compensation which has been included as compensation in fiscal 2003) pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on March 12, 2004 which was \$28.95 as quoted on the New York Stock Exchange. Pursuant to such calculations, 2,851 shares of restricted common stock were granted to Mr. Croskrey and such shares vest on December 31, 2006.

(21) Represents the value of stock bonuses granted on August 12, 2002 pursuant to the 2002 Stock Incentive Plan. The number of shares issued pursuant to these bonuses was calculated using the closing price on August 12, 2002 which was \$15.04 as quoted on the New York Stock Exchange. Pursuant to such calculations, 2,089 shares of restricted common stock were granted to Mr. Croskrey and such shares vested on December 31, 2004.

## Options Granted in Fiscal 2004

We granted the following options to our Named Executive Officers during fiscal 2004.

Name	Individual Grants		Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year			5% (\$)	10% (\$)
Warren B. Kanders	250,000(1)	25.5%	28.90	2/10/14	4,543,764	11,514,789
Robert R. Schiller	—(2)	—	—	—	—	—
Glenn J. Heiar	100,000(3)	10.2%	28.46	3/11/14	1,789,834	4,535,791
Robert F. Mecredy	—(4)	—	—	—	—	—
Stephen E. Croskrey	—(5)	—	—	—	—	—

(1) In addition to the information disclosed in the table: (i) on January 3, 2005, Mr. Kanders was granted presently exercisable stock options to purchase 150,000 shares at an exercise price of \$45.93 per share; sales of common stock issued upon an exercise of any such options are subject to the following lock-up restrictions: 50,000 shares will be restricted from sale until January 3, 2006; 50,000 shares will be restricted from sale until January 3, 2007; and 50,000 shares will be restricted from sale until January 3, 2008; in addition, upon Mr. Kanders' voluntary termination of employment with the Company or his termination by the Company for cause, any of the foregoing lock-up periods which have not yet expired shall be extended for an additional five year period; and (ii) on March 25, 2005, Mr. Kanders was granted presently exercisable stock options to purchase 328,800 shares at an exercise price of \$37.90 per share; sales of common stock issued upon an exercise of any such options will be subject to the following lo